

# 2020 年度社會責任報告

## Corporate Social Responsibility Report 2020



濰柴動力股份有限公司  
WEICHAI POWER CO., LTD.

## Summary of the Report

### Subject of the report:

The subject of the report is “Weichai Power Co., Ltd. (000338.SZ, 02338.HK)”. Unless otherwise specified in the main text, “we”, “the Company”, “Weichai Power” and “Weichai” shall be taken as its short names.

### Time frame of the report:

1 January to 31 December 2020, with some contents exceeding the aforementioned time frame.

### Scope of the report:

The report primarily covers the performance and practice of social responsibility of Weichai Power for the year 2020. It concerns the disclosures of performance in key responsibilities and focuses on sustainability and continuous improvement of corporate social responsibilities. The report also disclosed the performance of major social responsibilities by our subsidiaries, namely, KION Group AG (“KION”), Shaanxi Heavy-duty Motor Company Limited (“Shaanxi Heavy-duty Motor”) and Shaanxi Fast Gear Co., Ltd.. (“Fast Gear”).

### Publication cycle of the report:

The corporate social responsibility report is published along with the annual report.

### Past reports:

As of now, the Company has already issued its corporate social responsibility report for 13 consecutive years.

### References used in the preparation of the report:

“The Environmental, Social and Governance Reporting Guide” of The Stock Exchange of Hong Kong Limited (“HKEx”)

“The Guidelines for the Standardised Operation of Listed Companies” of the Shenzhen Stock Exchange (“SZSE”)

“G4 Sustainability Reporting Guidelines” of Global Reporting Initiative (GRI)

“ISO 26000: Guidance on Social Responsibility” of International Organisation for Standardisation

“Guidelines on Preparation of Corporate Social Responsibility Report for Corporations in China” of CSR Centre of the Department of Economics of the Chinese Academy of Social Sciences

“Guideline on Social Responsibilities of Industries” of the China Federation of Industrial Economics

“Guidelines on Fulfilling Social Responsibility by Central Enterprises” of the State-owned Assets Supervision and Administration Commission of the State Council

### Internal review of the report:

The report complies with the relevant guidelines of HKEx and SZSE and was considered and approved at the seventh meeting of the fifth session of the board of directors (the “Board”) of Weichai Power Co., Ltd.

### Access to the report:

The report is available in both Chinese and English versions. Should there be any discrepancies between the two versions, the Chinese version shall prevail. The electronic version of the report is also made available on the Company’s website (<http://www.weichaipower.com>) and designated websites for information disclosure such as CNINFO (<http://www.cninfo.com.cn>) and HKEx (<http://www.hkexnews.hk>).

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## Chairman's Statement

The year 2020 marked the concluding year for the general development of a moderately prosperous society and the "13th Five-year Plan" in China. In the face of the severe novel coronavirus pandemic and intense industrial competition landscape, the Company took actions to prevent and control the pandemic on one hand and made efforts to resume operation and production on the other hand, thereby successfully achieved scientific prevention of the pandemic while sustaining high-quality development at the same time as a large-scale equipment manufacturing enterprise. With an aim to achieve self-reliance and self-improvement in terms of technology, the Company focused on technological innovation, seized and grasped market opportunities, expedited business transformation and upgrade, and enhanced operational efficiency, with positive growth in all operating results amidst market adversity and breaking record once again. As such, the Company received wide recognition in the society and reported satisfactory result to the society, the government, its shareholders and its staff members.

Adhering to its determination to take lead in high-quality development through new development philosophies, the Company supports China's creation and boosts national industries to go global. With "Green Power, International Weichai" as its mission and in proactive response to the State's call regarding the "Defending Blue Sky Plan", the Company continued to lead the industry in raising emission standards, conserving energy and reducing emission. The Company optimised its business layout, expedited business transformation and upgrade, and fostered the implementation of major projects. It is a forerunner in the replacement of "old power" with high-quality "new power" across the country at large and has become a firm executor and practitioner of China's national strategies and social responsibilities.

In 2020, insisting on prevention and control of the pandemic on the level of each position, the Company precisely promoted the resumption of work and production and drove rapid recovery in the entire industry. Through self-developed innovation, the Company strengthened its technological innovation capabilities and core competitiveness while continuing to upgrade its "N+H+M" new generation high-end platforms, which resulted in significant improvement in its product competitiveness. On a global basis, the Company took the initiative to release the first commercial diesel engine with a thermal efficiency of over 50%, thereby setting up a new benchmark for the thermal efficiency of diesel engines in the world. Focusing on its 2020-2030 strategies, the Company actively facilitated the promotion of re-engineering of the industrial chain and the upgrade of value chain as well as the new industries such as new energy, hydraulics and smart driving. The Company developed new edges and established an engine factory powered by hydrogen-fueled batteries with a production capacity of 20,000 units, which became the world's largest manufacturing base of engines powered by hydrogen-fueled batteries at present and fostered the implementation of the "Green Power, Hydrogen City" strategy in Shandong Province. With its positioning at the high-end and high-quality market, the Company created the "Weichai H Platform + Linde Hydraulics" golden hydraulic powertrain. For the intelligent connection network, the development and testing of major functions of driving assistance and development of the auto-driving system have been completed, the technology of which is capable of being transferred to different models of vehicles under different driving conditions. The Company expedited the implementation of major projects as well as the commencement of major projects for the replacement of "old power" with "new power" including the Weichai (Weifang) new million units digitalised power industry base, which generated a momentum for the replacement of "old power" with "new power" in Shandong. Insisting on a people-centered approach, the Company sought to do the best in the top-level optimisation design for the innovation ecosystem and enhance the integration of industry-university-research innovation chain to coordinate global innovation resources allocation and build the best ecosystem in the industry to cultivate innovation. The Company proactively performed its social responsibilities and participated in charity by launching anti-pandemic donation activities, organising targeted poverty alleviation, disaster relief and so forth. The Company embarked upon diversified cooperation with global business partners as well as upstream and downstream enterprises of the industrial chain. All these demonstrated our passion and eagerness as a state-owned enterprise to take up social responsibilities and contributed to the ongoing enhancement of the recognition and reputation of the Company.

