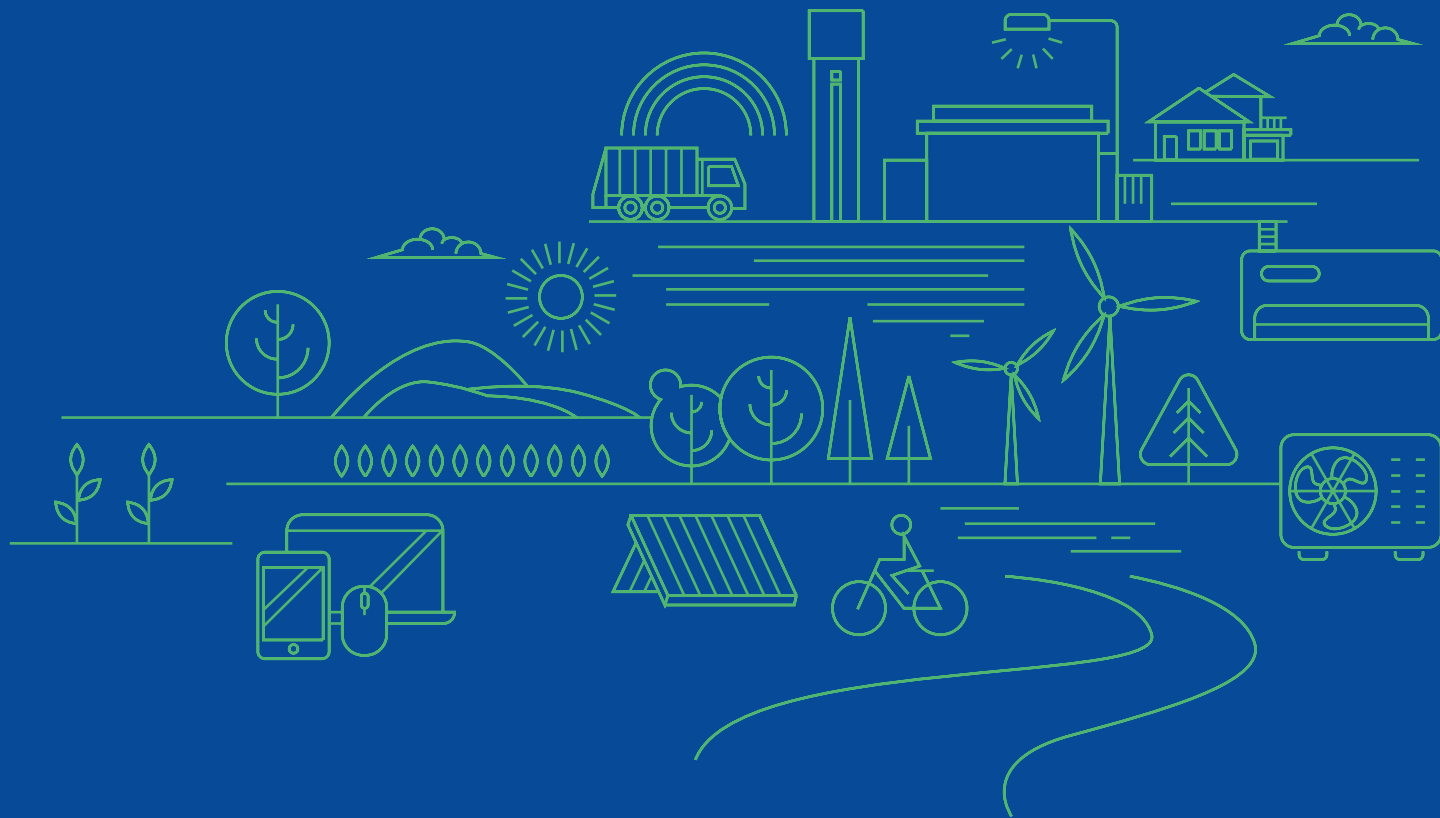




2024

Environmental, Social and Governance (ESG) Report

ATTRACTING SMART WORLD DRIVING GREEN FUTURE



About the Report

Yantai Zhenghai Magnetic Material Co., Ltd. (hereinafter referred to as "The Company" or "We") hopes to convey the values, vision, goals, actions, and performance of the Company in the fields of environment, society, and corporate governance to all stakeholders through a sustainable development report based on international standards.

Report Basis

Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation)

Report References

Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) issued by Global Sustainability Standards Board (GSSB)

Chinese Academy of Social Sciences Guidelines for Chinese Corporate Environmental, Social and Governance Report (CASS-ESG 6.0) issued by China Enterprise Reform and Development Society and CSR Cloud Research Institute

Task Force on Climate-related Financial Disclosures (TCFD) Framework

Report Scope

The time frame of this Report is from January 1, 2024 to December 31, 2024. Some data, for the sake of continuity and comparability, exceeds this frame.

Some economic performance data in this Report are quoted from ZHmag 2024 Annual Report. Unless otherwise stated, all amounts shown in this Report are presented in RMB.

The scope of organizational boundary for this Report is the rare earth permanent magnet sector of ZHmag.

Report Commitment

This Report, organized and compiled by ZHmag, has been deliberated and approved by the Strategic and Sustainable Development Committee of the Board of Directors. The Company guarantees the authenticity of the report information without false or misleading statements.

Release Channels

This Report is published in electronic format and can be accessed on the Company's official website (<http://www.zhmag.com/>).

Feedback

We look forward to receiving your feedback and suggestions. Please provide your feedback according to the following contact information to help us make further improvement.

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Speech by the Chairman



2024 marked the 20th anniversary of the formal introduction of the ESG concept. At the same time, Chinese ministries and commissions, such as Ministry of Finance and three major stock exchanges, successively issued policy requirements related to sustainable development. It was also a milestone year for ESG development in China. At this critical juncture, ZHmag actively conformed to the trend of the times, deeply integrated ESG concepts into corporate development strategies, and took Innovation-Driven, green development, and social responsibility as the breakthrough points, opening a new chapter in sustainable development.

In this year, we focused on our main business and promoted the high-quality development of the Company.We always adhered to the vision of "to be pioneer of global permanent magnet industry", actively responded to the call for low-carbon economy, and consolidated our advantages in product quality, technology R&D, market expansion, and customer resources. In terms of product routes, the Company continued to enrich and expanded its such three major product routes as "low content of heavy rare earth", "heavy rare earth free", and "ultra-light rare earth". Based on ZHmag Oxygen Free Process (ZHOFP), the Company developed the Technology of Heavy Rare Earth Diffusion (THRED) and the Technology of Optimizing Particle Size (TOPS). The three core technologies continued to iterate and consolidate cost advantages. We deeply cultivated the existing market, deepened cooperation with existing customers, explored new industries and customers, extended product application areas and accelerated capacity release to accumulate momentum for the sustainable development.

In this year, we took advantage of the situation and helped develop New Quality Productive Forces.We always adhered to the corporate spirit of "Be persistent, pragmatic and strive for excellence", insisted on the dual strategies R&D of "outshine" and "balance of rare earth resources", deepened the collaborative development mechanism with strategic customers, established long-term cooperative relationships with multiple universities, jointly built innovation bases, and formed a market-oriented and R&D-supported technological innovation system. The Company's high-performance NdFeB permanent magnet materials provided key material support for emerging industries such as new energy vehicles and intelligent high-end equipment, and promoted the upgrading of traditional industries. We maintained our advantage in new energy vehicles market and actively made the layout of emerging fields such as humanoid robots, jointly carried out R&D and sample supply work, and helped the formation of New Quality Productive Forces.

In this year, we actively transformed and continued to promote digital engineering.Since the launch of the "Digital Zhenghai Project" in 2023, we had fully embarked on digital transformation. We introduced a digital management system to comprehensively optimize and upgrade human resource management, production processes, quality management, supply chain management and other aspects, achieving intelligent monitoring of production process, efficient collaboration of supply chain, and precise control of quality. Through digital transformation, we effectively improved operational efficiency, reduced production costs, enhanced the core competitiveness of the enterprise, and laid a solid technological foundation for achieving sustainable development.

In this year, we upheld the green concept and actively practiced sustainable development.We always integrated green development into our corporate culture. In September 2024, the Company's photovoltaic project was officially connected to the grid for power generation. During the reporting period, we had generated over 1,700 megawatt hours of electricity, reduced standard coal consumption by about 210 tons, and lowered greenhouse gas emissions by more than 900 tons. In addition, the Company actively promoted the efficient utilization and recycling of rare earth resources, and further reduced resource waste and improved resource utilization efficiency by optimizing production processes and upgrading technologies. With outstanding performance in the field of green and low-carbon, the Company had been awarded titles such as "National-level Green Factory" and "Shandong Provincial Green Supply Chain".

Let's embark on a new journey, regardless of the past! Looking ahead to the future, ZHmag will continue to adhere to the ESG concept, take technological innovation as the guide, green development as the foundation, and social responsibility as its responsibility, continuously improving the Company's sustainable development capabilities. We will continue to optimize our product structure, expand market space, strengthen cooperation and communication with all parties, and contribute more to promoting industry progress and social development. At the same time, we will actively respond to various challenges, strive to achieve the organic unity of enterprise economic benefits, social benefits, and environmental benefits, and move forward courageously towards the goal of "To be pioneer of global permanent magnet industry".

About ZHmag

Company Profile

To be pioneer of global permanent magnet industry

Yantai Zhenghai Magnetic Material Co., Ltd was founded in 2000 and listed on the Growth Enterprises Market (stock code: 300224) in 2011. It is the first Hi-tech enterprise in China dedicated to the research, development, and manufacturing of high-end rare earth permanent magnet materials and components. Its comprehensive strength ranks first tier in the world. The Company has established production bases in Yantai of Shandong, Jianghua of Hunan and Nantong of Jiangsu, and established marketing service bases in Germany, Japan, South Korea, USA, and Malaysia, forming a global industrial layout.

The Company's products are widely used in high-end application fields of new energy, energy-saving and intelligence, covering such intelligent consumer electronics as new energy vehicles, wind power, automotive energy-saving electrical appliances, energy-saving home appliances, energy-saving elevators, robots, and cellphones.

As a leading enterprise in China for high-performance NdFeB permanent magnet materials, the Company's high-performance rare earth permanent magnet materials are known for their low content of heavy rare earths, low weight loss, high consistency, high working temperature, and high

coating reliability, making the Company become a trustworthy product supplier for many world-renowned enterprises. The "ZHmag Brand" sintered NdFeB permanent magnet materials have been rated as "Shandong Famous Brand" products. Its "NdFeB Magnetic Materials Dedicated for 48H Ultra-Thin Silent Energy-Saving Environmental Protection Elevator" has been recognized as "National Key New Product", and its "Development and Application of G54SH Series High-Performance Rare Earth Permanent Magnets" Project has won the First Prize of Shandong Provincial Employee Innovation Achievement Award.

The Company has established innovation platforms such as the National Enterprise Technology Center, the National and Local Joint Engineering Research Center, and has established the Joint Research Center for Frontier Materials in collaboration with Beijing University of Science and Technology and jointly established the Joint Innovation Center with the Yangtze River Delta National Technology Innovation Center. The Company has undertaken more than 20 national, provincial, and ministerial-level research projects. The Company has independently developed such three core technologies as ZHmag Oxygen Free Process (ZHOF), Technology of Optimizing Particle Size (TOPS) and Technology of Heavy Rare Earth Diffusion (THRED), which have reduced the use of heavy rare earth in products by 80% and improved the comprehensive performance of products by more



than 30%. These technologies have filled several key technical gaps in China and have achieved multiple scientific and technological achievements. The Company has won several honors such as the "Second Prize of National Science and Technology Progress Award", "Excellent Award of Chinese Patent", "First Prize of Science and Technology Award of China Iron and Steel Industry Association and Chinese Society for Metals", "Shandong Provincial Technical Innovation Demonstration Enterprise", "Shandong Provincial Excellent Management Innovation Enterprise", "Shandong Provincial Industrial Outstanding Contribution Award", and the national-level "Green Factory".

The Company has always taken "To be pioneer of global permanent magnet industry" as its industrial vision, and adhering to the corporate spirit of "Be persistent, pragmatic and strive for excellence". It is committed to promoting the progress of "intelligent and smart" and "green low-carbon" industries through sustainable development, attracting global attention, and contributing value to intelligent production, smart life, and harmonious ecology with innovative technology!



Corporate Culture

Corporate Vision

Building a century-old Zhenghai and creating a world-class brand

Corporate Purpose

Satisfying employees, customers and the society

Corporate Spirit

Be persistent, pragmatic and strive for excellence

Core Values

Unity, Integrity, Innovation, Win-Win

Industry Vision

To be pioneer of global permanent magnet industry

The Company will operate the enterprise with a global perspective, maintain leadership in R&D, quality, scale, resources, and applications, become a strategic partner of world-class customers, and be pioneer of global permanent magnet industry!

Industry Mission

Attracting Smart World, Driving Green Future

The Company is committed to promoting the progress of "intelligent and smart" and "green low-carbon" industries through sustainable development, attracting global attention, and contributing value to intelligent production, smart living, and harmonious ecology with innovative technology!

Development Milestone



Enterprise Honors



8th Batch of National Champion Enterprise in Single Manufacturing Field
Ministry of Industry and Information Technology of the People's Republic of China



2023 Shandong Provincial Top 50 New Materials Leading Enterprises
Department of Industry and Information Technology of Shandong Province



Shandong Provincial Champion Enterprise in Single Manufacturing Field
Department of Industry and Information Technology of Shandong Province



Shandong Provincial Green Supply Chain Management Enterprise
Department of Industry and Information Technology of Shandong Province



Shandong Provincial Technology Innovation Demonstration Enterprise
Shandong Provincial Commission of Economy and Information Technology, Shandong Provincial Department of Finance



First Prize in Shandong Provincial Employee Innovation and Efficiency Competition
Shandong Provincial Federation of Trade Unions



The Highest Rating Level “A” in Shenzhen Stock Exchange Information Disclosure Assessment
Shenzhen Stock Exchange



“Best Practice Award” for Investor Relations Management of Listed Companies
China Association for Public Companies



Golden Bull Information Disclosure Award of the 26th Golden Bull Award for Listed Companies
China Securities Journal



Annual Science and Technology Innovation Pioneer of Chinese Listed Companies
Securities Times



Golden Round Table Award • Board Value Creation Award
The 19th Board of Directors of Chinese Listed Companies



Hurun China Most Valuable New Material Companies 2024
Hurun Research Institute



“National Leading Enterprise” in the Field of Rare Earth New Materials
Organizing Committee of the 16th China Baotou Rare Earth Industry Forum



Most Valuable Material Enterprise in the Field of Humanoid Robots
Humanoid Robot Alliance



Outstanding Contribution Award for Promoting the Development of China's NdFeB Permanent Magnet Industry
Magnetic Materials Branch of Association of China Rare Earth Industry

Honors Awarded by Customers in 2024

	Award Name	Awarding Unit
	Quality Excellence Award	Toyota Motor
	Five Star Supplier Award	ZEEKR Vremt
	Strategic Supplier Award	Midea
	Strategic Supplier	Samsung
	Best Supplier	LG
	Rationalized Excellent Supplier	Panasonic Wanbao
	Quality Supplier	Dongfang Electric
	Global Excellent Supplier	SNT MOTIV
	Annual Supplier	Mando Brose
	Best Quality Award	TAIGENE



ESG Highlights Performance



Social Performance

Safety production investment

7.93 million Yuan

The pass rate of occupational hazard factor detection

100%

The scholarship amount for "Zhenghai Innovation Talent"

1.37 million Yuan

Total duration of employee training

257,830 hours

Employee satisfaction

87.1%



Environmental Performance

■ The sales volume of magnet products for new energy vehicle drive motors can be assembled into about **5.5** million new energy passenger vehicles, contributing to reducing carbon emissions by **15.13** million tons

■ The sales volume of energy-saving variable-frequency air conditioning magnet products can be equipped with about **71** million variable-frequency air conditioning compressors, contributing to reducing carbon emissions by **15.24** million tons

■ The sales volume of wind power magnetic steel products can be provided for wind turbines with an installed capacity of about **7** GW, contributing to reducing carbon emissions by **14** million tons

Environmental investment

17.01 million Yuan

Green electricity usage

48,736 mWh

Annual environmental testing compliance rate

100%

Total greenhouse gas emissions

135,568 tons

Our Road to Sustainable Development



Sustainable Development Governance

To adapt to strategic and sustainable development needs, the Company has established the Board Strategy and Sustainable Development Committee. It is mainly responsible for studying and making recommendations on the Company's long-term development strategy, major investment and financing plans, sustainable development, and ESG matters, being accountable to the Board of Directors.

Board Strategy and Sustainable Development Committee	Conducting research and providing recommendations on the Company's strategic planning, expected goals, and policy guidelines for sustainable development (ESG). This includes but is not limited to environmental, social and governance strategies. Reviewing and approving the sustainable development strategies and strategic goals, and providing resource support.
Board Office	Responsible for the preparation and liaison work of the Strategy and Sustainable Development Committee.
Various Functional Departments of the Company and its Holding (Joint-Stock) Enterprises	Providing professional support to the Committee based on their functions and assisting in the Committee's work, including but not limited to collecting and analyzing development strategies and sustainable development related information, drafting company development strategy plans, mid-term and long-term plans for strategic development, tracking the implementation of strategic development, sustainable development performance, etc.

Sustainable Development Strategy

The Company has formulated a sustainable development strategy, integrating the concept of sustainable development into all operational levels, and aligning the sustainable development strategy with the United Nations sustainable development goals, actively fulfilling its social responsibilities to achieve the United Nations sustainable development goals.



Management of Impacts, Risks, and Opportunities Related to Sustainable Development

The Company incorporates the management of impacts, risks, and opportunities related to sustainable development into its overall risk management process.

The Company regards risk management and control as the foundation of steady development, continuously improving the risk management system, perfecting the risk assessment process, optimizing the risk list, and laying a solid foundation for the healthy and stable development of the Company.

First line of defense	Business Department	The Business Department, as the responsible party for risk management, is responsible for identifying, assessing, and managing various business risks, and formulating and implementing measures needed to mitigate these risks.
Second line of defense	Comprehensive Risk Management Committee	The Comprehensive Risk Management Committee is committed to building and improving the risk management system, continuously evaluating its effectiveness, and making improvements.
Third line of defense	Audit Center	The Audit Center, through routine and special audits, oversees the implementation of the risk management system, identifies and implements improvements for weak points in risk management.

The Company has formulated institutional documents such as the Risk Control Procedure and the Emergency Plan Control Procedure to guide the implementation of risk management and control work, and promote the early warning, reporting, and response of risk events. During the reporting period, the Company re-identified and reorganized the risk list based on the degree of likelihood and severity of consequences, adding 6 new identified risks and further improving the comprehensiveness of the risk list.