The publication of this corporate social responsibility report has summarised the efforts made by the Company in performing its social responsibilities in 2020. We wish to further reinforce our social responsibility, promote the sharing of benefits among the Company and the community especially the stakeholders, and improve mutual understanding and recognition. By better performing our corporate social responsibilities, we will be able to further contribute to the development of the economy and society.

**Chairman and Chief Executive Officer: Tan Xuguang**  
**Weichai Power Co., Ltd.**

## Company Overview

Weichai Power Co., Ltd. (HK2338, SZ000338) was established in 2002 by Weichai Group Holdings Limited (as the lead promoter) together with both the onshore and offshore investors. We are a company in the Chinese internal combustion engine industry listed in Hong Kong with H shares and also a company to return to the mainland from overseas for listing in the A share market.

The Company is dedicated to the operational strategy of driving the operations of both products and capital, developing competitive products in terms of 3 key aspects: quality, technology and cost-effectiveness, developing a pattern of synergetic development among business segments including powertrains (including engines, gear boxes, axles and hydraulics), complete vehicles and intelligent logistics with the brands namely “Weichai Power Engines”, “Fast Gear Transmissions”, “Hande Axle”, “SHAC” and “Linde Hydraulics”, which are trusted by our customers. The Company has total assets of RMB270.75 billion and more than 80,000 staff worldwide. In 2020, the Company recorded a revenue totaling RMB197.49 billion, and its total profit amounted to RMB12.68 billion.

## ⊕ Social organisations joined by the Company

This includes the status of vice chairman of China Enterprise Confederation and China Enterprise Directors Association, status of vice chairman of China Machinery Industry Federation, status of vice president of China Internal Combustion Engine Society, status of president and vice president of the chairmen board of the China Federation of Industrial Economics, and so forth.

## ⊕ Honours received in 2020

In 2020, by virtue of excellent management and outstanding results, the Company has won numerous awards. The major awards are as follows:

Time	Award
10 Jan	At the 2019 National Science and Technology Award Ceremony, Weichai Power was awarded the Second Class Award of National Technological Invention in "Functional Material & Coating Technology with Abrasion & Thermal Shock Resistant Structures" and was awarded the Second Class Award of National Science and Technology Progress Award in "Key Technology and Industrial Application of Mechanical Automatic Variable Speed Hybrid Power System Assembly for Commercial Vehicle"
10 Mar	As recommended by the Department of Science and Technology of Shandong Province and appraised by the Ministry of Science and Technology, Weichai Power was successfully selected as the "National Demonstration Base for Talents Introduction"
20 Mar	At the prize presentation ceremony of the fifth "Discovering Trust – China Truck Users Survey and Appraisal", by virtue of its highly reliable performance, WP13 engine of Weichai Power was granted the award of "2020 TCO Operation Reliable Heavy-duty Engines Trusted by Users"
23 Mar	With its "Data Management Capacity Enhancement and Application Demonstration Projects Based on DCMM", Weichai Power was on the list of Pilot Demonstration Projects for Big Data Industry Development in 2020 of the Ministry of Industry and Information Technology
24 Apr	Weichai Power was recognised as the demonstration base for China's machinery industrialisation enterprise management by China Machinery Enterprise Management Association
18 May	At the contest under "China Source-power" organised by China Automotive News, WP10.5H engine of Weichai won two awards in one go, namely "China Source-power – Brand Pioneer" and "China Source-power – Efficiency Pioneer"
20 May	At the event of "2020 China Brand Value Evaluation Information Conference", with its golden value at RMB42.977 billion, Weichai Power topped the list in the field of machinery and equipment manufacturing

Time	Award
2 Jul	The project of “Efficient Post-treatment Systemic Key Technology Development and Industrialisation for Diesel Engines” completed by Weichai Power was granted the First Class Award in terms of technological advancement in Shandong Province
3 Jul	Based on the List of Global Top 100 Manufacturers of Automotive Components and China Top 100 Manufacturers of Automotive Components 2020, Weichai ranked No. 1 on the China domestic list and No. 8 on the global list, with both Fast Gear and Hande Axle selected for the List of China Top 100 Manufacturers of Automotive Components
17 Jul	The project of “Key Technology Research, Series Products Development and Industrialisation for Gear Boxes for High-end Heavy-Duty Commercial Vehicles” initiated and completed by Fast Gear, a subsidiary of Weichai Power, was granted the First Class Award in technological advancement in Shaanxi Province
27 Jul	As released in the ranking list of China Top 500 in Fortune 2020, Weichai Power was successfully shortlisted among the top 100
4 Sep	With the annual appraisal for the information disclosure of the Shenzhen Stock Exchange in 2019, by virtue of outstanding information disclosure and integrity governance, Weichai Power was given an “A” grade once again
23 Nov	On the official release of the 17th “100 Best China Auto Parts Suppliers” ranking list, Weichai Power topped the list on the “Excellent Group Supplier”
25 Nov	The 2020 World Industrial Design Conference and China Excellent Industrial Design Award Ceremony was held in Yantai, Shandong, at which WP13G powertrain of Weichai was presented with China Industrial Design Gold Award

## Overview of Corporate Social Responsibility

In 2020, in the face of the unexpected novel coronavirus pandemic and complicated industrial competition landscape, the Company steadfastly upheld the objective of “We aim at customers’ satisfaction” and adhered to its mission of “Green Power, International Weichai”, shouldering the responsibilities of revitalising the equipment manufacture industry in China, providing green power and fabricating high-end products, striving to reach the top position, integrating social responsibilities into the operational development of the Company, actively creating an enterprise characterised as “resources-saving” and “environmentally friendly”, and seeking growth and development of the enterprise in harmony with its staff members, society and the environment.

### I. Objectives and advanced philosophy of fulfilling social responsibility

<b>Corporate Culture</b>	Responsibilities, Communication and Acceptance
<b>Corporate Core Value</b>	We aim at customers’ satisfaction
<b>Corporate Mission</b>	Green Power, International Weichai
<b>Vision</b>	With our complete vehicles and machineries as the lead and power system as support, the Company has a corporate vision of becoming a leading, well-respected and sustainable multinational company with intelligent industrial equipment and sustainable development
<b>Philosophy of Quality</b>	Quality is in our hands
<b>Quality Policy</b>	Aiming at customers’ satisfaction, full team participation for continuous improvement, and building the famous “Weichai” brand
<b>Philosophy of Safety/ Environmental Protection</b>	Comply with the law, continue to develop in a harmonious way, prevention-oriented, adhering to the “people-oriented” notion, use less energy and cut pollution, implement clean production, and build Weichai as an international green brand

### II. System construction

#### 1. Quality comes first, delivering outstanding products

Adhering to the notion of “Quality First”, the Company set a zero-defect target and was determined to materialise the key quality requirements of “**goal assessment, effective system, strict compliance, and responsibility performance**”. Constantly deepening the quality philosophy of “Quality is in our hands”, we have strictly complied with relevant laws and regulations on product quality and established a quality control system covering the full lifecycle of products, so as to foster high quality development for enterprise. In 2020, there was no occurrence of material incidents in relation to quality and safety. We were granted the accolade of “Benchmark Enterprise with A-grade Users’ Satisfaction in terms of Nationwide Market Quality and Credibility (全國市場質量信用A等用戶滿意標桿企業)”.



**First, we established a maturity model for the quality management system.** Based on the Company's future development demand in terms of quality, we targeted at meeting world-class standards, and to establish a maturity evaluation guideline and method model for our quality management model with Weichai's characteristics, promoting Weichai's quality management to leap forward to a higher level of maturity, and to lay a foundation for the quality upgrade of the whole series of products of the Company. We coordinated audit resources of the Company and strove to integrate our business into our work procedures. With the maturity model as a standard, we tailor-made our special audits to continuously enhance the effectiveness and efficiency of the Company's quality management system. **Second, we conducted dedicated plans on quality.** Focusing on achieving "a breakthrough in enhancing the H1 project capabilities to reduce product failures significantly", we set up a management team for our quality projects. Starting with two approaches, including customer-oriented and process enhancement-oriented forward management and problem solving oriented reverse quality tackling, we commenced dedicated plans on quality to minimise our product failure. **Third, we improved the full-process quality management levels.** In the design process, we set quality targets in the development process of new products, monitored the quality threshold, optimised the inspection and evaluation approaches and methods for new products to enhance the standards and efficiency of the product development process. During the procurement process, we set up a mechanism for the notification, negotiations and penalties for blacklisted suppliers to enhance our quality assurance capabilities. In the production process, we strengthened our ability in risk identification to fully achieve uniformity in production. In terms of service process, we implemented full-scale control in respect of error judgement, data support and service improvement.

## 2. Energy-saving and emission reduction, in advocacy of green operations

Upholding the objective of "Energy Conservation and Emission Reduction, Obligation Fulfillment, Green Power, International Weichai" (節能減排、踐行責任、綠色動力、國際濰柴), the Company improved its energy management system, promoting the development of circular economy and utilised energy resources in an eco-friendly way, such intelligent transformation reduced costs and improved efficiency, with a view to creating a green enterprise with low-carbon consumption.

**First, we improved our energy management system.** To meet the ISO50001-2018 energy management system requirements, we further improved the mechanism for energy saving, law compliance, standards implementation, the mechanism for full-process energy control and the mechanism for the formation of energy-saving culture, so as to promote the organic integration between the energy management system and corporate management system. **Second, we actively responded to the national policies.** We further improved and promoted the construction of smart energy projects, encouraging the use of automated centralised constructions in energy stations to enhance the energy utilisation efficiency through digitalised and intelligent means. **Third, we worked strenuously to raise clean performance.** We launched internal energy-saving diagnosis events in pursuit of room for energy-saving improvement and to identify management weaknesses, thereby continuously raising the energy management level and energy utilisation level. We used our best endeavours to carry out technological improvement of energy conservation to raise the efficiency of energy conversion and utilisation. We promoted the use of clean energy such as solar energy and strengthened the reuse of surplus energy such as surplus power generated from test run. In 2020, the Company realised an integrated energy consumption per RMB10,000 output value of 0.024 standard coal (ton) per RMB10,000, reaching an industry-leading level in the country.

### 3. Strengthened management to ensure safe production

It is of paramount importance to ensure safety. Adhering to the safety notion of “caring for people”, the Company solidified the concept of safe development and earnestly complied with provisions of the Production Safety Law (安全生產法) of the People’s Republic of China. It continuously improved the safety management system and actively constructed a long-term safe production system, and is committed to providing a healthy, safe and comfortable working environment for staff, ensuring the health and safety of employees. In 2020, we organised more than 120 safety inspections and rectified more than 620 potential dangers.