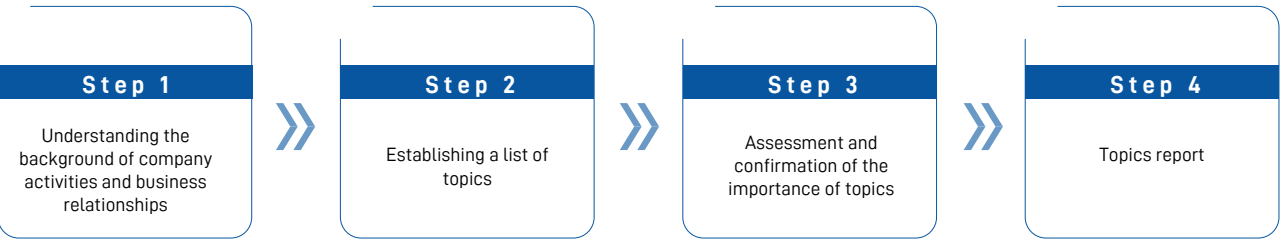
Stakeholders' Communication

The stakeholders are identified based on the mutual influence and dependence between the Company and stakeholders. The Company values the expectations of stakeholders, continuously improves communication mechanisms, enriches communication channels, and maintains long-term interests and sustainable development capabilities. By establishing strategic mutual trust with stakeholders, a consensus will be established on sustainable development, forming a joint force and maximizes its sustainable development role in economic, social, and environmental aspects.

Stakeholders	Main focus	Response measures
 Shareholders and creditors	- Standardized governance - Continuous profitability	- R&D innovation, improving business capabilities - Strengthening risk and compliance management - Disclosing information timely and accurately, and organizing shareholders' meeting regularly
 Customer	- Product and service safety and quality - Supply chain security - Addressing climate change - Circular economy - Information security	- Improving product quality and service system - Establishing multi-channel supply chain to improve its sustainability - Formulating carbon neutrality pathways and strategies - Resource recycling - Improving the information security management system - Protecting customer privacy
 Employees	- Protecting legitimate rights and interests - Remuneration and welfare guarantee - Health and safety - Career development	- Standardizing employment management and establishing a social responsibility system - Providing competitive remuneration and diversified welfare - Improving the occupational health and safety system - Providing a healthy and safe working environment - Improving talent development channels
 Suppliers and other partners	- Sunshine procurement - Integrity performance - Cooperation and mutual benefit - Enhancing abilities	- Carrying out fair and just procurement, and constantly improving the procurement management process - Paying the payment on time - Establishing a strategic partnership - Improving supplier quality and technical level
 Government	- Promoting local economic development - Paying taxes in accordance with the law - Promoting employment - Legal operation - Safety production - Energy conservation and emission reduction	- Driving the development of local industries - Paying taxes in accordance with the law - Enhancing self-development and providing job opportunities - Complying with laws and regulations - Strengthening safety production management - Formulating energy-saving and emission-reduction targets, implementing energy-saving and emission-reduction projects
 Community	- Protecting the environment - Supporting community development	- Protecting the ecological environment - Carrying out community public welfare activities
 China Securities Regulatory Commission, financial institutions, R&D institutions, media, etc	- Common development - Information disclosure	- Strengthening the cooperation among industry, university and research - Organizing visits, meet-and-greets, etc

Analysis of the Importance of Topics

The implementation of normalized management of importance of topics is an important foundation for ZHmag to carry out sustainable development management. In 2024, based on the Company's business model and sustainability background, combined with national policy guidelines, industry development trends, and the concerns of various stakeholders, ZHmag conducted analysis of the importance of topics from the perspective of financial importance for the first time. The specific steps were as follows:



Step 1: Understanding the background of company activities and business relationships

In the internal/external environment analysis, the Company conducted a thorough review of past annual reports and other disclosed data, laying the foundation for future evaluation processes. The Company extensively referred to relevant regulations, media reports, sustainable development websites, and report content, and fully considered the requirements of stakeholders such as customers, investors, and ESG rating agencies. On this basis, the Company systematically sorted out and derived sustainable development topics that covered all links of the value chain and comprehensively reflected the concerns of stakeholders.

Step 2: Establishing a list of topics

Based on the 21 sustainable development topics listed in the "Guidelines for Companies Listed on Shenzhen Stock Exchange—Sustainability Report", a list of 21 topics was established referring to GRI standards and the identification results of important topics for comparable companies in the same industry.

Step 3: Assessment and confirmation of the importance of topics

For each item on the agenda list, the Company identified the relevant impacts, risks, and opportunities from the dimensions of "impact importance" and "financial importance", and conducted an importance assessment. Among them, "impact importance" refers to whether the Company's performance on the corresponding topics will have a significant impact on the economy, society, and environment, and "financial importance" refers to whether the topic is expected to have a significant impact on the Company's business model, operations, development strategy, financial condition, operating results, cash flow, financing methods, and costs in the short, medium, and long term.

Assessment of impact importance	Assessment of financial importance
When evaluating the degree of "impact importance", we referred to the material topics of the Sustainability Accounting Standards Board (SASB) by industry, the key topics of MSCI ESG rating, and the identification results of the important topics of comparable companies in the same industry, and combined them with the results of internal and external stakeholder surveys. A total of 36 survey questionnaires were collected.	When evaluating the degree of "financial importance", we referred to the overall risk identification results of the Company and considered the risk factors identified in the Company's risk list.

We used the X-axis as "financial importance" and the Y-axis as "impact importance" to form a 2024 importance topic matrix based on the dual importance assessment results, and determined the importance topics and their priorities for this year.

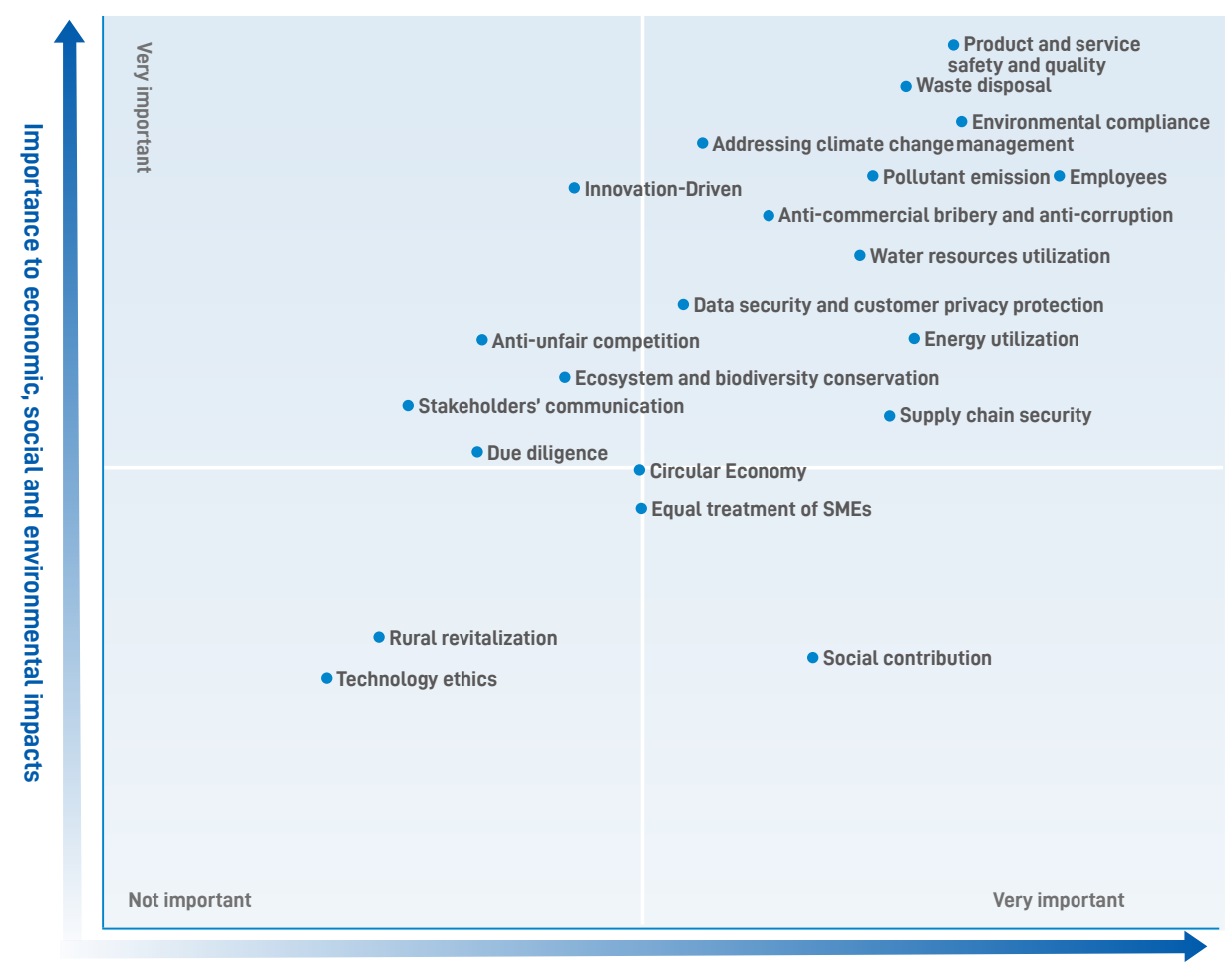
Step 4: Topics report

The Strategy and Sustainable Development Committee reviewed and confirmed the analysis results, and the Company, guided by the analysis results, carried out targeted disclosure and practical improvement.

Inter-annual Variation of ZHmag Sustainable Development Topics

Scope of topics	Names of topics in 2023	Names of topics in 2024	Changes in topics compared to last year
Environmental topics	Addressing climate change	Addressing climate change	Unchanged
	Emissions and waste management	Pollutant emission Waste disposal	Decomposition of topics
		Ecosystem and biodiversity conservation Environmental compliance management	Newly increasing of topics
	Energy management Water resource management Creating green products	Energy utilization Water resources utilization Circular economy	Renaming of topics
	Chemical safety		Topics deleted and merged to other topics
Social topics	Occupational health and safety Employee rights and benefits Diversity and equal opportunity Employee training and development	Employees	Merging of topics
	Information security and privacy protection	Data security and customer privacy protection	Renaming of topics
	Product quality and safety Customer service management	Product and service safety and quality	Merging of topics
	Responsible procurement Sustainable supply chain management	Supply chain security	Merging of topics
		Equal treatment of SMEs	Newly increasing of topics
	R&D and technological innovation Protection of intellectual property rights Digital transformation	Innovation-Driven Technology ethics	Merging of topics
	Community development and charity	Rural revitalization Social contribution	Decomposition of topics
Governance topics	ESG management	Stakeholders' communication	Decomposition of topics
	Business ethics and anti-corruption	Anti-commercial bribery and anti-corruption	Renaming of topics
		Anti-unfair competition Due diligence	Newly increasing of topics
	Corporate governance Information disclosure Creating economic value Compliance operation and risk management		Topics deleted and merged to other topics

Matrix diagram of important topics



Notes:

1. The Company does not engage in scientific research, technological development, or other activities in sensitive areas of technology ethics such as life sciences and AI, therefore the "technology ethics" indicator is not important;
2. The proportion of business conducted by the Company in rural and poverty-stricken areas is relatively low, so the "rural revitalization" indicator is not important.



Company Governance Consolidating the Foundation of Development

We share the fruits of development and also build the foundation of development. We continue to optimize corporate governance with more modern governance system, more transparent information disclosure and higher standards of compliant operations, so as to build a solid foundation for sustainable development.

This chapter responds to the sustainable development goals



This chapter responds to the sustainable development topics

- Anti-Commercial Bribery and Anti-Corruption
- Anti-Unfair Competition
- Due Diligence

Key Performance

Anti-Commercial Bribery and Anti-Corruption	Corruption and bribery incidents	Acts of unfair competition
100%	0	0

Governance First

Governance Structure

Strictly complying with such laws and regulations as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, and requirements of the Company's rules and regulations documents, the Company continuously improving its corporate governance structure. The Company's power organs, decision-making organs, supervision organs, and management level have clear responsibilities, mutual coordination, and mutual checks and balances to ensure its standardized operation in accordance with the law. The Company's various honors in corporate governance, such as the "Golden Round Table Award • Board Value Creation Award" are a full recognition of the Company's standardized governance, value creation and shareholder returns as well as a powerful witness to the continuous improvement of the Company's governance level.

Efficient Communication

Information Disclosure

The Company strictly abides by relevant national laws and regulations as well as the relevant provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange. It has formulated such rules and regulations as Information Disclosure Management Measures and Insider Registration Management and Reporting System to ensure the authenticity, accuracy, completeness, timeliness, and fairness of the Company's information disclosure, and safeguard the right to know of shareholders and investors. The Company won the Highest Rating Level "A" in Shenzhen Stock Exchange Information Disclosure Assessment of the Shenzhen Stock Exchange Growth Enterprise Board for 2023. The Company has been awarded this honor for three consecutive years.

Investor Relations Management System

Based on the actual situation of the Company, it has formulated the Investor Relations Management System, which clarifies the basic principles and management content of investor relations management. In addition, the Company continuously improves diversified investor communication channels, maintains interaction with investors through various forms such as on-site investor research, investor open day activities, performance briefings, investor hotlines, and interactive platforms, allowing investors to fully understand the industry characteristics and business features of the Company, and timely conveying the Company's development strategy and operation and management information. According to the system evaluation of the China Association for Public Companies, the Company has won the "Best Practice Award" for Investor Relations Management of Listed Companies.



Anti-Commercial Bribery and Anti-Corruption

The Company promises to adhere to business ethics guidelines, maintain a zero tolerance attitude towards corruption, bribery, and other improper behaviors, and carry out integrated and systematic management of integrity and compliance topics.

Organizational Structure

The Company continues to improve its integrity management organizational structure, which promotes the effective operation of the compliance operation system through high-level decision-making, clear responsibilities, implementation of assessment, and long-term supervision.

Decision-making Body	The general manager serves as the team leader of the Company's integrity business management team. Its members include the Company's leaders, the head of the Human Resources and Corporate Culture Center, and the head of the Audit Center. It is responsible for overseeing the implementation of the Company's integrity business management system, urging all departments to fulfill their respective management responsibilities, and handling violations of integrity business regulations in accordance with laws and regulations.
Responsible Department	The person in charge of each department of the Company is the first person responsible for the integrity and self-discipline work of their department. They are responsible for the integrity and self-discipline behavior of their departments. If any integrity violations occur to their department members, they should provide timely feedback to the Human Resources Center and the Audit Center.
Assessment Department	The Human Resources Center is the assessment department for the Company's integrity management work, being responsible for the construction of the Company's integrity system and the integrity assessment and evaluation of all departments and personnel, and assisting in the investigation and verification of employee violations of integrity.
Supervision Department	The Audit Center is the supervision department for the Company's integrity management work, responsible for implementing supervision of the Company's integrity management work, providing guidance and consulting services for the integrity management work of all departments, and investigating violations of integrity standards, and providing opinions and suggestions for handling such violations.

Integrity Construction

In order to create an honest and incorruptible enterprise atmosphere and strengthen employees' awareness of honesty and self-discipline, the Company has formulated the Integrity Employment Management System and other relevant systems to standardize their behaviors and conduct regular training on integrity employment for employees. During the reporting period, the Company organized all employees to participate in the "Anti-Corruption and Integrity Management" training, including integrity management, business ethics, employee discipline management, complaint reporting channels and management, social responsibility and applicable laws and regulations, and trade union management system processes.

In 2024, the training rate for directors and employees on anti-corruption was 100%. No external anti-corruption investigations or penalties were imposed and there was no litigation case caused by corruption.



Anti-Commercial Bribery and Anti-Corruption

Supervision Mechanism

The Company has continuously improved the reporting and supervision mechanism, formulated the Internal Monitoring and Reporting System, and encouraged employees and all parties to feed back and report any incorruptible and illegal behaviors in the Company. For this purpose, the Company has set up a reward mechanism for reporting incorruptible and illegal behaviors, and will give certain rewards to those whose reported information is verified to be true. The Company has set up a variety of reporting channels, including telephone, e-mail and suggestion box. The Human Resources Department is responsible for collecting all kinds of reporting information, and the Audit Center is responsible for supervising the acceptance, processing and results of reporting events. During the reporting period, there was no corruption-related report in the Company.



Reporting hotline: 0535-6396129



Reporting email: neishenbu@zhmag.com

The Company keeps the identity information of the informer strictly confidential, and does not meet with the informer unnecessarily, so as to protect any employee and external personnel from retaliation and injury due to the reporting behavior through legal channels, and ensure that the informer is not subject to unfair treatment such as dismissal, demotion, suspension, intimidation and harassment due to the reporting.

Anti-Unfair Competition

The Company strictly abides by the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Monopoly Law of the People's Republic of China and other laws and regulations, consciously maintains market fairness, puts an end to any monopoly behavior, and explicitly prohibits employees from obtaining competitive intelligence by means of commercial espionage, bribery, theft or eavesdropping, or maliciously disseminating false information about competitors or their products or services. During the reporting period, there was no litigation or major administrative punishment caused by unfair competition in the Company.



Innovation-Driven Attracting Smart World

We focus on current needs and explore future trends. Guided by the strategies of “outshine” and “balance of rare earth resources”, we continue to give full play to Zhenghai’s three core technological advantages, improving the efficiency of resource use and helping protect the world’s rare earth resources through technological innovation, intelligent production and sustainable operation.

This chapter responds to the sustainable development goals



This chapter responds to the sustainable development topics

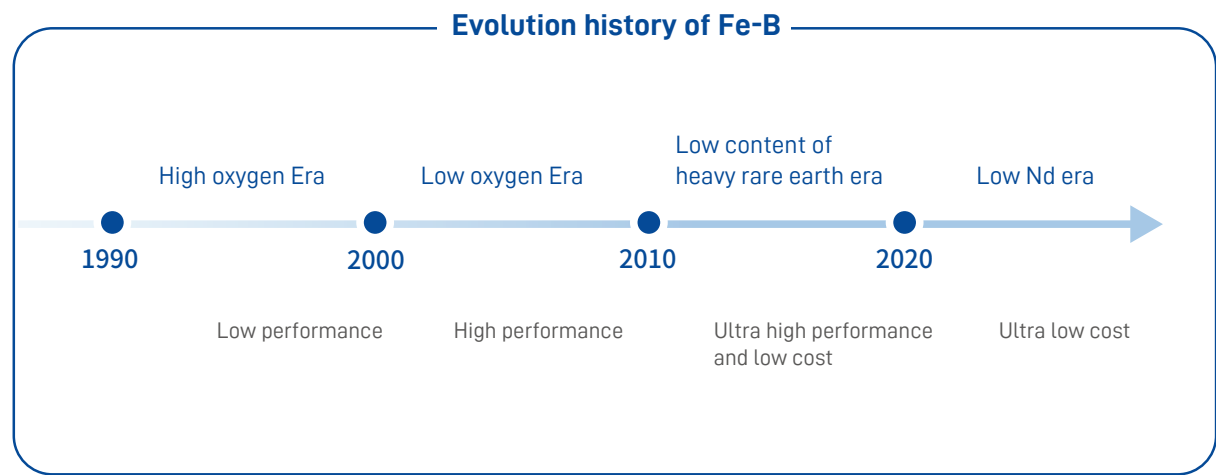
- Innovation-Driven
- Data Security and Customer Privacy Protection
- Product Service and Quality

Key Performance

R&D investment amount	Granted patents	New industrial robots
313,762,200 Yuan	114	321

Innovation-Driven

Innovation strategy leading



Guided by the vision of "to be pioneer of global permanent magnet industry", the Company adheres to the dual strategies of "Outshine" and "Balance of Rare Earth Resources", constantly promotes the iterative upgrading of core technologies, continues to increase investment in scientific and technological innovation, expands the R&D team, respects and protects intellectual property rights, uses rare earth resources efficiently through scientific and technological innovation, and contributes to sustainable development.