**First, we fulfilled pandemic prevention responsibilities.** In coordinating work related to pandemic prevention, we prepared 227 reports and submitted over 130 reports to various levels of government departments. As of now, zero infection and zero input was recorded. **Second, we implemented safety management responsibilities.** Upholding the annual theme of “safe production and scientific development”, we implemented various measures to raise safety awareness of all staff at different levels to perform safety responsibilities. Indicators of safe production were included within the scope of appraisals, and the “one-vote veto” mechanism for safe production was firmly implemented, thereby further strengthening awareness on safety red-line. **Third, improvements were made to the formation of a system of screening, identifying and rectifying safety issues.** We improved perfected the elimination of potential safety issues. We organised safety inspections such as day-to-day inspection, inspection before festivals and holidays, seasonal inspection, inspection conducted in safety promotion months and region-specific and section-specific inspection, reaching a rectification rate of 100%. In accordance with the principles of “safety first, prevention-focused, energy conservation and environmental protection and comprehensive management”, testing and inspections were conducted on more than 680 specialised equipment. More than 130 emergency drills were organised to get well prepared for contingency plans. **Fourth, we strengthened the formation of our safety-oriented culture.** We organised safety induction training for new recruits, pre-employment safety education as well as training for operators to reinforce concepts of safe production. Through implementing version upgrades for our occupational health and safety management system, we made comprehensive amendments to nearly 30 documents including management handbooks and procedural documents.

## 4. Giving back to society and enforcing social responsibilities

Adhering to the notion of “**Developing the economy and serving the community**” (發展經濟·服務社會), we actively perform our social responsibilities to give back to the society while developing and spreading positive energy as a corporation and strive to achieve win-win development vis-a-vis the society, gaining recognition from different sectors of society. **First, we fostered employment in society to fuel economic development.** We insist on employing various types of high-calibre talents each year. In 2020, more than 1,140 fresh graduates were hired in Weifang headquarters, thus alleviating local employment pressure. Our world-class industrial park is established with high standards, which attracted a few dozens of renowned enterprises domestically and from abroad to set their presence. Through incubating and utilising the advantage of industrial clusters, we support Weifang in building a city of international power, fueling economic and social development. **Second, we cherished opportunities of giving back to the society and proactively participated in charity work.** We have always performed our social responsibilities actively and participated in charitable activities. Ever since the outbreak of novel coronavirus pandemic in Hubei, the Company acted immediately by way of vegetable donation, money donation and provision of equipment and services in order to counter the pandemic hand in hand with the people in Hubei to manifest our responsibilities as a state-owned enterprise. Our donation went towards building a number of hope primary schools, and we have actively commenced the “Golden Autumn Grants” (金秋助學) and helped employees who were in financial difficulties to realise their children’s dream of pursuing education. Our volunteer association ran more than 70 social activities such as “Civilised Guidance”, “COVID-19 Prevention” and “Charity Purchase”. More than 10,000 volunteers participated in the activities, accumulating more than 20,000 hours of service. **Third, we insisted on caring for our people and protecting the interests of our staff members.** In accordance with the Labour Contract Law and other relevant laws and regulations, the Company standardised remuneration performance management and optimised our remuneration system and evaluation system based on our corporate development strategies and corporate operational performance and by making reference to market remuneration level and industry benchmarks. In strict compliance with national policy and regulations, the Company not only made contributions to “five insurances and one fund” for all staff, achieving a coverage rate of 100%, but also paid social security fund in full and on time, establishing a long-term effective incentive mechanism. Meanwhile, we have put in place our systems of corporate annuity and supplemental medical insurance for all staff members in accordance with national policies, with a view to further raising the level of fringe benefits provided to our staff members. In 2020, we won the accolade of “Outstanding Enterprise for Corporate Human Resource Development and Management”. **Fourth, we organised a series of events to gather positive spirit for development.** Such activities included the organisation of a 200-person “Dream for Future” Weichai choir and the active participation in artistic performances including *Estuary of the Yellow River*. We organised thematic activities such as “Chinese Dream, Beauty of Labour, Kindness of Workers – Compassionate Performance by the Art and Cultural Trope of National Workers in Weichai”. Leisure activities including music concerts, match-making, exchange fair for young employees and so forth are sound platforms for interpersonal exchanges and communications among staff members, thereby enriching their psychological well-being and creating a positive and harmonious working and living environment so that they can work in Weichai with happiness.

## Corporate Governance

### I. Structure of corporate governance

The Company established a sound corporate governance structure for legal persons, which includes the General Meeting, the Board, the Supervisory Committee and the senior management pursuant to the requirements of the Company Law, the Securities Law, the Standard Regulations on Corporate Internal Control and other relevant laws and regulations.

The General Meeting is the highest authority of the Company. It performs its duties in accordance with the provisions of regulations such as the Articles of Association and the Rules of Procedure for General Meetings. The convening, holding and proceedings of general meetings comply with the laws and regulations, thereby ensuring general meetings are conducted effectively and in a regulated manner, and that rational decisions are made and all shareholders, especially minority shareholders, are able to exercise their rights on an equal basis.

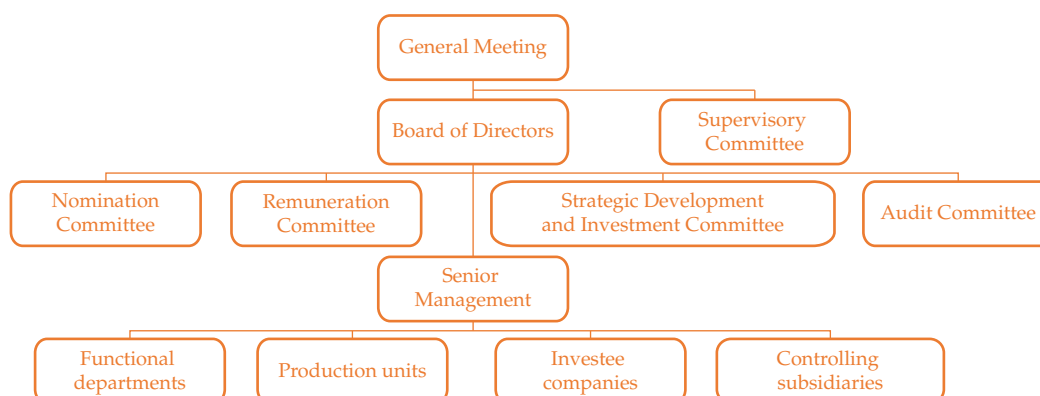
The Board, which is accountable to the General Meeting, comprises fifteen directors, of which not less than half of the members are external directors. External directors include independent directors of not less than one-third of the total number of the directors. The directors are diligent and responsible, exercising decision-making powers within their scope of functions and duties in accordance with regulations such as the Articles of Association and Rules of Procedure for Board Meetings, and are responsible for establishing and implementing an effective internal control system, as well as defending the overall interest of the Company.

The Supervisory Committee, comprising three supervisors, is accountable to the General Meeting. The supervisors perform their duties diligently in accordance with the regulations of the Articles of Association and the Rules of Procedure for Supervisory Committee's Meetings in a stringent manner, check the financial position of the Company regularly, supervise the directors, managers and other senior management to see whether they performed their duties in a legitimate manner and in compliance with the relevant laws and regulations, and give independent opinions.

The senior management is appointed by the Board and is accountable to the Board. The senior management is responsible for the Company's daily operation and production management, as well as the organisation of the implementation of the resolutions of the General Meeting and the Board.

The Company has set up a sound corporate governance system centered on the Articles of Association, Rules of Procedure for General Meetings, Rules of Procedure for Board Meetings, Rules of Procedure for Supervisory Committee's Meetings, Terms of Reference of the Audit Committee, Terms of Reference of the Strategic Development and Investment Committee, Terms of Reference of the Nomination Committee, Terms of Reference of the Remuneration Committee and Terms of Reference of the General Manager in accordance with relevant laws and regulations such as The Company Law and the Code of Corporate Governance for Listed Companies, as well as relevant regulations of China Securities Regulatory Commission, the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, specifying the duties and authorities, working procedures, and obligations to be performed by the General Meeting, the Board and each of its specialised committees, the Supervisory Committee and the senior management in respect of decision making, execution and supervision, thereby forming a rational and effective mechanism of responsibilities, checks and balances.

## II. Organisational structure



For details of corporate governance, please refer to the 2020 annual report of the Company.

## Customers

### I. Product quality

In strict compliance with the relevant laws and regulations such as Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Company steadfastly insisted on both "Quality first", and the key quality requirements of "goal assessment, effective system, strict compliance, and responsibility performance" and deepened the quality philosophy of "Quality in our hands", which is useful in facilitating the Company's high quality development. The Company has obtained the IATF16949:2016 quality management system certificate for the automotive industry and has established the quality control system covering the full lifecycle of products in strict accordance with the requirements of the quality management system. During the COVID-19 pandemic, the Company, being an award-winning company of the "China Quality Award (中國質量獎)", was one of the first batch of enterprises to resume work and production, playing a leading role as a benchmark enterprise. In 2020, the Company won the "National Market Quality Credit A and Customer Satisfaction Benchmark Enterprise (全國市場質量信用A等用戶滿意標桿企業)".



"National Market Quality Credit A and Customer Satisfaction Benchmark Enterprise" Certificate

The Quality Department of the Company is responsible for quality management which carries out various ongoing quality assurance activities to effectively improve our product quality.

#### (I) We established a maturity model for the quality management system based on the quality system

Based on the Company's future development demand in terms of quality, we targeted at meeting the international benchmark standards and established a maturity evaluation guideline and method for our quality management model with Weichai's characteristics. This maturity guideline is a five-step model with process evaluation as its basis and PCDA as an evaluation element, laying a foundation for the enhancement of our product quality.

We mobilised our audit resources and formed a professional audit team to conduct special audits using the maturity model for the quality management system as the audit standard, continuously improving our effectiveness and efficiency of our quality management system and increasing the integration between our businesses and processes.

## **(II) We focused on difficulties and had dedicated plans on quality**

Focusing on achieving “a breakthrough in enhancing the H1 project capabilities to reduce product failures significantly”, we commenced dedicated plans on quality from two aspects including customer-oriented and process enhancement-oriented forward management and problem solving-oriented reverse quality tackling to minimise our product failure. We established a quality project management team and streamlined our management process to focus on control of key nodes, significantly lowering defect rate.

### **(III) We uplifted the full-process quality management levels.**

- Design process: We set quality goals in the development process of new products, monitored the quality threshold, optimised the inspection and evaluation approaches, methods and our main focus on new products to enhance the standards and efficiencies of the product development process.
- Procurement process: In strict compliance with the target assessment requirements, we set up a mechanism for the notification, negotiations and penalties for blacklisted suppliers. We used means of information technology to develop our capabilities to automatically collect, push and consistently analyse incoming inspection data consistently, such as the adoption of the WQM system to automatically collect inspection data, the use of the QDAS/WQS system to monitor in real time, normalise analysis and regularly push and display, thereby driving suppliers to improve their process assurance capabilities.
- Production process: We identified process risks, conducted specific inspections based on market feedback, established a test drive decision-making analysis system and conducted dynamic monitoring and warning analysis to fully achieve uniformity in production.
- Service process: We implemented control in three aspects, including error judgment control, data support and service improvement during the service process and promoted the identification of error probability of TOP50 parts and components, and as a result the error probability rate has dropped by more than 50% cumulatively.