● "Outshine" Strategy

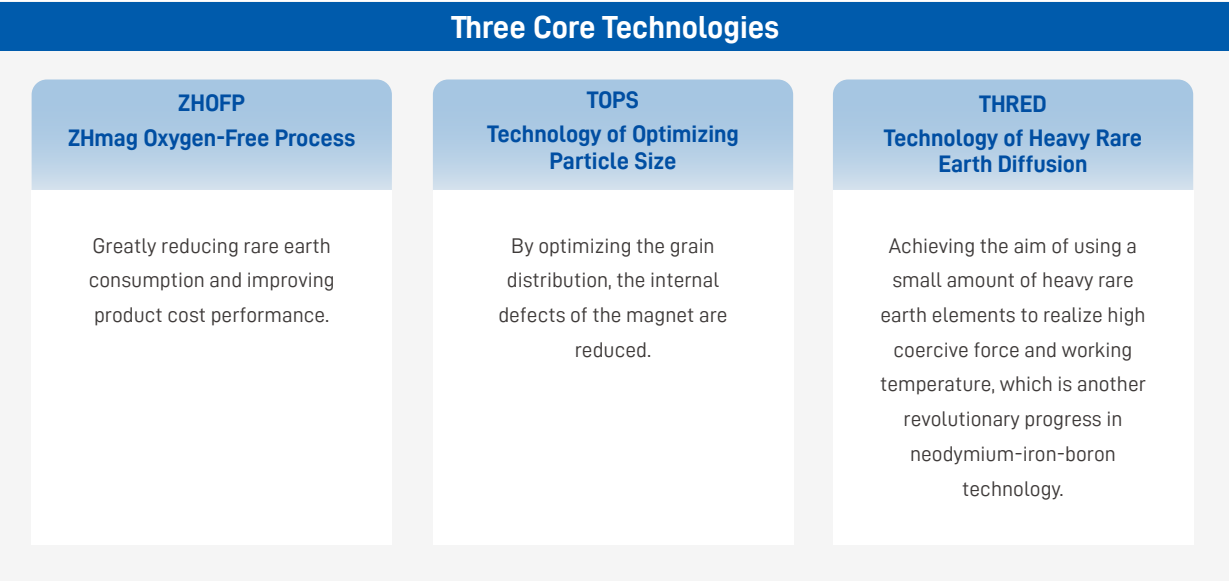
Focusing on maintaining the Company's internal innovation vitality and external leading position at the level of consciousness and ability

● "Balance of Rare Earth Resources" Strategy

Focusing on the implementation of material technology, reducing the use of scarce and high-priced heavy rare earth elements (Dy, Tb, etc.), expanding the use of high-abundance and low-cost ultra-light rare earth elements (Ce, La, Y, etc.), and conservatively using expensive conventional light rare earth elements (Nd, Pr, etc.), to achieve the best use of each rare earth category and continuously reduce the cost of rare earth permanent magnets.

The Company adheres to customer demand-oriented, independent innovation oriented, and pays attention to the latest technology trends in the industry. Relying on the three core technologies with independent intellectual property rights, the Company plans and arranges the R&D route in stages from the aspects of cutting-edge research, technology breakthrough and product development, forming a perfect R&D and innovation system.

Relying on the advantages of "Three Core Technologies", the Company reduces the use of rare heavy rare earth elements, increases the use of ultra-light rare earth elements, gives birth to three product lines of low content of heavy rare earth magnets, heavy rare earth free magnets and ultra-light rare earth magnets, realizing the balanced use of rare earth resources. Under the guidance of the "Balance of Rare Earth Resources" strategy, the Company has promoted cost reduction and efficiency improvement through technological innovation, reducing the proportion of expensive metals, Dy, Tb, used, and achieving the Company's annual heavy rare earth savings target for three consecutive years.



Innovation-Driven

With the arrival of the AI revolution, the Company is ushering in new development opportunities. While maintaining its advantages in energy conservation and new energy vehicle markets, it will pay its attention to potential markets such as humanoid robots and low-altitude economy. The focus will be on the following three aspects of related work.

Joint R&D

In emerging industries such as humanoid robots, improving the performance and quality of materials, and actively providing magnetic material solutions through collaborative development mechanisms.

Industrial chain cooperation

Cooperating with terminal manufacturers and motor manufacturers to optimize product design by providing customized magnetic material solutions, improving motor performance and efficiency, and providing strong support for products in emerging industries such as humanoid robots.

Market expansion and layout

- Paying close attention to the policy developments of emerging industries such as humanoid robots, adjusting market strategies in a timely manner, and seizing market opportunities.
- Strengthening market promotion and enhancing brand awareness and influence through participating in industry exhibitions, holding technical exchange meetings, and other means.

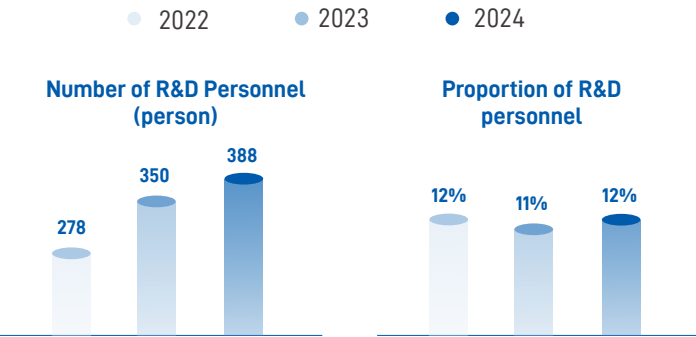
ZHmag was awarded the title of “Most Valuable Material Enterprise in the Field of Humanoid Robots”

On December 20, the New Quality Productive Forces:2024 Most Valuable Enterprise in the Field of Humanoid Robot Awards Ceremony was held in Changzhou, Jiangsu Province. ZHmag was awarded the title of “Most Valuable Material Enterprise in the Field of Humanoid Robot” for its outstanding performance in the permanent magnet industry. The selection event hosted by Humanoid Robot Alliance aimed to recognize the key forces driving the progress of the humanoid robot industry. The “Award for Most Valuable Material Enterprise in the Field of Humanoid Robot” won by ZHmag fully demonstrates the Company's outstanding innovation capability and R&D strength in R&D, production, and service of humanoid robot components. ZHmag will closely monitor industry development trends, continue to conduct in-depth research, assist in innovation in the field of humanoid robots, and continue to lead industry development.



Greatly Building Innovation Foundation

R&D innovation is the fundamental strategy for the Company to maintain its sustained competitiveness. The Company continues to promote the continuous improvement of its scientific research system, enhance its R&D capabilities, and achieve sustained innovation and breakthroughs. During the reporting period, the total R&D investment of the Company was 313.7622 million Yuan, having 388 R&D personnel, accounting for 12% of the total number of employees.



	Year 2024	Year 2023	Year 2022
R&D Investment Amount (10,000 Yuan)	31,376.22	29,839.80	30,591.40

Recognized by CNAS	During the reporting period, the Company's magnetic material testing center was accredited by the China National Accreditation Service for Conformity Assessment (CNAS), enhancing the Company's technical authority in the field of magnetic materials and providing stronger guarantees for product quality. 
Participated in drafting industry standards	In 2024, the Company carried out standard setting work and participated in drafting four industry standards, playing an active role in the standardization construction of the magnetic materials industry. Permanent Magnet Magnetization Method Guidelines for Magnetization Behavior of Permanent Magnets Metallographic Testing Methods for Magnetic Materials Durability Testing Method for Multi-Field Coupling of Permanent Magnets - High Temperature and Reverse Magnetic Field
Participated in national level major projects	During the reporting period, the Company participated in national level major project research, promoted innovation and application of related technologies, and further enhanced the Company's competitiveness in the field of high-end magnetic materials.

Innovation-Driven

Since the establishment, the Company has successively established innovative research platforms such as National Enterprise Technology Center and National and Local Joint Engineering Center to systematically carry out technology R&D. At the same time, the Company actively explores external cooperation and has established extensive and diverse R&D cooperation relationships with universities such as Shandong University, Beijing University of Science and Technology, Lanzhou University, CISRI Group, GRINM Group, and multiple Fortune 500 Companies, forming a certain scale of external development model. Through internal innovation and external collaboration, the Company continuously promotes its technological progress and industrial upgrading.



ZHmag Collaborates with Yangtze River Delta National Technology Innovation Center to Seek Integrated Development of Industry and Innovation

At the 2024 Rugao Industrial Innovation and Integration Development Conference held on December 14, ZHmag and Yangtze River Delta National Technology Innovation Center jointly signed an agreement on the joint construction of the "JITRI ZHmag Joint Innovation Center". ZHmag aims to "to be pioneer of global permanent magnet industry". The establishment of the "Joint Innovation Center" will effectively promote the Company's cutting-edge technology research and talent development, further enhance the Company's comprehensive strength, and help the Company continue to lead in the world's permanent magnet industry.

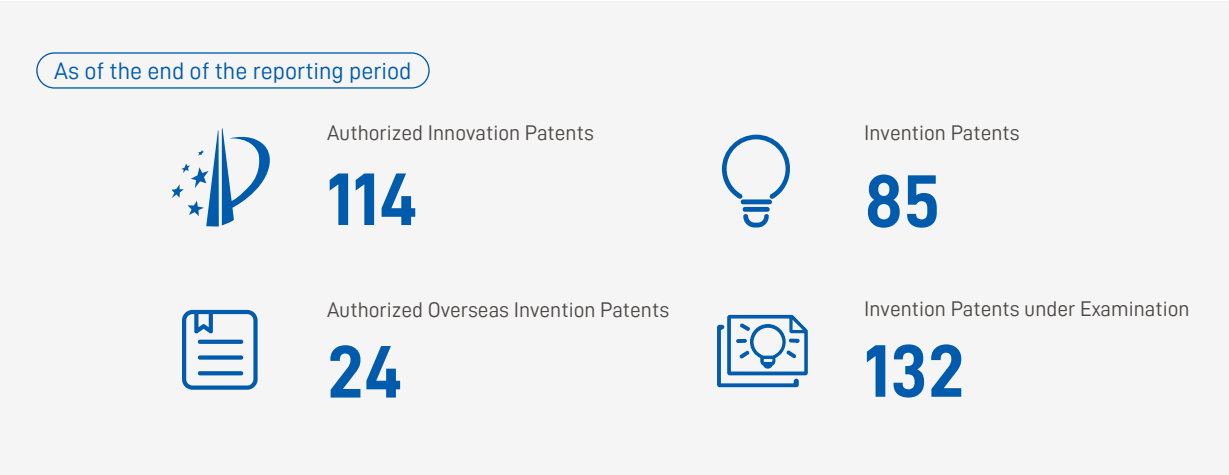


Protecting Intellectual Property

The Company strictly abides by relevant laws and regulations such as the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China, and the Intellectual Property Law of the People's Republic of China. Based on the characteristics and actual situation of the Company, it has formulated documents such as the Intellectual Property Management System and the Trade Secret Management System, continuously optimizing the Company's intellectual property management system, and achieving the standardization of the entire process of intellectual property creation, management, application, and protection.

As of December 31, 2024, the Company has a total of 250 authorized and pending invention and utility model patents worldwide. In recent years, the Company has continuously increased its R&D investment, actively promoted technological innovation, and incentivized employees to contribute to patent development, design, and implementation through various reward mechanisms. With the joint efforts of the entire talent team, the number of invention patents in the Company has achieved rapid growth. During the reporting period, 23 newly authorized invention and utility model patents were added both domestically and internationally, and the number of patents continued to rise, further consolidating the Company's leading position in the field of technological innovation.

The Company's intellectual property management system has passed GB/T 29490-2013 Standard Certification and has been awarded the title of "National Intellectual Property Demonstration Enterprise".

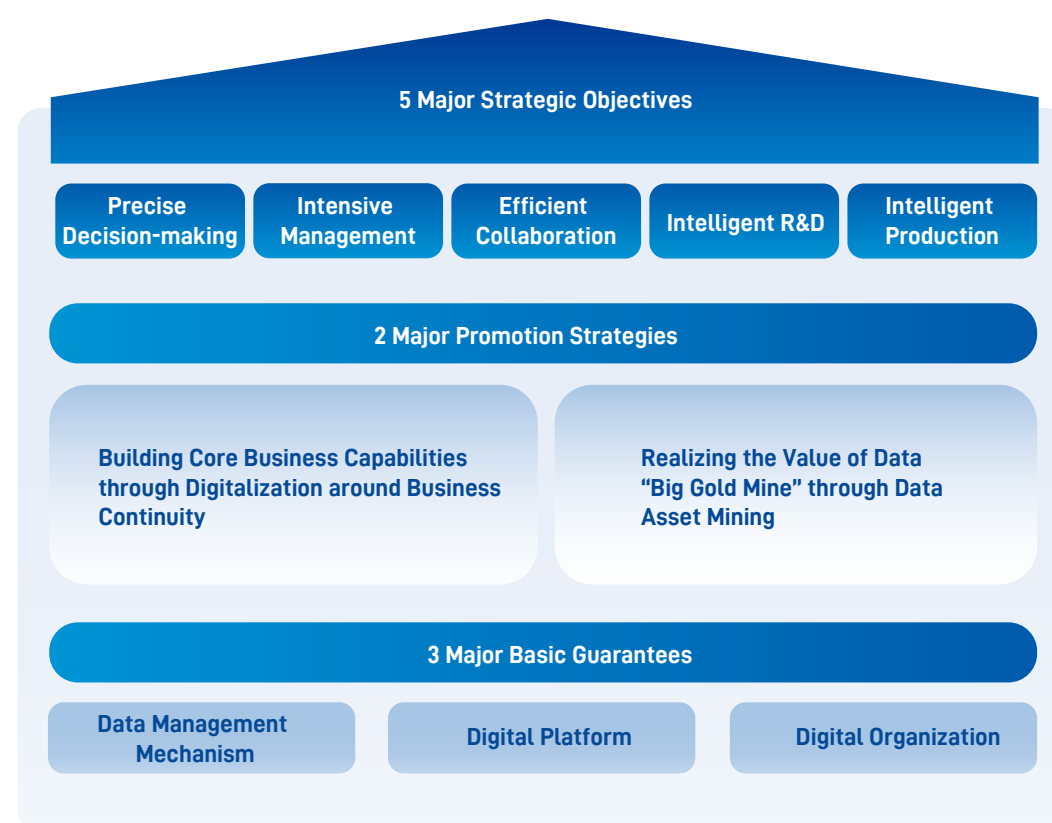


In order to enhance employees' awareness of intellectual property protection, the Company has designed multi-level and customized training courses for different job requirements, and developed targeted training courseware, covering basic science popularization content for fresh graduates as well as specialized courses such as patent appraisal and patent application, comprehensively strengthening employees' cognitive and practical abilities in the field of intellectual property. During the reporting period, the Company conducted a total of 6 intellectual property training sessions, covering employees at multiple levels, effectively improving the level of intellectual property protection for all employees and laying a solid foundation for safeguarding the Company's innovative achievements.

Adhering to Digital Strategy

Digital Transformation Strategy

Under the guidance of the "5+2+3" digital transformation strategy, the Company is gradually advancing the leap from traditional manufacturing to intelligent manufacturing, and enhancing its development potential and competitiveness. During the reporting period, the Company steadily promoted the "Digital Zhenghai Project", and the digital transformation work progressed smoothly, continuously consolidating the foundation of the Company's digital transformation. Multiple departments and business lines have achieved the launch of digital systems, laying a solid foundation for future deep application and data-driven business empowerment.



Effectiveness of Digital Construction

In 2024, the Company completed the informatization construction of MOM Phase I, Cost Control System, and Human Resources System, accelerating the overall digital transformation and laying a good foundation for continuously optimizing the integration of financial business, refining cost accounting, and standardizing financial work and providing more accurate and efficient data support in improving the Company's business, controlling asset risks, and making operational and management decisions.



Multiple Achievements Have Been Made in Data Construction

With the official launch of the Company's MOM Phase I project, production data has been put into operation, which not only further optimizes the refined management of inventory and warehousing, but also improves product traceability and shortens delivery cycles, laying a solid foundation for the construction of the Company's digital infrastructure system. At the same time, the Company has launched a cost control system, making statistical methods more scientific and effectively reducing the daily workload of basic staff. Importing HR System has enabled online "Employee Lifecycle Management" and improved personnel management efficiency. In addition, the Company has achieved interconnectivity among multiple systems, reducing the workload of on-site employees and improving the timeliness and accuracy of data.



Data Security and Customer Privacy Protection

The Company attaches great importance to data security and customer privacy protection, adhering to the concept and policy of "full participation, enhanced risk awareness; strict review, elimination of security risks; continuous improvement, ensuring information security". Starting from top-level design, the Company has formulated the Information Security Strategy and Information Security Management System Manual. At the same time, in order to further refine management, the Company has also formulated a series of institutional documents covering the use of electronic devices and software, prevention of malicious software, log monitoring and management, management of information security incidents, weak points and events, network security management, and other aspects, continuously promoting the construction of network security and information security system, and ensuring the scientific and effective management of information security. The Company has passed the TISAX (Trusted Information Security Assessment and Exchange) AL2 audit certification for the European automotive industry, and is still in the certification validity period in 2024. It plans to carry out the second audit certification in 2025 to continuously consolidate and improve its information security management level. During the reporting period, there was no incidents of violating laws and regulations related to information security and information protection and receiving penalties from relevant departments.

In order to enhance employees' awareness of information security, the Company organized five training activities for all employees in 2024, including information security laws and regulations, employee security management system documents, and customer network access.



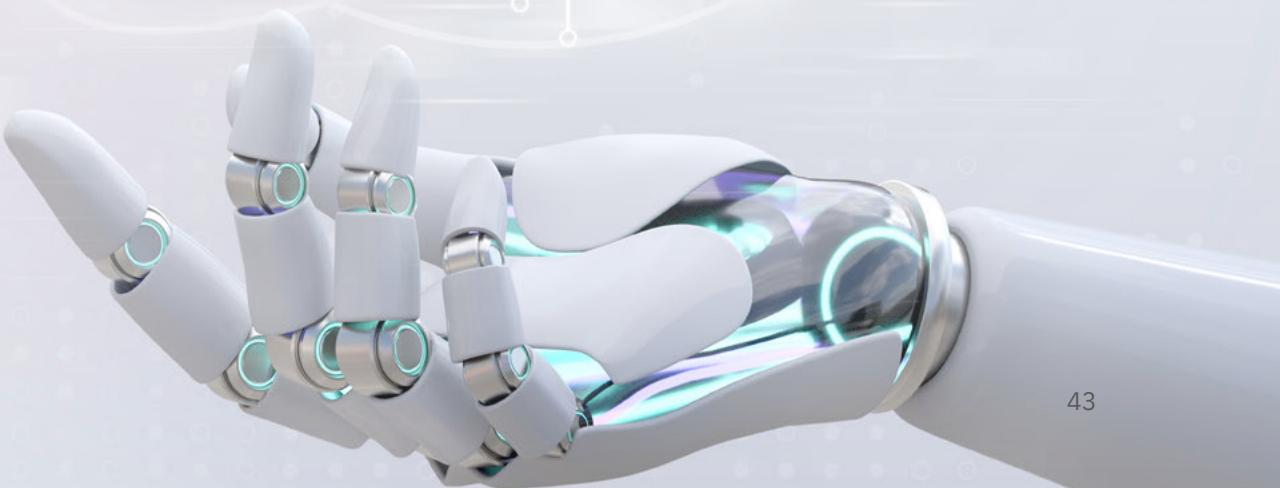
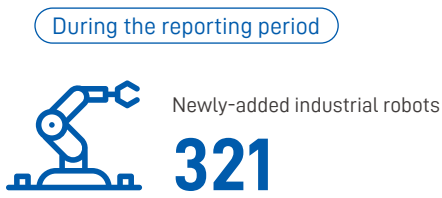
Automation Construction

Product Safety and Quality

Automated Production

Driven by innovation and automation, The Company constantly explores new methods to improve productivity, and establishes a dedicated automation team to maintain the Company's equipment automation level at the forefront of the industry. The Company aims to achieve digital transformation and continuously increases investment in automation. In the field of core automation equipment, the Company always adheres to independent R&D, ensuring product quality while improving production efficiency and reducing production costs.

The Company continues to promote the "One Thousand Humanoid Robots" project to replace manual repetitive labor or heavy physical labor, improve the working environment, reduce labor intensity, ensure personal safety, and continuously introduce various non-standard robots. In 2024, the Company introduced more than 320 non-standard automation equipment.



Automation Construction



Automation Upgrading Empowers Production, Improves Efficiency and Safety Through Multiple Measures



In 2024, Nantong ZHmag added an automatic batching system. The system can accurately weigh and review raw materials according to the formula, and accurately transport raw materials to containers. This system eliminates batching errors and mixing phenomena caused by human errors from the source, greatly improving production efficiency and product quality, and is at the forefront of the industry.



Yantai and Nantong Bases added new corridor transportation lines and cancelled train services, reducing the risk of falling and safety hazards while cooperating with automation.



The liquid supply system of Nantong base was upgraded to centralized liquid supply with an automatic liquid dispensing ratio of 100%.



Development of GLM process and automation equipment, building of GLM workshop to increase GLM production efficiency by 2-3 times.

Product Service and Quality

Quality Control

The Company inherits the corporate culture of "satisfying employees, customers, and the society", adheres to the quality policy of "prevention first, system management, creating excellent quality, integrity-based, continuous improvement, and exceeding customers' expectations", continuously improves the quality management system, and establishes a full product lifecycle control process covering raw material procurement, PLM development and design, production process, and product delivery. At the same time, the Company actively practices the concept of green production, makes controls in accordance with HSF laws and regulations and company requirements, and establishes a QC08000 Hazardous Substance Process Management. During the reporting period, the Company's magnet products have passed halogen-free and no hexavalent chromium testing. The Company's quality management and control has achieved paperless and automated processes in some aspects through the MOM system, improving the efficiency and accuracy of quality management and reducing the potential errors and resource waste caused by traditional paper records. During the reporting period, there were no incidents of health and safety violations involving products and services.

To enhance the quality awareness of all employees and improve their quality management capabilities, the Company regularly holds themed quality month activities. The theme of Year 2024 Event is "Strengthening the Execution of Standards and Consolidating the Foundation of Quality". During the event, through fun activities, knowledge competitions, skill competitions, and awareness training, employees' quality awareness was effectively enhanced and the Company's quality management capabilities were improved. The participation rate of employees in the fun quiz activity of the knowledge competition reached 91%, with a full score rate of 66%, an increase of 7% compared to the same period last year. In addition, during the Quality Month Event, the Company invited important customers and suppliers to participate together, actively collecting customers' expectations for the quality of the Company's products, and conveying the Company's quality policy to all parties in the supply chain, laying a solid foundation for Zhenghai to provide customers with better products and services.



Product Service

Building a closely coordinated service support system, providing service solutions covering the entire product lifecycle, continuously exceeding customer expectations with efficient response speed and professional service effectiveness, and creating greater value for customers. The Company's outstanding performance in quality, cost, delivery, service and technology, has been awarded such awards as "Strategic Supplier" and "Five Star Supplier" by customers.

Timely delivery rate of orders

100%

Customer satisfaction

99%

Pre-sales failure rate of millions of vehicles

0%

Customer Management and Satisfaction Improvement Measures

Developing and implementing the Customer Satisfaction Improvement Plan to ensure orderly implementation of various measures and continuous optimization of customer experience.

Making regular follow-up with existing customers, listening to customers' feedback, promptly solving customer problems, and enhancing customer satisfaction.

Conducting market research annually to gain a deeper understanding of market demand for products and manufacturing processes, and enhancing the Company's responsiveness and adaptability to market changes.

Zero Carbon Pioneer Promoting a Green Future

When we gaze into the distance towards the future, we also measure the footprints beneath our feet. While supporting the development of new energy, energy-saving, and intelligent industries, we are committed to measuring our own environmental footprint, continuously reducing our impact on the environment, and striving for a greener future.

This chapter responds to the sustainable development goals



This chapter responds to the sustainable development topics

- Addressing Climate Change, Pollutant Emission, Waste Disposal, Ecosystem and Biodiversity Conservation
- Environmental Compliance Management, Energy Utilization, Water Resource Utilization, Circular Economy

Key Performance

Greenhouse gas emissions

135,568 tons of carbon dioxide equivalent

Green electricity usage

48,736 mWh

Accumulated total weight of sales using recycled packaging materials

about **3,000** tons

The maximum monthly power generation of rooftop photovoltaics can reach

470 mWh

Addressing Climate Changes

Governance

The Company has established a specialized agency, led by the Safety Environment and Occupational Health Center, with the Board Office, Human Resources and Corporate Culture Center, Marketing Center, Quality and Project Management Center, Production Assurance Center, Production Technology Center, R&D Center and Lean Promotion Center as the main driving and supporting departments, to comprehensively manage the Company's strategic planning, management policies, resource investment, goal setting, monitoring implementation and execution on climate change topics, and report to the Strategic and Sustainable Development Committee of the Board of Directors.

Strategy

With the convening of the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change, the European Union's Carbon Border Adjustment Mechanism (CBAM) is getting closer and closer. The Company actively responds to the national "dual carbon" goal, incorporates the "carbon strategy" into its corporate strategy, proposes the vision of "to be carbon neutral pioneer of global permanent magnet industry", plans and implements "zero carbon pioneer" projects, promotes low-carbon circular development models, and hopes to achieve carbon neutrality as early as 2060. The Company has developed a "1+4+4" strategic model to achieve its carbon neutrality vision.

1 Vision	To be carbon neutral pioneer of global permanent magnet industry
Four Stages	- Phase One: Achieving Peak Carbon Emission Intensity per Unit Product - Phase 2: Achieving Zero Carbon Readiness for Enterprise - Stage Three: Achieving Corporate Carbon Neutrality - Stage Four: Achieving Product Carbon Neutrality
4 Dimensions	- Continuously carrying out technological and management innovation to reduce energy consumption per unit product - Timely using of equity-based emission reduction methods to improve green benefits - Innovating energy usage patterns and increasing the proportion of zero carbon electricity usage - Timely carrying out circular emission reduction to achieve zero emissions throughout the entire product industry chain



Addressing Climate Change

Impact, Risk, and Opportunity Management

Risk or Opportunity		Potential Impacts	Response Measures
Physical risk	Acute risk	Frequent extreme weather and disaster events, such as floods, mudslides, hurricanes, and heat waves, may: (1) Affects production safety operation, resulting in production interruption and increased repair costs; (2) Damage transportation infrastructure such as ports, roads, and railways, affecting the timely transportation and delivery of products; (3) Affects employees' occupational health and safety.	- Establish emergency plans to quickly respond to the impact of extreme weather events. - Establish a diversified transportation network and reduce reliance on a single mode of transportation. Establish close cooperation with logistics companies to ensure timely and safe transportation. - Develop strict safety operating procedures to ensure the safety of operation and maintenance personnel.
	Chronic risk	Continuous high temperatures, water scarcity, rising sea levels, and frequent extreme weather events may affect the company's operations.	- Consider the long-term trend of climate change in the region and develop emergency plans. - Strengthen water resource risk management and take water-saving.
Transformation risk	Policy and legal risks	With increasingly strict environmental regulations, some countries may implement regulatory requirements for the full lifecycle carbon footprint of rare earth permanent magnet materials, especially for materials used in new energy projects. Therefore, manufacturers need to demonstrate the low-carbon nature of their products and service processes to meet new environmental standards.	- Strictly abide by the relevant laws and regulations of the country where the product is located and the country where it is sold, ensuring that all business activities are legal and compliant. - Pay attention to emerging regulatory requirements related to international and domestic carbon markets, identify relevant risks in a timely manner, strengthen control over greenhouse gas emissions, and ensure that the Company's products and operations comply with the latest applicable regulations.

Based on the characteristics of the industry and the actual situation, the Company identifies the potential impacts of climate related risks and opportunities on its production, operations, finance, and other aspects.

Risk or Opportunity		Potential Impacts	Response Measures
Transformation risk	Market changes	Climate change may drive the demand for low-carbon technologies such as new energy vehicles and wind power, thereby increasing the demand for rare earth permanent magnet materials. However, if the market's adoption of low-carbon technologies is slower than expected, or more effective alternative technologies emerge, this may reduce the demand for rare earth permanent magnet materials.	While maintaining its advantage in the new energy vehicle market, the Company is increasing its focus on humanoid robots and low-altitude economy, and expanding the application areas of rare earth permanent magnet materials.
	Technological changes	Technological changes related to energy and resource use, as well as pollutant treatment, result in the upgrading of equipment, methods, and other equipment used. If the Company is unable to keep up, it may hinder production and operation.	Closely track technological development trends, timely promote the application of new technologies and equipment upgrades, cultivate and introduce professional technical talents, and enhance the technological strength of the Company.
	Corporate reputation	Increased negative feedback from stakeholders leads to decreased customer satisfaction, damaged brand image, and reduced financing channels.	Proactively strengthen communication with stakeholders, improve transparency, and enhance ESG performance.
Opportunity		Against the backdrop of "carbon emission peak" and "carbon neutrality", the prosperity and market prospects of downstream industries such as new energy vehicles, humanoid robots, and low-altitude economy continue to improve, which will help further expand the market space for the Company's magnet products.	The Company focuses on green and low-carbon technologies, increases R&D investment in rare earth permanent magnet materials, continues to leverage the role of low-carbon magnet products in the field of environmental protection, helps customers reduce carbon emission costs, and meets diversified market demands.

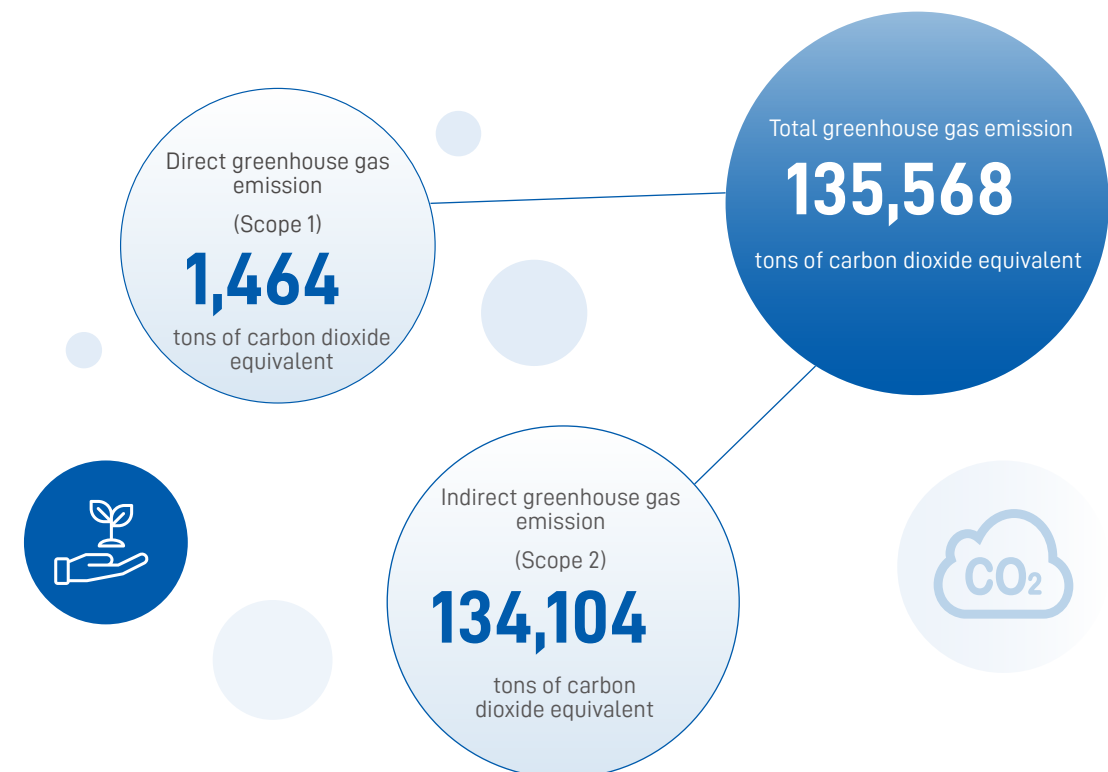
Circular Economy

Indicators and Objectives

In response to the national "dual carbon" goal and to achieve the vision of "to be carbon neutral pioneer of global permanent magnet industry", the Company has formulated a "carbon neutrality" path and established the Greenhouse Gas Inventory Management Regulations to promote its low-carbon transformation and sustainable development. During the reporting period, greenhouse gas inventory and verification work was carried out within the organization in accordance with ISO 14064-1:2018 Greenhouse Gases - Part 1: Specification with Guidelines at the Organizational Level for Quantification and Reporting of Greenhouse Gas Emission and Removals, as well as carbon footprint verification work for two high-performance NdFeB magnetic materials from "cradle to gate" in accordance with ISO 14067:2018 Requirements and Guidelines for Quantifying the Carbon Footprint of Greenhouse Gas Products.



The Company's Greenhouse Gas Emissions in 2024



Circular Economy

Reuse of Rare Earth Resources

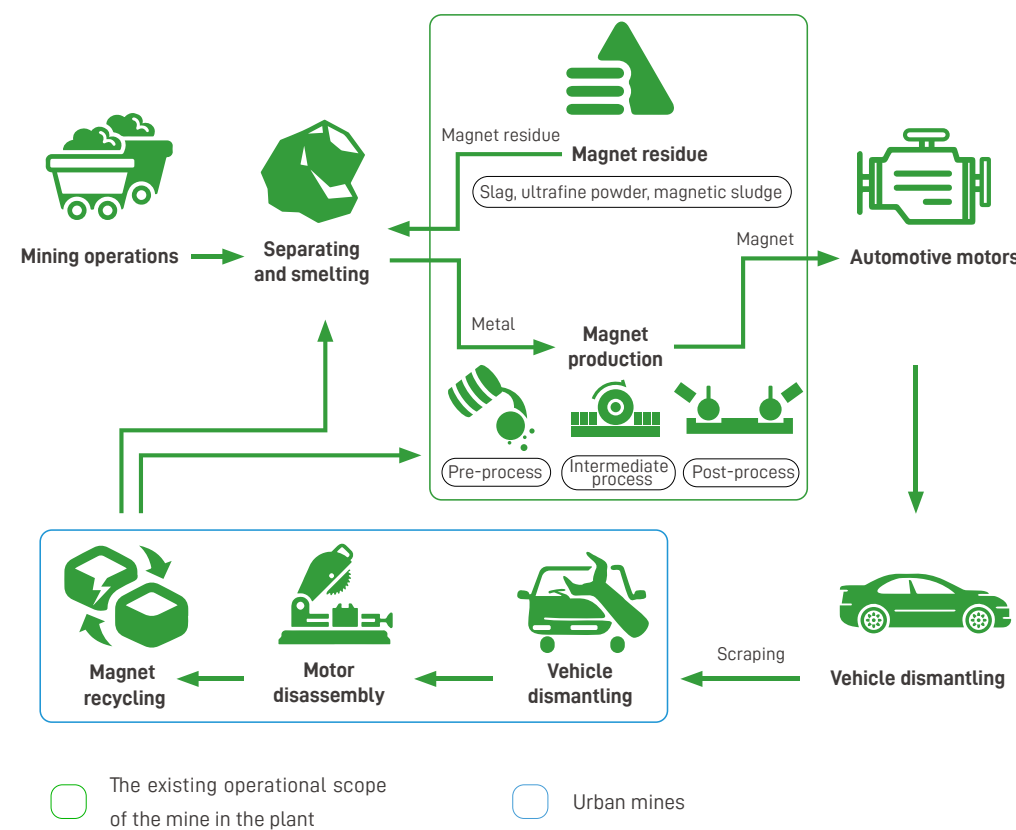
The Company has proposed a strategy of "laying out two mines - exploring rare earth recycling", combining "in-plant mines" with "urban mines", and collaborating with partners to carry out the reuse of waste rare earth resources to reduce dependence on rare earth mining resources.

In-plant Mine

Establishing a controllable mechanism for the recycling of magnet waste materials, promoting the recycling and utilization of rare earth resources in the plant, collecting magnet waste materials generated during the production process, and developing corresponding standards for processing, ultimately achieving rare earth recycling and reuse.

Urban Mines

Actively exploring the industrial chain of resource reuse, dismantling waste industrial products and consumer goods into scrap magnet for decomposition and extraction, so as to obtain rare earth raw materials.



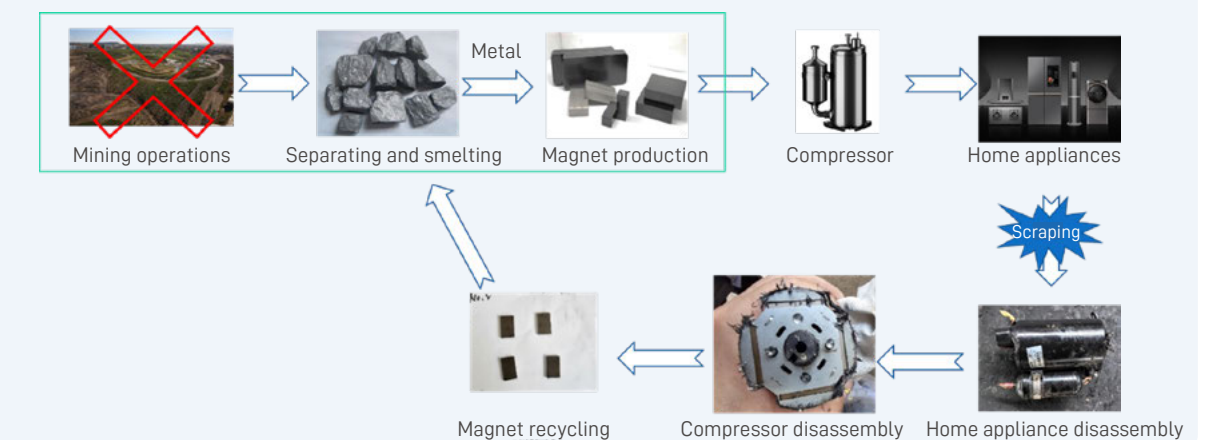
Taking New Energy Vehicles as An Example



Connecting the Rare Earth Permanent Magnet Recycling Industry Chain and Ushering in A New Era of Compressor Component Recycling.