## **II. Customer services**

Adhering to the principle that customer satisfaction is our mission, the Company built an all-inclusive mechanism to respond to customer demand and a scientific process of survey on customer satisfaction, in order to improve product and service quality on an ongoing basis.

- We responded to our customer’s needs through multiple channels: An extensive network of outpost service centres is in place, forming a domestic service network with 6000+ centres and with a flagship station as the core. We built a high-quality global call centre to provide customers with hotline service 24 hours \* 365 days. In recent years, we have simultaneously opened up multiple digital channels such as a mobile APP service butler and Weichai WeChat mall official account to provide customers with efficient and high-quality after-sales service.
- We handled customer complaints and feedback properly: Placing a high value on every customer’s experience, we formulated a standardised process to implement the full-process management and control over service processing. We have a sound service indicator monitoring system and a complete service training system and mechanism, keeping up with market changes to improve the software and hardware capabilities of the service network, such that we satisfied our customers’ service demands for a full range of our products in all fields.
- We have been continuously improving our customer satisfaction: We carry out a customer satisfaction survey every year. Customer satisfaction was further improved in 2020 as compared to the previous year.

### **III. Advertisement, labelling and protection of consumer rights and intellectual property right**

The Company strictly complies with laws and regulations including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), with a view to ensuring the lawfulness and validity of advertising materials.

The Company has formulated the "Procedures for Trademark Management" (《商標管理流程》) and "Procedures for Logo and Billboard Management" (《標識牌宣傳牌管理流程》) to standardise the use of company logos, brands and nameplates.

Moreover, the Company has formulated the management systems such the "Administrative Measures on Confidentiality and Management" (《公司保密管理辦法》) and "Procedures for Information Asset Security Management" (《信息資產安全管理流程》) to manage customer information by category and hierarchy, in this way customer privacy was protected.

In 2020, the Company strictly implemented the intellectual property right policy and set an intellectual property goal for the next five years, for the purpose of further strengthening our intellectual property right protection and management. The number of patents, copyrights and other intellectual property right applications and authorisations have reached the highest level in history. Awards at national, provincial and municipal levels were granted for a number of technological achievements, providing right a strong impetus for innovative development of the Company. We optimised our intellectual property business structure and published the "Procedures for Intellectual Property Right Management" (《知識產權管理流程》) while improving the intellectual property right management system and passing the re-certification successfully. We strengthened the management of infringement of intellectual property rights by forming a working group for protection of intellectual property rights and adopted a "zero tolerance" attitude to the infringement of intellectual property rights, showing our great determination to protect our rights.

### **IV. Fulfillment of responsibility by subsidiaries**

#### **(I) KION**

The mission of KION is to provide customers with satisfactory products and solutions, and to do everything it can to ensure that products are safe and reliable. All processes that affect the quality of products are documented, audited and certified in accordance with DIN ISO 9001, and KION complies with all applicable technical and legal requirements and standards. Its technical maintenance teams are able to provide on-site servicing and offer customers and dealers professional advice and support on matters such as technical conversions and modifications, and will always give first priority to product and solutions safety. Its service teams are quick to respond and flexible, providing services to meet customers' needs.

Given that regulations on data protection vary from country to country, KION has developed a single standard to protect the privacy of its employees, business partners and customers. This standard is formulated in accordance with the high requirements of European data protection laws. KION also complies with the requirements of applicable international agreements.



## **(II) Shaanxi Heavy-duty Motor**

### *1. Product quality*

Shaanxi Heavy-duty Motor has successively passed the national CCC compulsory product certification, as well as a series of national and industrial quality management certifications such as ISO9001 and IATF16949. Product components are procured according to the List of Qualified Suppliers. Procured and outsourced parts and accessories are subject to acceptance check and testing according to the Management Regulations on Incoming Goods' Inspection and Testing. Control points are set up in the production and assembly lines of key and important parts to control the quality of the products. Before departure from factories, all assembled vehicles have to undergo road tests and wear tests as well as overall technical performance tests. As a result, its customer satisfaction has been improving and ranking in the forefront of the industry.

### *2. Advertising and labelling*

Shaanxi Heavy-duty Motor complies with relevant laws and regulations including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and has formulated the Advertising Planning and Publication Management Regulations (《廣告策劃、發布管理規定》) and the Trademark Management Regulations (《商標管理規定》) to regulate advertising and trademark management.

## **(III) Fast Gear**

### *1. Customer service*

A four-tier service management system has been established by Fast Gear: the first tier being a technology service centre; the second tier being all branches of the technology service centre; third tier being the institutions stationed overseas; and the fourth tier being service stations. Through the four-tier division, their respective functions and responsibilities are clearly defined for assuming full responsibility in products and services, a 24-hour service hotline is also set up.

### *2. Product quality*

Fast Gear remains committed to the quality approach of "quality-based, internal innovation, ongoing improvement and customer satisfaction". Through the implementation of the quality system maturity evaluation and the establishment of a comprehensive quality management system, Fast Gear ensures that the standard of quality management and its product quality will be improved on an ongoing basis.

### *3. Customer satisfaction survey*

A comprehensive survey was conducted in terms of quality, delivery, service, spare parts, price, satisfaction from the measurement system, customer loyalty, etc. The satisfaction rate was relatively high, implying wide recognition of the Group's products from users.