On December 10, 2024, a celebration ceremony was held in Anhui Province to mark the connection of key links in the rare earth permanent magnet recycling industry chain. It marked the successful integration of the rare earth permanent magnet recycling industry chain for compressors, achieving a milestone breakthrough and ushering in a new era of compressor component recycling.

ZHmag has reached a consensus with China's largest compressor dismantling factory on the recycling industry chain connection of rare earth permanent magnets for compressors. At present, by removing mining and beneficiation processes, the production of rare earth permanent magnets per kilogram can reduce carbon emissions by 26%, fully demonstrating the significant advantages of circular utilization mode in reducing carbon emissions. With the continuous advancement of technology and the continuous optimization of the digitalization of industrial chain, if the separation and smelting process is further removed, it is expected that the carbon emissions per kilogram of rare earth permanent magnets will be reduced by 82%, which will make a more positive contribution to addressing global climate change and promote the rare earth permanent magnet industry to take big steps towards the zero carbon goal.



Circular Economy

Optimizing the Use of Packaging Materials

The Company deeply practices the concept of sustainable development, which runs through the use of materials, production and manufacturing, packaging and transportation, and controls the carbon emissions throughout the entire life cycle of products, ensuring that products have both environmental and low-carbon advantages on the basis of reliable quality. The Company focuses on improving resource utilization efficiency and building a material recycling system, which is a key measure to implement the concept of Circular Economy. At present, the Company has adopted wood, cardboard, plastic, iron plate, foam, pearl cotton, PET tray and other materials in the packaging and transportation links, and has formed a comprehensive packaging optimization strategy by implementing comprehensive measures such as packaging material reduction, recycling and environmental protection design, so as to fully promote low-carbon circular development.

Recycling of Packaging Materials

The Company attaches great importance to the recycling of packaging materials and actively integrates green environmental protection concepts into collaborative cooperation with customers. In the absence of special requirements from customers, plastic pallets are fully used to replace traditional wooden pallets. Relying on the durable, lightweight, and recyclable characteristics of plastic pallets, it not only achieves the circular turnover of pallets in the plant, but also effectively reduces the consumption of wood resources. By reaching a consensus with customers on the recycling of packaging materials, both parties will jointly explore the recycling mode of packaging materials. In 2024, the Company sold a total of approximately 3,000 tons of recycled packaging materials.

Environmental-Friendly Packaging Design

The Company continues to optimize its existing packaging solutions, fully considering material characteristics from the design stage while ensuring product safety, and optimizing and replacing packaging materials. In terms of packaging box design, the Company promotes universal design to reduce the variety of packaging boxes, while improving packaging structure and local details. By using fewer materials and simpler structures, packaging functions can be achieved, thereby reducing resource consumption and minimizing environmental impact.

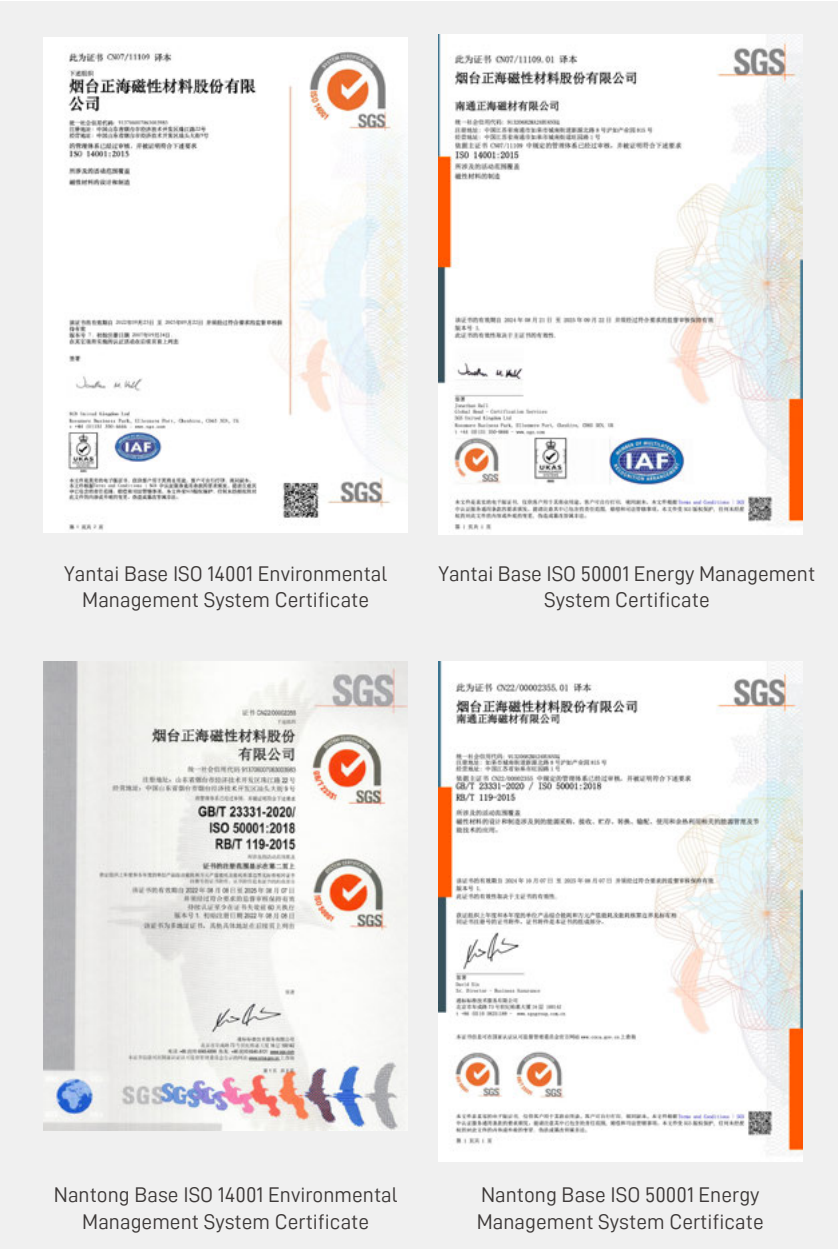


Green Production

Environmental Compliance Management

Environmental Management System

The Company adheres to the concept of "abiding by laws and regulations, energy conservation and emission reduction, continuous improvement, and full participation", establishes an EHSE (Environmental, Health and Safety, Energy) Management System, and formulates and strictly implements various aspects within the EHSE Management System, including EHSE Manual, EHSE Monitoring and Measurement Control Procedure, Environmental Information Disclosure Management System, Environmental Protection Efficiency Improvement Management System, Environmental Factor Identification and Evaluation Management Procedures, to continuously improve the Company's EHSE management level.



Yantai Base ISO 14001 Environmental Management System Certificate

Yantai Base ISO 50001 Energy Management System Certificate

Nantong Base ISO 14001 Environmental Management System Certificate

Nantong Base ISO 50001 Energy Management System Certificate

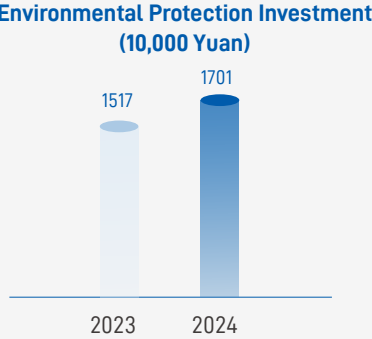
Green Production

Environmental Protection Measures

During the reporting period, the Company took multiple measures and continuously increased funding and resource support in environmental protection investment to ensure the efficient operation of environmental protection facilities and equipment. It developed and implemented environmental management systems to provide solid institutional guarantees for environmental protection work from the aspects of process standardization and responsibility implementation. It strictly implemented self-monitoring of the environment, timely grasped the dynamics of environmental data through high-frequency and high-precision monitoring. It strengthened emergency event management, improved emergency plans, conducted regular drills, enhanced the ability to respond to sudden environmental incidents, and continuously promoted the improvement of EHSE management capabilities through collaborative efforts at all levels.

Increasing Investment in Environmental Protection

During the reporting period, a total of **17.01** million Yuan was invested in environmental protection to ensure the orderly progress of daily environmental protection work such as hazardous waste disposal, wastewater treatment, and environmental testing.



Strict Self-Monitoring of the Environment

- The Company formulates an annual self-monitoring plan for the environment as required, which is incorporated into daily environmental management and subject to supervision and inspection by the environmental protection administrative department
- The environmental testing items for the whole year of 2024 have covered wastewater, groundwater, exhaust gas, noise, soil, and cafeteria fumes, with a **100** % compliance rate for the concentration of various pollutants.

Strengthening Emergency Event Management

- Identifying and controlling potential environmental/safety accidents or emergency situations; Developing an *Emergency Plan for Sudden Environmental Incidents*, and conducting emergency drills in various factory areas such as Yantai Base, Nantong Base, and Jianghua Base according to the Annual Emergency Training and Drill Plan.

Energy Utilization

Promoting Energy-Saving Production

In the production and manufacturing process, the Company actively promotes energy-saving production work through improving management systems, energy-saving equipment upgrades, optimizing production processes, and other aspects.

Improving management system

Establishing and implementing the ISO 50001 Energy Management System:

The Company continuously strengthens the construction of energy management system, and carries out energy-saving work around energy input and storage, processing and conversion, transmission and distribution, and use.

Three factory areas in Yantai have introduced the electric energy monitoring platform, which focuses on real-time monitoring of major energy consuming equipment, accurately monitoring the load situation of various areas and energy consuming equipment in the power system, and deeply analyzing the trend and characteristics of load changes. These data was used to analyze the trend and characteristics of load changes, providing data support for the planning, production scheduling, and operation of the power system.



Equipment energy-saving renovation

Introduction of efficient and energy-saving environmental-friendly refrigerants into the air conditioning system:

Upgrading the air conditioning system by replacing the traditional R22 refrigerant with an environmental-friendly refrigerant with a higher latent heat value to effectively reduce the energy consumption of the compressor and improves the energy efficiency of the air conditioning system by 30%.

Workshop compressed air pressure reduction, energy saving and consumption reduction:

Through process adjustments, the compressed air pressure in Yantai Fuhai Factory Area has been reduced by 8.6%, and the average operating power of the air compressor has been reduced by 33.9KW, enabling the annual energy-saving load to be reduced by 293,000 kWh.

Heat pump unit waste heat utilization renovation for heating:

The renovation of the heating system in the East Area of Yantai has been completed, replacing the original steam-heat pump combined heating with hot water-air energy-heat pump heating with an expected reduction of energy consumption by 32.7%.

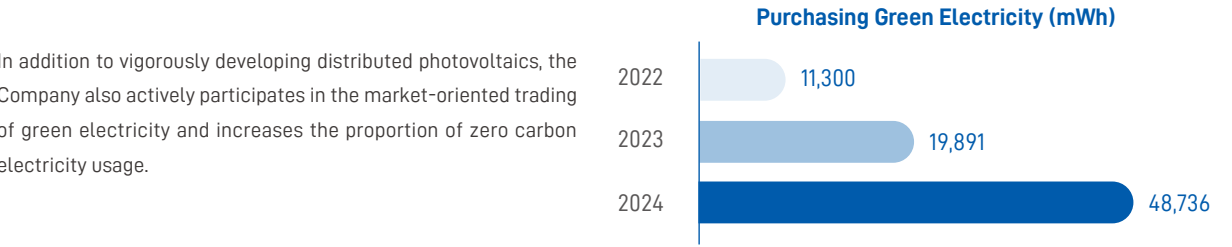
Green Production

During the reporting period, the Company’s energy consumption was as follows:

Index	Unit	2024 Annual Data
Total energy consumption	TCE	35,321.72
Energy consumption intensity	TCE/10,000 Yuan	0.064
Direct energy consumption	TCE	84.34
Diesel consumption	L	33,553.37
Gasoline consumption	L	40,188.01
Indirect energy consumption (purchased electricity)	mWh	283,684.80
Outsourced heat	GJ	10,917.56

Adopting Clean Energy

The Company actively promotes the utilization of clean energy such as photovoltaics and increases the proportion of renewable energy use. During the reporting period, over 1,700 mWh of electricity have been generated, reducing standard coal consumption by approximately 210 tons and greenhouse gas emissions by over 900 tons, and having significant economic and social benefits.



Cultivating a Low-Carbon Culture

The Company focuses on promoting green concepts and green lifestyles, and designates July as the “Low Carbon and Energy-saving Month” every year. It plans to carry out multiple low-carbon and energy-saving initiatives, strengthen the environmental awareness of all employees through theme promotion, awareness-raising, suggestion collection, and survey statistics, and create a green, low-carbon and environmental-friendly atmosphere.

Theme promotion

- The theme of the 2024 Low Carbon and Energy-saving Month is “Green Transformation, Energy-saving Challenge”.
- Yantai Base, Nantong Base, and Jianghua Base promote low-carbon and environmental protection concepts through banners, posters, videos, and other means.

Awareness-raising

- Initiating a low-carbon action initiative using the Enterprise WeChat Platform, conducting training for all employees, and accumulating reading of 5,947 person-times.
- Creating a low-carbon and energy-saving question bank, organizing and carrying out low-carbon and energy-saving prize based quizzes, with a participation rate of 93.97% during the reporting period.

Suggestion collection

- Carrying out a low-carbon and energy-saving rationalization suggestion collection activity, collecting a total of 1,008 rationalization suggestions, and selected 29 excellent rationalization suggestions.

Training conduction

- Based on the Company's Environmental Protection Efficiency Improvement Management System, the Health, Safety & Environment Center organizes environmental benefit training, standardizes the standardized review of new processes, new materials, new equipment, and equipment renovation during project approval.

Actively Participating in Standard Setting

ZHmag actively responds to climate change and strives to be carbon neutral pioneer of global permanent magnet industry. At the 2024 National Ecology Day in Shandong & “Carbon Emission Peak and Carbon Neutrality” Yantai Forum - Shandong Green, Low-Carbon and High Quality Development Sub-Forum, Shandong Carbon Footprint Certification Alliance launched the “Standard + Certification-Yantai Pilot Initiative” to accelerate the construction of product carbon footprint management system, carbon footprint accounting rules standards and carbon labeling certification system. ZHmag actively participated in the initiative launch ceremony and actively engaged in the pilot practice of carbon footprint “Standard + Certification”.



Green Production

Water Resources Utilization

In the process of achieving sustainable development, the Company regards the efficient utilization of water resources as a key task. By strengthening water conservation management and promoting water conservation technology transformation, the Company aims to improve water use efficiency and achieve industrial water conservation and efficiency improvement. During the reporting period, the Company did not experience any significant direct or indirect impact on water resources caused by changes in water intake, consumption, discharge, or storage capacity.

Strengthening Water Conservation Management

Establishing a sound organizational structure

To strengthen the organization and leadership of water conservation work, the Company has established a dedicated water-using and water conservation management team and equipped each department with full-time (part-time) water conservation management personnel.

Strengthening the implementation of responsibilities

Improving the efficiency and measurement of water resource utilization, installing water meters in various water departments of the Company, recording monthly water usage, and keeping track of the implementation of planned water usage indicators to ensure the implementation of annual water conservation plans.

Improving management system

Improving water conservation related systems such as the *Water Conservation and Use Statistics System* and *Tap Water Management System* to ensure that the Company's water conservation work has a systematic basis.

Creating a water conservation atmosphere

Posting water conservation slogans in public water use areas such as lavatory and canteens within the Company, and using promotional tools such as slogans and posters to deeply instill water conservation awareness and create a good atmosphere for everyone to save water.

Promoting Water Conservation Technological Transformation

The Company plans and implements a series of water conservation optimization and renovation projects, including the recycling of steam condensate water and the recycling of workshop wastewater, continuously reducing water consumption through equipment updates and technological improvements.

The power of the three factory areas in Yantai has been improved through water conservation management, enhancing the filtration efficiency of the side filter, stabilizing the turbidity and conductivity of the circulating water with minimal discharge, reducing the amount of makeup water and corrosion inhibitor added, and achieving the goal of reducing operating costs. The hanging piece test has no effect on equipment corrosion.

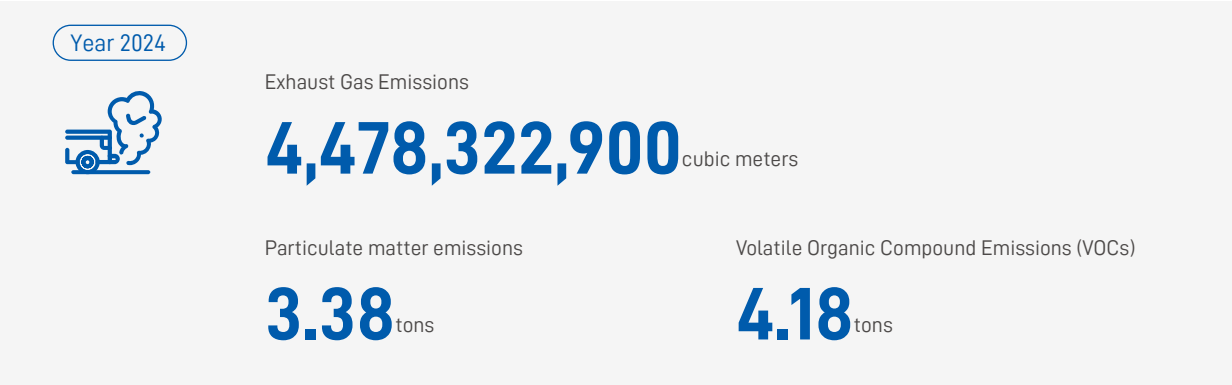
Factory Area	 Equivalent to reduced usage of tap water (ton/year)	 Reducing the use of corrosion inhibitors (kg/year)
Yantai East Area	23,568	1,080
Yantai West Area	10,284	600
Fuhai Factory Area	14,724	822



Green Production

Pollutant Emission

The Company strictly abides by national and local environmental protection laws and regulations, and strictly implements various pollutant emission standards. By improving internal control procedures, the Company has established a standardized pollutant emission management system to ensure that pollutants are discharged in compliance with standards. During the reporting period, the Company did not violate any regulations in terms of wastewater, exhaust gas and solid waste. There were no major environmental problems, and no major environmental pollution accidents occurred.

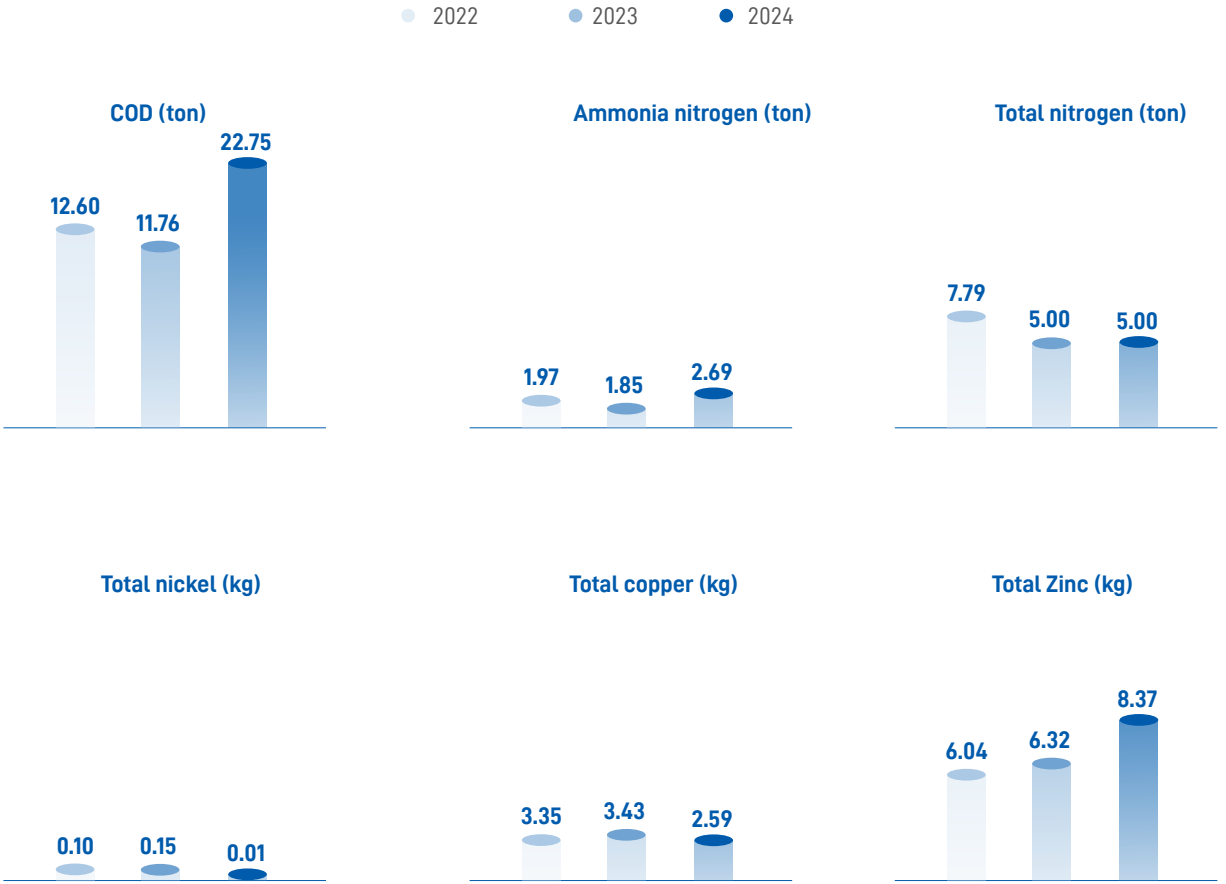


Innovation in Surface Treatment Technology to Reduce VOCs Emissions

The Company actively develops green and environmental-friendly surface treatment technologies, promotes the implementation of low VOCs emission coatings, reducing VOCs emissions by more than 50% when treating NdFeB magnets with the same surface area.

VOCs Intrinsic Safety Modification

By upgrading and renovating VOCs gas treatment equipment, the filter life of VOCs gas treatment equipment has been improved while ensuring treatment efficiency, significantly reducing the frequency of employees' working in confined spaces and achieving intrinsic safety.



*Statistical caliber: ZHmag Rare Earth Permanent Magnet Plate

*Due to the production of Nantong Company, the total amount of some emission indicators has increased.



Green Production

Waste Disposal

The waste generated by the Company in production and operation can be mainly divided into hazardous waste and harmless waste.

Hazardous Waste

Hazardous waste mainly includes zinc-containing sludge, wastewater treatment sludge, waste paint residue (water-based), activated carbon, waste electrophoretic paint, nickel containing sludge, etc;

Harmless Waste

Harmless waste mainly includes general industrial solid waste, household waste, and kitchen waste.

Hazardous Waste Management

The Company strictly complies with laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, China Hazardous Waste List, Management Measures for Hazardous Waste Transfer Couplets, Standard for Pollution Control on Hazardous Waste Storage, and the Measures on the Management of Hazardous Waste Business Licenses. The Company has also formulated the Hazardous Waste Management System to guide the entire process of hazardous waste generation, collection, storage, transfer, and disposal.

The Company continues to strengthen the management of hazardous waste, appoint professional management personnel, properly record the storage and transfer of hazardous waste, and sign transportation contracts with units with professional recycling qualifications. The Company actively conducts periodic analysis and conducts repeated analysis and testing of its raw and auxiliary materials, production processes, facilities and equipment, warehousing and transportation, pollution prevention and control, accident emergency response, and other aspects at different times. The generated hazardous waste is included in the management plan, and a standardized ledger is established to accurately record the information on the generation, storage, utilization, and disposal of hazardous waste, further improving the level of hazardous waste management.

During the reporting period, Nantong Company introduced qualified hazardous waste treatment units to clean some waste packaging drums, accounting for 20% of the total waste packaging drums from production, reducing the discharge of hazardous waste into the environment.



Index	Unit	2024 Annual Data
Disposal volume of hazardous waste	tons	743.73
Hazardous waste disposal volume divided by disposal method - landfill	tons	32.94
Hazardous waste disposal volume divided by disposal method - incineration	tons	693.45
Hazardous waste disposal volume divided by disposal method - other	tons	17.34

Harmless Waste Management

The Company has formulated the General Solid Waste Management System in accordance with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Classification and Code for General Solid Waste, and Management System for Waste Materials, to standardize the management of harmless waste. The harmless waste generated by the Company mainly includes metal dust, etc. The Company has established relevant positions responsible for the storage and daily management of waste, ensuring that all operations comply with environmental requirements and guaranteeing the compliance of waste management.

Ecosystem and Biodiversity Conservation

The Company complies with the Environmental Protection Law of the People's Republic of China and the Opinions of the General Office of the State Council on Further Strengthening Biodiversity Protection, and attaches great importance to the protection of ecosystems. In daily operations, the Company actively integrates the concept of biodiversity conservation, proactively evaluates and continuously pays attention to the potential impact of its business activities on biodiversity, and is committed to achieving a positive interaction between ecological protection and corporate development.

The Company integrates ecological protection awareness into multiple aspects, implements sustainable procurement strategies, strictly screens suppliers, and prevents ecological risks. It continuously optimizes production processes, actively explores green production methods, and attaches importance to ecological environment monitoring and evaluation. It introduces advanced environmental protection measures, strengthens waste management, and promotes resource recycling. In addition, it conducts regular training to continuously strengthen employees' environmental awareness, encouraging them to implement environmental protection actions in their work, and comprehensively promoting the Company's environmental protection work.



Win-win Cooperation, Creating A Harmonious Enterprise Together

We care about the growth of enterprises as well as the development of individuals. We continue to protect the rights and interests of our employees and build a platform for their self-realization and self-development, promoting the sustained growth of the enterprise through personal progress.

This chapter responds to the sustainable development goals



This chapter responds to the sustainable development topics

- Employees
- Supply Chain Security
- Equal Treatment of SMEs

Key Performance

Completion rate of annual training plan	Investment in safety production	Signing rate of social responsibility commitment letter from main material suppliers
100%	7.93 million Yuan	100%

Employees

Fair and Equal, Protecting Employee Rights and Interests

Protecting Employee Rights and Interests

The Company respects and adheres to the principles of International Human Rights Law, the Universal Declaration of Human Rights, and the International Labor Organization's (ILO) Declaration of Basic Principles and Rights at Work, upholding internationally recognized human rights and protecting the legitimate rights and interests of employees from infringement. the Company complies with relevant laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and has formulated regulations such as the Recruitment and Employment Management System and the Protection and Management System for Underage Workers and Child Laborer to eliminate the employment of child labor and forced labor, opposing discrimination and differential treatment, limiting working hours, and protecting the rights and interests of female employees. It is committed to creating a diverse and equal working environment. During the reporting period, the Company was not involved in any major labor disputes or received any complaints regarding human rights issues.

Prohibition of forced labor

All employees hired by the Company must adhere to the principle of voluntary participation. Any coercive behaviors or using deception to lure workers to work for the Company are prohibited. The Company has developed the Recruitment and Employment Management System and Working Time and Attendance Management System to ensure employees' freedom of labor and right to rest. The Company and its production bases are not located in high-risk areas for forced labor.

Prohibition of employing child laborer

The Company strictly follows national laws, regulations, and local policies in employment, prohibits the recruitment of child laborer, establishes the Protection and Management System for Underage Workers and Child Laborer to protect identified child laborer, and specifies the process for identifying child laborer in the Recruitment and Employment Management System. If a child laborer is mistakenly recruited, the Company will immediately take appropriate remedial measures to protect his/her legitimate rights and interests.

Commitment to Human Rights Protection

No discrimination

The Company adheres to the principle of no discrimination in labor affairs such as recruitment, training, job allocation, salary distribution, overtime work and leave, promotion and demotion, contract termination, and retirement, providing fair, just and reasonable job opportunities. It has formulated the Management System for the Prohibition of Discrimination, Harassment, and Abuse without using age, gender, race, nationality, region, disability, gender orientation, religious belief, marital status, political affiliation as recruitment screening and employment conditions.

Prohibition of harassment and abuse

The Company has formulated and strictly implemented the Management System for the Prohibition of Discrimination, Harassment, and Abuse, which explicitly prohibits any form of abuse (including explicit or implicit inappropriate behaviors such as physical injury and mental oppression) and harassment. The System ensures policy implementation through training for all employees, establishes anonymous reporting channels to safeguard the privacy and safety of whistleblowers, and strictly prohibits retaliation. In response to complaints of abuse, harassment, etc., the Company has established an Independent Investigation and Handling Team to ensure timely handling of incidents, objective investigation, and transparent feedback of results. At the same time, regular training on prohibition of discrimination, abuse, and harassment is conducted to strengthen workplace behavior norms and a culture of equality, creating a safe and respected working environment for employees.

Diversity and Inclusion

The Company is committed to creating a diverse and equal working environment, actively supporting localized employment, and creating more job opportunities for the local community. The Company respects employees' freedom of belief and resolutely prohibits any form of discrimination based on factors such as ethnicity, race, nationality, religious beliefs, gender, age, disability, marital status, etc. At the same time, the Company cares for female employees, respects and cares about their professional life and development.

As of the end of the reporting period



Total number of employees in the Company

3,157 people



The employment rate of new employees

22.7 %

Female employees
329

Male employees
2,828

Divided by
gender

31-50 years old
1,628

< 31 years old
1,497

Divided by
ages

Ethnic minorities
38

Han nationality
3,119

Divided by
ethnicity

Graduate and above
149

Bachelor's degree
407

College degree or below
2,601

Divided by
educational
background

Employees

Talent Recruitment

The Company regards talent as an important driving force for development, adheres to the principles of open recruitment, equal competition, and job matching, and formulates the Recruitment and Employment Management System and Internship and Probation Employee Management System for recruitment work. Through the implementation of diversified talent recruitment strategies, it focuses on attracting high-level and high potential talents.

Recruitment Mode

Intensifying publicity and promotion

Displaying the Company's advantages and attraction through various channels such as social media, recruitment websites, and campus presentations

Optimizing the recruitment process

Screening out qualified candidates more quickly and accurately through online tests and interviews

Strengthening cooperation between colleges and universities

Attracting more outstanding graduates and researchers to join through campus recruitment, internship programs, and other means

Abundant development opportunities

Designing comprehensive onboarding training to assist new employees in developing personalized development plans



ZHmag Provides “Welcoming Four Steps” for New Employees, Providing Warm Support for their Integration into the Team

In order to help new employees adapt to the work environment and integrate into the team more quickly, the Company has developed a standard process for new employee onboarding care, known as the “Welcoming Four Steps”, based on teams, sections, and secondary departments. This innovative initiative provides comprehensive support for new employees through a series of warm activities, demonstrating the Company's focus on employee growth and happiness.

The specific content of the “Welcoming Four Steps”:

- A welcoming ceremony**

Holding a brief and warm welcoming ceremony for new employees to enhance their sense of belonging, making them feel valued and accepted.
- A mentor teacher**

Assigning an experienced mentor to each new employee to provide comprehensive guidance and experience, helping them quickly integrate into the work rhythm.
- A team story**

By sharing the team's growth stories and successful experiences, enhancing new employees' recognition of the team culture and values.
- A team building activity**

Organizing teams and new employees to participate in relaxed and fun team building activities, bringing each other closer, and establishing harmonious colleague relationships.

Since its implementation, the “Welcoming Four Steps” has not only effectively alleviated the tension of new employees entering the workplace, but also significantly improved their satisfaction and sense of belonging to the Company, promoted team cohesion and employee retention rate, and received unanimous praise from new employees and team members.



Team Building of Welcoming New Employees

Employees

Remuneration and Welfare

The Company has established a systematic and comprehensive compensation system, with performance appraisal as the core basis for regularly evaluating employees' job skills and performance. On this basis, the Company is committed to providing employees with regionally and industry-specific competitive remuneration and welfare, and ensuring timely and full payment of basic social security fees, fully safeguarding the rights and interests of employees.

Welfare and Care

The Company has established a comprehensive and diversified welfare and care system, which provides multi-dimensional and in-depth protection and care measures to deeply understand the real needs of employees, help them solve practical problems, and enhance their sense of belonging and happiness.

Welfare and Benefits System

Basic necessities of life	Education and medical treatment	Rest and vacation
• Working clothes • Quarterly labor insurance • Lunch subsidy • Free accommodation • Accommodation subsidy • Free shuttle bus	• Continuing education incentive • Patent reward • Employee physical examination • Occupational health examination • Supplementary medical subsidies • First aid • First-aid kit	• Paid annual leave • Paternity leave • Pregnancy examination leave • Breastfeeding leave • Parental leave • Parental caring leave

Employee Care

Female employees	Providing exclusive gifts for the International Working Women's Day, pregnancy examination leave, parental leave, and breastfeeding leave. The cafeteria also offers dedicated seats for pregnant women and lunch subsidies.
New employees	In order to make new employees feel the goodwill and warmth of the team and adapt to the new environment as soon as possible, the Company has formulated the Welcoming Four Steps and established the Welcome Team Building Subsidy.
Employees with financial difficulties	The trade union establishes files for employees in difficulty and grants each of them a relief fund of 2,000 to 5,000 Yuan before the Spring Festival every year.
Employees in special positions	Summer-heat relief and care: In the hot summer weather, the Company purchases tea, Huoxiang-Zhengqi Liquid, salt soda, iced drinks and other summer-heat relief prevention materials for employees working in high-temperature positions in the workshop.

Recreational and Sports Activities

The Company focuses on balancing employees' work and life, enriching their leisure time through various activities, while creating a united, friendly, and positive work atmosphere, effectively enhancing employees' cohesion and sense of identity.

Sports activities	The trade union regularly organizes a series of sports activities for employees, such as football, basketball, badminton and walking.
Theme activities	Organizing the Photography Competition: Discovering the Beauty of the Zhenghai on the anniversary of the Company.
Team building activities	The Company sets up activity funds and organizes team building activities every year to enhance employee communication.
Festival activities	During the reporting period, a special International Working Women's Day event with the theme of "Love Yourself, Hot and Shiny" was held.

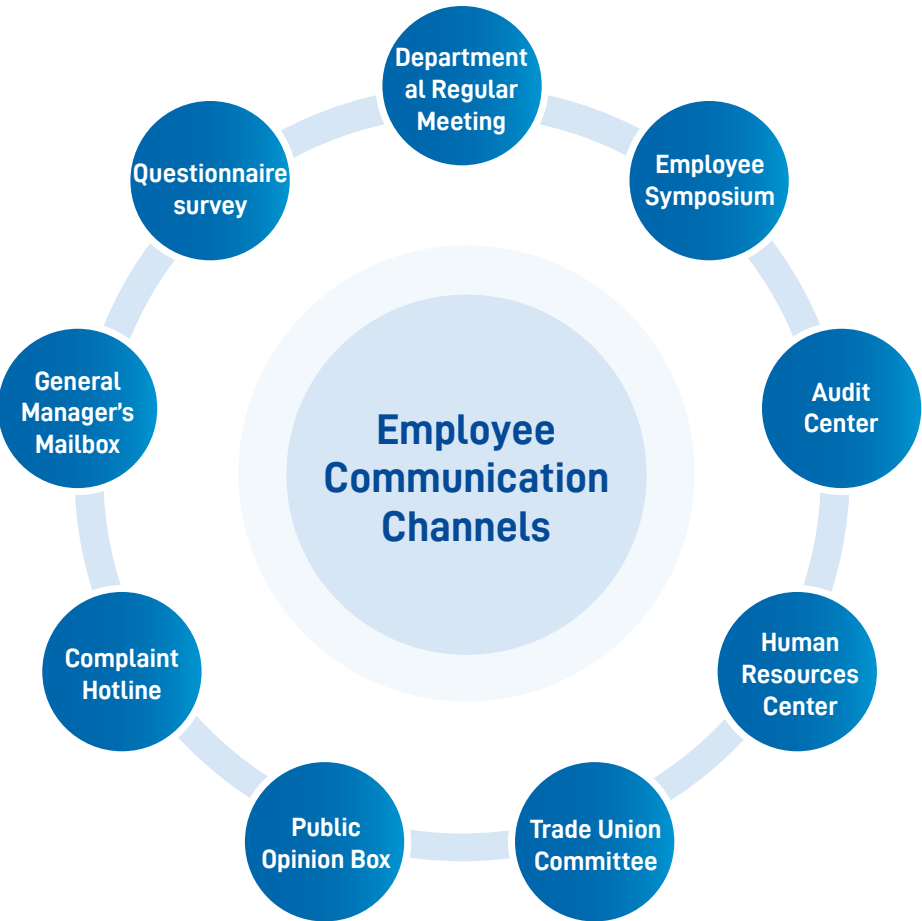


Employees

Democratic Management

The Company attaches great importance to democratic management and effectively safeguards the labor rights and interests of employees through the establishment of a staff workers' congress. During the reporting period, a total of 5 workers' congresses were held.

At the same time, the Company actively listens to employees' voices through various forms such as departmental regular meetings, employee symposiums, and questionnaire surveys, and sets up diverse channels such as suggestion boxes, complaint hotlines, and complaint email addresses to encourage employees to actively provide feedback.



Empowering People, Helping Employees Grow

The Company focuses on talent development and has established a highly distinctive talent training system, providing employees with rich training, learning, and career development opportunities, stimulating their potential, helping them achieve self-development, and continuously consolidating the foundation of the Company's talent team, providing solid guarantees for the long-term development of the Company.

Training System

The Company has established a systematic training system, formulated the 2024 Annual Training Outline, and carried out various trainings according to the plan.

Total training hours	Person-times of participants	Completion rate of induction and transfer training	Completion rate of annual training plan outline
257,830 hours	31,969 person-times	100 %	100 %

Management Training	Automotive Industry Related System Standards Corporate Culture Production Management Purchasing Management Energy, Environment, and Hazardous Waste Management
Operational Training	Laws and Regulations Skill Improvement Standardized Operation Occupational Health Security Awareness

Employees

The 2024 Zhenghai Training Center New Power Training Camp Has Been Successfully Concluded.

On July 8, the 7th New Power Training Camp of Zhenghai Training Center officially opened. New Power students from ZHmag participated in a seven-day training course and activity, covering 23 themes. By studying carefully designed professional courses, gaining experience from senior colleagues, and participating in diverse team activities, students not only gained a deep understanding of the group culture, but also invisibly enhanced the team's cohesion and sense of belonging to the Company. Their personal abilities and comprehensive qualities had also been improved.