#### 4. *Branding and advertising*

On an ongoing basis, Fast Gear strives to discharge its duties on product liability, in strengthening brand building, enhancing brand strategy, brand concepts and brand value system, and in turn promote corporate identity optimisation. No exaggerated or false statements are involved in any of its advertisements, video clips for promotion, posters and so forth.

#### 5. *Intellectual property rights*

- Fast Gear actively applied for the certification of GB/T29490-2013 “Regulations on Enterprise Intellectual Property Right Management” (《企業知識產權管理規範》) to integrate intellectual property right management into its technological innovation system.
- Fast Gear strengthened the construction of its intellectual property right information platform and applied patent information services to technology research and development, utilising patent information analysis to for research and development decision-making, and special patent risk analysis to prevent intellectual property risks in major projects.
- Fast Gear built an excellent intellectual property right management team through multi-level and multi-channel trainings to raise awareness on protection of intellectual property and enhancing professional skills of employees in different positions.

## Shareholders

Major financial indicators	2020	2019	Change
Operating revenue (in ten thousand RMB)	19,749,109.29	17,436,089.25	13.27%
Net profits attributable to the shareholder of listed Company (in ten thousand RMB)	920,712.92	910,495.54	1.12%
Net cash flow from operating activities (in ten thousand RMB)	2,292,815.61	2,383,469.33	-3.80%
Basic earnings per share (RMB/share)	1.16	1.15	1.12%
Diluted earnings per share (RMB/share)	1.16	1.15	1.12%
Weighted average return on net assets	19.19%	21.34%	-2.15%
	<b>End of 2020</b>	<b>End of 2019</b>	<b>Change</b>
Total assets (in ten thousand RMB)	27,075,016.90	23,683,167.45	14.32%
Net assets attributable to the shareholders of listed Company (in ten thousand RMB)	5,120,232.02	4,522,394.11	13.22%

### I. Corporate governance and information disclosure

#### (I) Operation of General Meetings, the Board and the Supervisory Committee

In 2020, based on the Company's strategic deployment and regulatory requirements, general meetings, Board meetings and supervisory committee meetings were held 33 times. The Company continually standardised its governance as a listed company and enhanced its corporate governance level, safeguarding completion of its strategic targets.

#### (II) Corporate governance

During the reporting period, the Company undertook the following measures as required by China Securities Regulatory Commission, Shenzhen Stock Exchange, The Stock Exchange of Hong Kong Limited and Shandong Securities Regulatory Bureau with the aim of enhancing corporate governance level:

In accordance with relevant requirements including the Company Law, Securities Law, the Guidelines on the Articles of Association of Listed Companies (上市公司章程指引), Guidelines of the Shenzhen Stock Exchange for Standardised Operation of Listed Companies (深圳證券交易所上市公司規範運作指引) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (including the Corporate Governance Code), and taking into account the actual needs for the operation and development of the Company, we have arranged to revise the relevant provisions of the Articles of Association, the Rules of Procedure for General Meetings and the Rules of Procedure for Board Meetings and Management Measures on the Use of the Proceeds, to continuously refine the corporate governance system and mechanism and to improve the level of corporate governance of the Company;

The Company regulated the operation of the general meetings, the Board meetings and the supervisory committee meetings and gave full play to the function of independent directors and the specialised committees under the Board. In accordance with the arrangements of China Securities Regulatory Commission, Shenzhen Stock Exchange and Shandong Securities Regulatory Bureau, we have also organised directors, supervisors and senior managements to participate in training activities organised by the regulatory bodies. We implemented an annual appraisal mechanism through which the Board could evaluate the performance of the senior management. We have also compiled board publications in both Chinese and English and conveyed latest updates on applicable rules, so as to enhance the ability of the Board, supervisors and senior management to perform their duties in accordance with the law;

Following the trend of digital transformation, the Company has continuously upgraded and improved the integrated platform system for securities transactions and has applied it to the governance of listed companies. The system was also used in the Company's meetings, such as annual board meetings and annual general meetings, and has enhanced the efficiency of decision-making while assuring information safety and reducing the cost of meeting, which enabled the Company to achieve sustainable development.

In accordance with the requirements in the Rules Governing the Listing of Securities on Shenzhen Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the Articles of Association, Administrative Measures on Information Disclosure, the Administrative Procedures for Information Disclosure and the Administrative Procedures for Regular Reporting, the Company enhanced the management of information disclosure matters. Adhering to the principle of stringency, we disclose information openly, accurately, completely, timely and fairly and ensure all investors acquire information on the Company fairly.

### **(III) Information disclosure**

In 2020, the Company disclosed 217 announcements, including 85 announcements on A shares and 132 announcements on H shares. We successfully completed the information disclosure of significant matters including periodic reports, profit distributions, connected transactions, amendments to articles of the Company, derivative trading, external guarantee, non-public issuance of shares, the launch of the world's first commercial diesel engine with a thermal efficiency of over 50% and so forth. The Company was rated an "A" grade in the annual appraisal for the information disclosure of the Shenzhen Stock Exchange four years in a row in 2019.

### **(IV) Awards**

In 2020, as a result of our regulated corporate governance, outstanding business performance and smooth investor communication channel, we further enhanced the standing and reputation of the Company in capital markets and were awarded the following: Best Board Award under the sixteenth "Golden Roundtable Award" for the Board of Listed Companies (第十六屆上市公司董事會“金圓桌獎”最佳董事會), the Best IR Hong Kong listed Company Award by the 3rd New Fortune Selection (第三屆新財富最佳IR港股公司獎) and "New Leading Company of the Industry Award" under the 2020 China Annual Private Equity and Venture Capital Conference (2020中國資本年會“行業新龍頭獎”) and so forth.