The Company is committed to cultivating a talent team with optimized structure, orderly growth, and excellent quality. From grassroots employees to senior managers, the Company has set up training programs for employees at different stages of development, such as the "Deep Blue Plan", "Strong Generals Plan", and "Spark Plan". Excellent employees also have the opportunity to participate in Japanese Abroad-study Activities organized by the Company.

Promotion Channels

The Company attaches great importance to talent development and, in accordance with regulations such as the Employee Dynamic Management System, considers employees' monthly, semi-annual, and annual performance as important evaluation criteria for their personal growth and development, such as bonuses, salary adjustments, and promotions within the Company. During the reporting period, the proportion of employees who received regular performance and career development assessments was 100%.

In order to implement the concept of sustainable talent development, the Company has established a dual sequence career development system of "management + technology", setting up a "permanent magnet business committee" and a "permanent magnet expert committee" respectively, breaking the limitation of a single management promotion path, and setting up parallel channels for administrative positions and professional technical sequences, aiming to provide equal promotion opportunities for employees with different expertise and career goals. The administrative position sequence focuses on team leadership and strategic management abilities, while the professional technical sequence focuses on professional depth and technological breakthrough capabilities.



Employee Satisfaction

The Company respects the expression of employees' opinions and is committed to building effective communication mechanisms, listening carefully to their voices. The Company has established the Communication Management System and Employee and Internal Customer Satisfaction Management Measures, and regularly conducts employee satisfaction surveys to gain a deeper understanding of employees' thoughts and needs. For projects with low rankings or decreased satisfaction compared to the previous year in the survey, the Company requires all departments to provide timely feedback on specific improvement measures, and the Human Resources Center is responsible for supervising the implementation to ensure that the problems are effectively resolved.

	Year 2024	Year 2023	Year 2022
Actual	87.1%	88.7%	87.0%
Target	85.0%	85.0%	85.0%

Employees

Safe Production, Safeguarding Health and Safety

Safety Management

The Company always adheres to the principle of "dual responsibility for one position, safety must be managed in production, and safety one-vote veto system", strictly implements the safety production responsibility system, and constructs a three in one safety responsibility system of "position list + responsibility list + responsibility division". In 2024, the Company comprehensively revised and improved more than 10 safety management systems covering safety, fire protection, occupational health, and other aspects. At the same time, the Company has established and effectively operated an Occupational Health and Safety Management System and obtained ISO 45001 Certification.

To ensure the effective implementation of safety production work, the Company has established a safety production committee, dedicated to ensuring zero accidents in the Company's safety production. The Safety Production Committee has a Safety Director and a Safety Technical Director, who, under the leadership of the General Manager, execute organizational decisions, fulfill planning, guidance, and supervision responsibilities, and ensure the stable operation of the Company's safety production in all aspects.

Establishing A Sound Institutional System and Strengthening the Foundation of Safety Production Management

- In 2024, the Company established and implemented the Safety Meeting Management System to standardize the organization and management process of meetings. This system can timely identify and solve problems in safety management, continuously improve safety management systems and measures, effectively enhance the Company's safety management level, and provide strong guarantees for the Company's sustainable and healthy development.
 - The Four-New Safety Management System strengthens safety management during the introduction stage of new technologies, new materials, new processes, and new equipment, clarifies the responsible parties and management requirements, requires all departments involved in the "Four-New" to complete risk identification and control plan design before project approval, achieving the advancement of security risk checkpoints and improving intrinsic security capabilities.
 - The Hazard Identification and Risk Grading Control System aims to improve the dynamic risk assessment mechanism, optimize grading control measures, adopt the JHA+LEC (Job Hazard Analysis + Likelihood Exposure Consequence) evaluation system, accurately classify risk levels, and add criteria for determining major or higher risks, comprehensively covering job activities, equipment and facilities, and other fields. By regularly updating the risk list every year, 100% dynamic monitoring of risk points can be achieved. In 2024, Yantai Company identified a total of 2,040 hazardous sources, while Nantong Company identified 1,007. After risk assessment, there were no major hazards, and the existing hazard control measures are overall effective.
 - The Safety Accident Management System optimizes the accident response process, clarifies the requirements for accident investigation, strengthens the responsibility tracing and rectification loop, and achieves a 100% implementation rate of rectification measures throughout the year through a dual mechanism of "measure effectiveness evaluation + rectification responsible person assessment", with no recurrence of similar accidents throughout the year.
- In 2024, multiple management systems were revised to enhance the Company's ability to control safety risks and to reduce the probability of accidents through such three core strategies as process standardization, technological empowerment, and full staff participation. In the future, the details of the system will continue to be optimized to promote the intelligent and refined development of safety management.

Safety Check

According to the annual safety inspection plan, the Company carries out various safety inspection activities throughout the year, focusing on the "long term governance and 9 safety measures" and conducting high-level safety inspections on the 9th day of each month, middle-level mutual inspections on the 19th day of each month, and external expert assistance diagnostic inspections on the 29th day of each month. It comprehensively inspects and diagnoses all regions and operational activities of the Company to eliminate potential safety hazards. In addition, various special safety inspections such as "pre-holiday safety inspection", "fire safety inspection", "hazardous chemical special inspection", "electrical safety inspection" are carried out to identify various safety hazards and rectify them within a specified period of time. During the reporting period, a total of 2,060 suggestions for identifying and removing hidden dangers were collected, with an adoption rate of 96%.

During the reporting period

Number of suggestions collected on identifying and removing hidden danger

2,060 items

Acceptance rate of suggestions on identifying and removing

96%

ZHmag Nantong Base Receives the Group's 2024 Safety Management Diagnostic Empowerment

In order to implement the work requirements of carrying out normalized safety diagnosis and work empowerment in the 2024 Work Plan of Zhenghai Group, ZHmag Nantong Base has accepted the 2024 safety management diagnosis of the group's occupational health and safety management operation group. The diagnostic team focuses on different stages such as the completion and operation of the Nantong Base, subsequent equipment debugging, and the ramp up of production capacity in the second half of the year. In response to the changes in the safety management system construction and production site, and the main changes in the "Four-New" aspects of the Nantong Base, combined with the new Safety Management Diagnosis Empowerment Scoring Table, diagnostic assistance work is carried out around the execution and effectiveness of the Nantong Base's safety management documents, as well as the investigation of key hidden dangers on site.

Through meeting communication and on-site diagnosis, the diagnostic team unanimously agreed that the overall progress of ZHmag Nantong Base was significant, which was reflected in the effective risk control and complete prevention and control measures at the production site, the deeper understanding and comprehension of safety management by safety personnel, and the significant improvement of management capabilities. In addition, the informationization work of safety management has achieved initial results through active exploration and practice in recent years, and will continue to carry out internal reference and promotion within the Group.



Employees



Construction and Operation of Nantong Factory Area, Comprehensive Safety Guarantee

During the construction and operation of the Nantong Factory Area, the Company fully drew on the experience of the Yantai Factory, paid attention to safety details in the planning and design of the factory, and took multiple measures to reduce safety risks in production and material transportation.

- Optimizing factory planning and reduce transportation risks

The Nantong Factory Area achieved efficient material circulation and transportation through reasonable planning of the factory layout and the use of automatic transportation lines in the workshop corridor, avoiding or reducing outdoor vehicle transportation of materials and reducing safety hazards during transportation from the source.

- Equipment introduction, emphasizing intrinsic safety

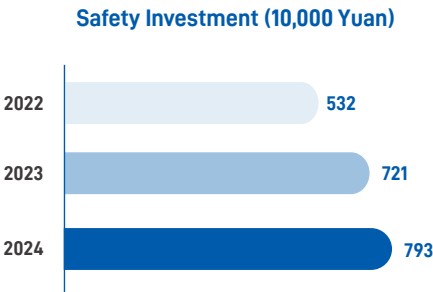
In the stage of introducing new equipment, based on the safety renovation of the Yantai Factory Area, Nantong Factory Area was planned and designed in advance. It strictly implemented the "Four-New Introductions" safety management system, carried out hazard identification and control in advance, and organized on-site safety inspections. It started from the inherent safety of equipment, such as adding copper bar protective covers to sintering furnaces and diffusion equipment, and equipping automatic fire extinguishing devices for spraying lines, improving safety at the equipment level.

- High standard safety design for storage areas

In response to the safety requirements of storage facilities, Nantong Factory Area adopted higher safety design standards and built Class A and Class B warehouses that met regulatory requirements. Fire automatic sprinkler systems were also installed in the finished product warehouse to provide comprehensive safety protection.

Safety Investment

The Company continues to increase safety investment, promote the construction of safety environments in various Factory Areas, accelerate the intrinsic safety transformation of equipment, improve equipment safety protection capabilities, and make every effort to eliminate adverse safety factors such as mechanical injuries, object strikes, and fire hazards. During the reporting period, the investment in safety production was 7.93 million Yuan.



Occupational Health

In order to protect the occupational health and rights of employees, the Company has formulated and implemented the Occupational Health and Hygiene Management System, been committed to building an occupational health management system, including occupational disease prevention management plans and occupational health management records, and actively fulfilled the obligation to disclose occupational health related information. The Company continues to carry out occupational health publicity, training and education, improve labor protection measures, and continuously improve the working environment. At the same time, the Company has established standards for the provision of Personal Protective Equipment (PPE) for job positions, and through special inspections and training, ensures that employees can use them correctly.

To effectively prevent and control occupational hazards, the Company conducts an occupational health assessment every three years and entrusts a professional third-party organization to test the occupational hazards in the workplace every year. The test results and reports are displayed on the workshop bulletin board. The Company's 2024 Testing Report shows that the chemical substances, dust concentration, and noise intensity in the workplace meet occupational health standards, with a pass rate of 100%.In addition, the Company has arranged pre-employment, on-the-job, and post-employment occupational health examinations for employees who are exposed to occupational hazards. In 2024, the incidence rate of occupational diseases was 0%.

Year 2024

The incidence rate of occupational diseases is

0%

Safety Training

To enhance the safety management and emergency response capabilities of all employees, the Company continues to carry out various safety training and education activities, regularly organizes emergency drills, and actively promotes the construction of information technology empowerment for safety production, taking multiple measures to comprehensively improve the Company's safety management capabilities.

In 2024, the Company conducted a total of 250 safety training sessions, totaling 335,874 class hours, covering various specialized fields such as "First Class of Starting Work", "Outsourced Construction", "Dangerous Operations", "Occupational Health", "Fire Safety", and "Mechanical Injury Accident Warning", providing comprehensive and systematic safety education and training for employees.

Whole Year 2024



The Company conducted various types of safety training throughout the year

250 times

Cumulative



335,874 class hours

*Due to the expansion of production in Nantong Base, the total number of safety production training hours in 2024 has significantly increased compared to the previous year.

Employees

Safety Culture

The Company has solidly carried out themed cultural activities such as "Safety Production Month", "Occupational Disease Prevention and Control Law Promotion Week", "Fire Prevention Month", "Traffic Safety Day", and organized employees to actively participate in safety knowledge competitions, legal and regulatory learning, and accident case warnings. Through this series of rich and diverse activities, the participation and enthusiasm of all employees have been fully mobilized, further strengthening their safety awareness, effectively improving the safety quality of all employees, and laying a solid foundation for the construction of the Company's safety culture.



The Safety Production Month series of activities have been a complete success, with significant achievements in multiple activities.

In the "Safety Production Month" in June 2024, the Company carried out multiple safety themed activities. The Company organized a promotion activity for the "Four-Special" Learning Materials, held safety training for resident stakeholders, and organized a safety knowledge competition for all employees, with a participation rate of 97.4%. In addition, the Company actively mobilized frontline employees to participate in the "Smooth Life Channel" hidden danger investigation and rectification activities, collecting a total of 207 records for identifying and removing hidden danger. After evaluation, 192 items were adopted.

Total records on identifying and removing hidden danger

207 items

Accepted

192 items

Emergency Management

The Company has established a comprehensive three-level emergency plan system, including comprehensive emergency plan, 6 special emergency plans, and 9 on-site disposal plans. By systematically organizing employees to learn emergency response plans and regularly conducting emergency drills, the Company has significantly improved employees' emergency response capabilities.

In order to ensure that emergency incidents can be dealt with quickly and effectively, the Company has established a part-time fire brigade and arranged 8 firefighters holding Building Firefighter Certificates in each Factory Area. At the same time, the Company has trained 41 qualified first aid personnel to ensure that each section is equipped with at least one first aid personnel. In addition, each Factory Area is equipped with emergency supplies and facilities such as first aid kits, eye washers, positive pressure respirators, filtered self-rescue respirators, and safety ropes, to fully ensure the safety of employees.

During the reporting period, the Company organized 34 fire emergency evacuation drills, special emergency drills for hazardous chemical leaks, and various on-site emergency drills, with 11,645 employees participating. Through various emergency drills, not only has the emergency response capability of employees been effectively enhanced, but the scientific, practical, and operable nature of emergency rescue plans has also been further tested. Problems in the preparation process of the plans have been identified and improved in a timely manner, providing a solid guarantee for the safe operation of the Company.

During the reporting period

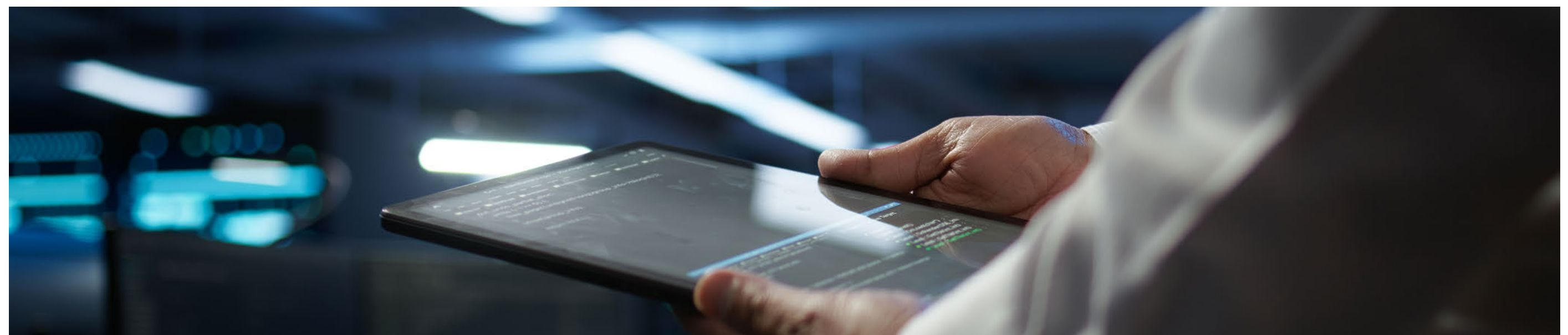


The Company organized fire emergency evacuation drills

34 times

Employees participating in the drills

11,645 people-times



Supply Chain Security

Stabilizing the Supply of Raw Materials

In the context of the increasingly complex and changing global rare earth supply situation, the Company has conducted a scientific examination and analysis of the existing raw material supply pattern, formulated a rare earth supply chain strategy, and effectively responded to the supply risks faced in enterprise operations. The Company adheres to the procurement model of "Combining Strategic Procurement with Dynamic Procurement, and Combining Direct Procurement with Recycling Utilization" to ensure the safe and stable supply of raw materials in all aspects.



Safe and Stable Supply of Raw Materials

The Company has established stable procurement channels and sound supplier management and quality management system, ensuring stable supply of raw materials through strategic and tactical procurement.

- **Combining strategic procurement with dynamic procurement**

Adhering to production based on sales and procurement based on production with reasonable inventory, closely monitoring the market, and dynamically determining inventory based on production demand.

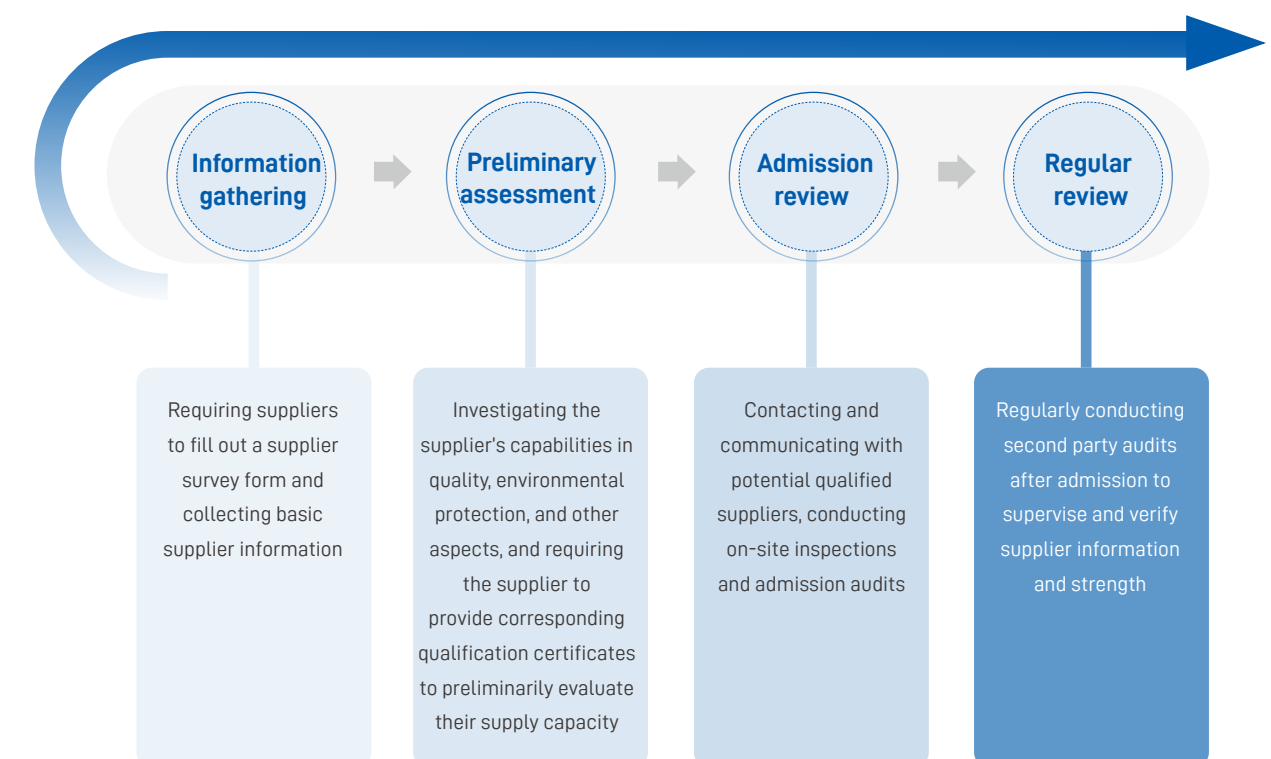
- **Combining direct procurement with recycling utilization**

Strengthening the recycling management of self-produced NdFeB waste and enhancing the recycling capacity of rare earth resources.

Admission Review Screening

The Company has formulated documents such as the Supplier Control Procedure to provide overall guidance for supplier management work. During the supplier selection stage, the Company conducts data collection, capability assessment, and on-site inspections to ensure the supply capability, and regularly conducts second party audits after admission to supervise and verify supplier information and strength.

Supplier Selection Process



Supply Chain Security

Supplier Risk Management

After establishing cooperative relationships with suppliers, the Company proactively identifies and continuously monitors supply chain risks, gradually strengthens risk management from multiple aspects, ensures supply chain security and compliance, and guarantees the smooth development of the Company.

Supplier Risk Management Measures



Signing documents such as Social Responsibility Commitment, Non-Use of Hazardous Substances Commitment, Sunshine Agreement, Quality Agreement with suppliers, and complying with the Company's social responsibility management guidelines.



Requiring special suppliers to provide production, experience, transportation qualifications, and regularly provide materials such as RoHS (Restriction of Hazardous Substances) and MSDS (Material Safety Data Sheet).



Monitoring the production process of suppliers to ensure compliance with relevant standards and specifications.



When a complaint occurs, the products related to the supplier will be suspended, existing transactions will be suspended, and non conformance feedback will be sent to the supplier, requiring them to conduct a root cause analysis of the complaint, propose solutions, and output a rectification report. Only after meeting the requirements can cooperation continue.

Conflict Mineral Management

The Company adheres to responsible mineral procurement and requires all suppliers to sign the Supply Chain Management Agreement, fill out the Conflict Minerals Report Table (CMRT) for conflict mineral confirmation, strictly require suppliers to trace the sources of gold, tantalum, tin, and tungsten contained in all products, confirm that suppliers do not use conflict minerals, and regularly investigate the actual material usage of suppliers to ensure the compliance and sustainability of the supply chain from the source.

Continuous Improvement Evaluation

The Company adheres to the principles of "equality, voluntariness, consultation, health, and safety", continuously improves supply chain labor standards, conducts regular evaluations of supply chain labor, health, safety and working environment, requires suppliers to comply with relevant laws and regulations on social responsibility, encourages participation in social responsibility related guidelines and initiatives, promotes suppliers to implement reasonable and effective management plans, and assists suppliers in continuously improving labor and environmental conditions. During the reporting period, the Company conducted supplier system audits, environmental work audits, and social responsibility audits in an orderly manner according to the supplier audit plan. All suppliers' performance met the Company's requirements, and the review results were above good.

Supplier Social Responsibility Management Measures

Letter of Commitment	Conveying social responsibility policies to suppliers in written form
Training	Conducting WCA (Workplace Condition Assessment) training for major suppliers
Review	Conducting an annual social responsibility review of major suppliers and output a Social Responsibility Review Form to evaluate their social responsibility implementation status.
Carbon Emission Investigation	Conducting carbon emission investigation of major suppliers through the supplier carbon emission questionnaire
System Certification	Assisting suppliers in obtaining IATF16949 Quality Management System Certification

Equal Treatment of SMEs

In 2024, the Company strictly complied with the contract terms with SMEs, ensuring that all payable amounts in accordance with the contract were paid on time and there were no overdue payment events. As of the end of 2024, the total amount of accounts payable (including notes payable) of the Company was 3.27 billion Yuan, accounting for 37% of the total assets. We promise to continue maintaining good cooperative relationships with SMEs, maintaining financial responsibility and prudent asset management to ensure equal treatment of all partners.

Corporate Citizen, Undertaking Social Responsibility

We are the cells that make up society and also bear the responsibility of society. As a corporate social citizen, we focus on the sustainable development of the industry and the entire society, adhering to the core values of unity, integrity, innovation, and win-win, working together with partners to build a harmonious future.

This chapter responds to the sustainable development goals



This chapter responds to the sustainable development issues

- Rural Revitalization
- Social Contribution

Key Performance

Accumulated donations to the society

1.63 million Yuan

The scholarship amount for "Zhenghai Innovation Talents"

1.37 million Yuan

Social Contribution

Supporting Education

The Company has established the "Zhenghai Innovation Talents" scholarship in universities such as Shandong University, Lanzhou University, Beijing University of Science and Technology, Nanjing University of Science and Technology, Yantai University, Nantong University, etc., to help universities cultivate more outstanding talents and make positive contributions to serving national major strategies, building a strong country in science and technology, and manufacturing. As of December 31, 2024, the Company has awarded 1.37 million Yuan in scholarships to students to support education and talent development through practical actions.

As of December 31, 2024



The Company has distributed bonuses to a large number of students

1.37 million Yuan

Public Welfare and Charity

For many years, the Company has actively participated in public welfare and charity activities, regularly making charitable donations to Yantai Charity Federation and Rugao Charity Foundation. As of December 31, 2024, the Company has donated a total of 1.63 million yuan to society, contributing to the construction of new rural areas, charity and public welfare, and other undertakings. In the future, the Company will continue to deepen cooperation with various charitable organizations, increase public welfare investment, explore more diversified forms of public welfare, and demonstrate its social responsibility through practical actions, injecting a continuous stream of power into the sustainable development of society.

As of December 31, 2024



The Company has cumulatively donated to the society

1.63 million Yuan

Future Prospects

Driven by the global trend towards sustainable development, ESG (Environmental, Social, and Governance) has become one of the core strategies for corporate development. Looking ahead, the Company will continue to deepen its ESG philosophy, actively respond to the challenges of global climate change and social responsibility, and strive to achieve higher standards in environmental protection, social contribution, and corporate governance.

We will promote low-carbon economic transformation and help achieve carbon neutrality goals through innovative technologies and green solutions. At the same time, the Company will strengthen communication and cooperation with stakeholders to ensure that social equity and environmental protection are taken into account while promoting economic growth. In the future, we will continuously enhance transparency and sense of responsibility, improve corporate governance structure, and ensure fairness and compliance in the decision-making process. We hope to not only create long-term value for shareholders, but also contribute to the sustainable development of society and the environment, and work together to build a better future.

Appendix

Appendix I Content Index

Index of SZSE Sustainable Development Report Indicators

Dimension	No.	Topics	Location
Environment	1	Addressing Climate Change	P52-53
	2	Pollutant emission	P66-67
	3	Waste disposal	P68-69
	4	Ecosystem and biodiversity conservation	P69
	5	Environmental compliance management	P59-60
	6	Energy utilization	P61-63
	7	Water resources utilization	P64-65
Society	9	Rural revitalization	/
	10	Social contribution	P94-95
	11	Innovation-Driven	P34-39
	12	Technology ethics	/
	13	Supply chain security	P90-91
	14	Equal treatment of SMEs	P91
	15	Product and service safety and quality	P43-47
	16	Data security and customer privacy protection	P42
	17	Employees	P72-87
	18	Due diligence	P24-29
Governance related to sustainable development	19	Stakeholders' communication	P20
	20	Anti-commercial bribery and anti-corruption	P28-30
	21	Anti-unfair competition	P31

GRI Content Index - Preparing Report Referring to GRI Standards

Statement of use	Yantai Zhenghai Magnetic Material Co., Ltd has reported in accordance with GRI Standards for the period from January 1, 2024 to December 31, 2024.	
GRI 1 used	GRI 1: Foundation 2021	
Applicable GRI Sector Standard	No applicable GRI Sector Standard	

GRI Standard	Disclosure	Location
General Disclosures 2021	2-1 Organizational details	P6-13
	2-2 Entities included in the organization's sustainability reporting	P1
	2-3 Reporting period, frequency and contact person	P1
	2-4 Restatements of information	P1
	2-6 Activities, value chain and other business relationships	P6
	2-7 Employees	P73
	2-8 Workers who are not employees	P73
	2-9 Governance structure and composition composition	P18
	2-10 Nomination and selection of the highest governing body	P18
	2-11 Chair of the highest governing body	P18
	2-12 Role of the highest governing body in overseeing the management of impacts	P18
	2-13 Delegation of responsibility for managing impacts	P18
	2-14 Role of the highest governance body in sustainability reporting	P18
	2-22 Statement on sustainable development strategy	P18
	2-29 Approach to stakeholder engagement	P20
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	P21
	3-2 List of material topics	P22-23

GRI Standard	Disclosure	Location
Economic performance		
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	P52-53
Procurement Practices		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	P88
Anti-corruption		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	P29
	205-2 Communication and training about anti-corruption policies	P29
	205-3 Confirmed incidents of corruption and actions taken	P30
Anti-competitive Behavior		
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	P31
Materials		
GRI 301: Materials 2016	301-1: Materials used by weight or volume	P58
	301-2 Recycled input materials used	P58
	301-3 Reclaimed products and their packaging materials	P58
Energy		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	P62
	302-2 Energy consumption outside of the organization	P62
	302-3 Energy intensity	P62
	302-4 Reduction of energy consumption	P62
	302-5 Reductions in energy requirements of products and services	P62
Water and Effluents		
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	P64
	303-2 Management of water discharge-related impacts	P64
	303-3 Water withdrawal	P65
	303-4 Water discharge	P65
	303-5 Water consumption	P65

GRI Standard	Disclosure	Location
Biodiversity		
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P69
	304-2 Significant impacts of activities, products and services on biodiversity	P69
Emissions		
GRI 305: 排放 2016	305-1 Direct (Scope 1) GHG emissions	P55
	305-2 Energy indirect (Scope 2) GHG emissions	P55
	305-4 GHG emission intensity	P55
	305-5 Reduction of GHG emissions	P55
	305-7: Nitrogen Oxides (NOx), Sulfur Oxides (SOx), and other significant air emissions	P66
Waste		
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	P68
	306-2 Management of significant waste-related impacts	P68
	306-3 Waste generated	P68
	306-4 Waste diverted from disposal	P68
	306-5 Waste directed to disposal	P68
Supplier Environmental Assessment		
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	P89
	308-2 Negative environmental impacts in the supply chain and actions taken	P89
Employment		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	P73
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	P76
	401-3 Parental leave	P76
Occupational Health and Safety		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	P85
	403-2 Hazard identification, risk assessment and incident investigation	P82
	403-3 Occupational health services	P85
	403-4 Worker participation, consultation, and communication on occupational health and safety	P85

GRI Standard	Disclosure	Location
GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	P85
	403-6 Promotion of worker health	P85
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P87
	403-8 Workers covered by an occupational health and safety management system	P85
Training and Education		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	P79
	404-2 Programs for upgrading employee skills and transition assistance programs	P79
Diversity and Equal Opportunity		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	P78
Non-discrimination		
GRI 406: Anti-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	P72
Child labor		
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	P91
Forced or Compulsory Labor		
GRI 409: Forced or strong sexual harassment 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	P72
Supplier Social Assessment		
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	P91
	414-2 Negative social impacts in the supply chain and actions taken	P90
Customer Health and Safety		
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	P47
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	P46
Customer Privacy		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	P42

Indicators of United Nations Sustainable Development Goals (UN SDGs)

GRI Standard		Location
	End poverty in all its forms everywhere	Win-win Cooperation, Creating A Harmonious Enterprise Together
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Win-win Cooperation, Creating A Harmonious Enterprise Together
	Ensure healthy lives and promote well-being for all at all ages	Win-win Cooperation, Creating A Harmonious Enterprise Together
	Ensure inclusive and quality education for all and promote lifelong learning	Win-win Cooperation, Creating A Harmonious Enterprise Together Corporate Citizen, Undertaking Social Responsibility
	Achieve gender equality and empower all women and girls	Win-win Cooperation, Creating A Harmonious Enterprise Together
	Ensure availability and sustainable management of water and sanitation for all	Zero Carbon Pioneer, Promoting a Green Future
	Ensure access to affordable, reliable, sustainable and modern energy for all	Zero Carbon Pioneer, Promoting a Green Future
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Win-win Cooperation, Creating A Harmonious Enterprise Together
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Innovation-driven, Attracting Smart World
	Reduce inequality within and among countries	Win-win Cooperation, Creating A Harmonious Enterprise Together
	Make cities inclusive, safe, resilient and sustainable	Corporate Citizen, Undertaking Social Responsibility
	Ensure sustainable consumption and production patterns	Innovation-driven, Attracting Smart World Zero Carbon Pioneer, Promoting a Green Future Win-win Cooperation, Creating A Harmonious Enterprise Together
	Take urgent action to combat climate change and its impacts	Zero Carbon Pioneer, Promoting a Green Future
	Conserve and sustainably use the oceans, seas and marine resources	Zero Carbon Pioneer, Promoting a Green Future
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Zero Carbon Pioneer, Promoting a Green Future
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Company Governance, Consolidating the Foundation of Development
	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	Win-win Cooperation, Creating A Harmonious Enterprise Together Corporate Citizen, Undertaking Social Responsibility

Appendix II Assurance Statement

Assurance Statement

To the Management and Stakeholders of Zhenghai Magnetic Material Co., Ltd. Group Limited.

Shangpu Consulting Group Co., Ltd. (hereinafter referred to as "Shangpu Group" and "we") was commissioned by Yantai Zhenghai Magnetic Material Co., Ltd. (hereinafter referred to as "ZHmag" or the "Company") to conduct an independent limited assurance (thereafter as the "assurance") of the information and data disclosed in its Environmental, Social and Governance Report 2024 ("ESG Report") in relation to sustainable development.

The assurance team of Shangpu Group strictly complied with the terms of the contract with ZHmag and performed the assurance of the ESG Report in accordance with the terms of the agreement between the two parties and only within the scope of the terms of reference agreed in the contract.

This independent assurance statement is based on the information collected and provided by ZHmag to Shangpu Group. The scope of the assurance is limited to the content of this information. ZHmag is responsible for the authenticity and completeness of the information and data provided.

In case of any discrepancy, please refer to the simplified Chinese version.

一、Statement of independence and competence

There are no conflicts of interest between Shangpu Group and Yantai Zhenghai Magnetic Material Co., Ltd., its subsidiaries, or stakeholders. All assurance team members have no business dealings with the company, ensuring complete neutrality in the assurance. All the data and information in the ESG report were provided by ZHmag. Apart from conducting the assurance and issuing the assurance statement, Shangpu Group was not involved in the preparation or drafting of the ESG report.

Our assurance team is composed of experienced professionals in the industry. They have received professional training in sustainability-related standards such as the GRI Standards issued by the Global Reporting Initiative and AA1000AS v3. The Shangpu Group assurance team possesses extensive experience in conducting assurances engagement, with a thorough understanding and practical expertise of AA1000AS v3.

二、Scope of the assurance

Scope of the assurance period

- The ESG Report covers economic, environmental, and social information and data disclosed by ZHmag. within the reporting period from January 1, 2024, to December 31, 2024, the management approaches and action measures for material issues, as well as the sustainability performance of the Company during the reporting period.

Physical scope of the assurance

- The physical site sampled for the on-site assurance was the West Area Office of ZHmag, located at No. 9 Shantou Road. Yantai Economic & Technical Development Zone, Yantai City, Shandong Province, P.R. China.

Scope of data and information of the assurance

- The scope of assurance was limited to the data and information covered in the ESG Report related to ZHmag and its subsidiaries.

Regarding the disclosed 2024 sustainability performance in the report, Shangpu Group did not identify any material errors.

- Office water consumption.
- Number of customer complaints.
- Number of employees.

The following information and data are not included in the scope of this assurance:

- Any relevant information and content outside the reporting period of this report.
- Data and information of ZHmag's suppliers, partners and other third parties.
- Financial data and information disclosed in this report, which have been audited by an independent third-party institution, have not been subject to additional assurance.

三、AssuranceMethodology

The assurance engagement was conducted by an experienced team of experts in economic, environmental and social related issues, applying the AA1000 Assurance Standard v3 ("AA1000AS v3") Type 2, Moderate Assurance Level to evaluat the nature and extent ZHmag complies with the four AA1000 principles (Inclusivity, Materiality, Responsiveness and Impact).

To ensure sufficient assurance activities were conducted in accordance with the contract and to provide reasonable assurance of the conclusions, the assurance team conducted the following assurance activities.

- Pre-research activities for relevant information prior to the assurance.
- Confirmation of high material issues and performance data were appropriately presented in the ESG Report.
- On-site assurance of all supporting documents, data and other information provided by ZHmag , including sampling test of key performance data.
- Interviews with ZHmag's management and engaged with employees involved in the collection, compilation, and reporting of disclosed information.
- Other procedures deemed necessary by the assurance team.

四、 Limitations

- The assurance process was conducted at the locations within the scope described above. The data and information in the report was reviewed by Shangpu on a sample basis, with only a sample of stakeholders within the Company being interviewed.
- The positions, opinions, and forward-looking statements, forecast information and historical data information prior to 1 January 2024 of the Company are outside the scope of this assurance.
- Due to the absence of internationally recognised and universally applicable standards for assessing and measuring non-financial data, the use of different but equally acceptable information and measurement techniques may affect comparability with other organizations.

五、 Conclusions

The findings and conclusions of this assurance regarding the principles of Inclusivity, Materiality, Responsiveness, and Impact as included in the AA1000AS v3, specific performance information, as well as the alignment with the Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation) are as follow:

（一） Inclusivity

ZHmag has adequately identified the internal and external stakeholders of the Company, such as employees, customers, suppliers, investors and shareholders, community and environment, government and regulatory bodies, non-profit organisations and industry associations. The Company has established a stakeholder communication mechanism to collect the real demands of stakeholders regularly. Based on our opinion, ZHmag follows the principle of inclusivity.

（二） Materiality

ZHmag. has established a materiality prioritization process, which it has identified sustainability issues highly relevant to the industry and assigned appropriate priorities. The Company has disclosed sustainability management strategies, operational actions, and performance data, demonstrating material content in its reporting. Based on our opinion, ZHmag has followed the principle of materiality.

The report's subject matter

Safety and quality of products and services	Waste disposal	Environmental compliance management	Pollutant emissions	Employees
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（三） Responsiveness

ZHmag. has established a dedicated communication channels with stakeholders to understand their concerns and expectations, alongside implementing responsible mechanisms to address stakeholders priorities. The Company has also its sustainability philosophy, management system, key governance approaches, and stakeholder engagement activities in its ESG Report, and demonstrates responsiveness to material sustainability issues raised by key stakeholders. Based on our opinion, ZHmag has followed the principle of responsiveness.

（四） Impact

ZHmag. has established a dedicated Strategy and Sustainable Development Committee to identify, monitor and assess the direct and indirect impacts of important issues on stakeholders. The Company has developed appropriate risk management mechanisms for the impacts caused. Based on our opinion, ZHmag has followed the principle of impact.

六、 Recommendations

It is recommended that the Company improve the questionnaire return rate for stakeholder communication and further improve the stakeholder participation mechanism to ensure substantial stakeholder participation.



Shangpu Consulting Group Co., Ltd.
2025.4.8

Appendix III Reader Feedback Form

In order to continuously improve our ESG work and constantly enhance our ESG management capabilities and levels, we are eager to listen to your opinions and suggestions.

Please assist us in completing the relevant questions raised in the feedback form and choose the following methods to provide us with your feedback.

 Address: No. 9 Shantou Street, Yantai Economic and Technological Development Zone, Shandong Province	 E-mail: dmb@zhmag.com
 Postcode: 264006	 Tel: 0535-6397287

Your information

Name

Employer

Contact number

Email

Feedback

1.Your overall assessment of the Company's ESG report is

- ☐ Good
- ☐ Better
- ☐ General

2.Do you think this report can reflect the significant impact of the company's ESG issues?

- ☐ Yes
- ☐ General
- ☐ I do not know

3.How clear, accurate and complete do you think the information, data and indicators disclosed in this report are?

- ☐ High
- ☐ Higher
- ☐ General
- ☐ Lower
- ☐ Low

4.Which aspect of this report do you find most satisfactory?

5.What information would you like to know more about?

6.Do you have any suggestions for our future reports?