## **II. Investor relations management**

The Company highly values the communication with investors, establishes multi-faceted and multi-level communication channels such as investor hotline, response on the interactive e-platform, on-site research reception, results announcements conferences and analyst exchange sessions, to commence targeted market value management systematically.

### **(I) Promoting communication**

In 2020, we received a total of 17 visits from investors, and participated in more than 40 strategy conferences held by securities firms and answered more than 400 questions from investors through the interactive e-platform. In addition, we participated in the 2020 online reception activity for investors of listed companies in Shandong. On 27 March 2020, in consideration of the pandemic, regulatory requirements and protection of the rights and interests of minority investors, “2019 Weichai Power Annual Results Press Conference” was held online, allowing interaction with overseas and domestic investors. With participation of more than 6,000 investors over the world, the press conference drew wide attention from the capital market.

### **(II) Profit distribution**

The Company has always valued the returns of shareholders and been determined to give back to shareholders and to safeguard investors’ interest.

The Company implemented the 2019 annual profit distribution scheme as follows: Based on the total share capital of 7,933,873,895 shares of the Company, all shareholders was distributed a cash dividend of RMB1.36 (including tax) for every 10 shares held. Implementation of the scheme was completed on 18 August 2020.

The Company also implemented the 2020 interim profit distribution scheme as follows: Based on the total share capital of 7,933,873,895 shares of the Company, all shareholders was distributed a cash dividend of RMB1.5 (including tax) for every 10 shares held. Implementation of the scheme was completed on 16 October 2020.

## Employees

Adhering to the human resources management philosophy of “taking up the responsibility for establishment of order, allocating the right people to suitable posts, encouraging staff members to work hard on a long-term basis, and serving the overall development goal of the Company”, as well as the principle of equality, the Company enhanced human resources management comprehensively. As the Company highly values the self-improvement and future career development of our employees, we commenced a series of training activities to safeguard employees’ safety and health. We strictly complied with the relevant laws and regulations including Labour Law of the People’s Republic of China (中華人民共和國勞動法), the Labour Contract Law of the People’s Republic of China (中華人民共和國勞動合同法) and formulated relevant administrative regulations to regulate recruitment and dismissal, promotion, remuneration and benefits, diversity, working hours and holidays and leaves. In recent years, the Company has been awarded “National Model Enterprise with Harmonious Labour Relations” (全國模範勞動關係和諧企業), “Enterprise with Excellent Enterprise Human Resources Development and Management” (企業人力資源開發與管理優秀企業) and so forth.

### I. Recruitment and dismissal

The Company strictly complied with relevant laws and regulations including Labour Law of the People’s Republic of China, formulated the Campus Recruitment Procedures (校園招聘管理流程), Public Recruitment Review Procedures (社會招聘審核流程), Administrative Procedures for Public Recruitment and Employment Management Procedures (社會人才招聘及聘期管理流程) and Administrative Procedures for Labour Contracts (勞動合同管理流程), fully promoting our brand as an employer, hiring talents through public recruitment and campus recruitment, and regulated employment management terms and employment contracts. As at 31 December 2020, the total headcount of the Company reached 81,568, including 36,207 hired by KION.

Major classification indicators (excluding KION)	Number of employees	Percentage
<b>Total number of employees</b>	<b>45,361</b>	<b>100%</b>
<b>By function:</b>	<b>45,361</b>	<b>100%</b>
Production worker	27,109	59.76%
Technical staff	12,633	27.85%
Operation and management staff	5,133	11.32%
Others	486	1.07%
<b>By region:</b>	<b>45,361</b>	<b>100%</b>
Weifang	12,576	27.73%
Shaanxi	25,050	55.22%
Others	7,735	17.05%
<b>By gender:</b>	<b>45,361</b>	<b>100%</b>
Male	37,507	82.69%
Female	7,854	17.31%
<b>By age group:</b>	<b>45,361</b>	<b>100%</b>
Below 35	27,547	60.73%
36-55	16,580	36.55%
56 and above	1,234	2.72%

## II. Remuneration and benefits

- 1. Remuneration system:** In accordance with the Labour Contract Law of the People's Republic of China and relevant laws and regulations, the Company formulated the Administrative Procedures for Remuneration (薪酬管理流程) to regulate management of remuneration and performance. We implemented differentiated salary management systems including annual salary, performance-related pay, piece-rate or time-rate salary based on the positions of employees to offer them an attractive remuneration package.
- 2. Employees benefit:** The Company formulated the Administrative Procedures for Staff Insurances (員工保險管理流程) and Administrative Measures on Housing Provident Fund (住房公積金管理辦法) to make contribution to basic pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and other social insurance plans and housing provident fund for all employees in accordance with laws. Employees are entitled to a retirement package upon retirement. We also formulated systems like the Administrative Procedures for Corporate Annuity and Supplemental Medical Insurance (企業年金及補充醫療保險管理流程) to establish a system of corporate annuity and supplemental medical insurance for all employees, which improved the pension benefits for retired employees and existing employees' abilities to deal with diseases and accidents. In addition, the Company provided benefits including monthly meal subsidies to employees.
- 3. Employee incentives:** The Company formulated systems including the Administrative Procedures for Staff Assessments (員工考評管理流程) and Administrative Measures on Incentives for Purchase of Housing by Employees(員工購房激勵管理辦法) and established incentive mechanisms including project innovation incentive, management innovation incentive, patent incentive, overseas post incentive, housing incentive and so forth, so as to motivate employees. We established an internal talent pool, opened up pathways for promotion, expressed more care to newly-recruited university students, organised team-building activities regularly, so as to strengthen well-being of employees.

## III. Positions and Promotion

### (I) Smooth promotion path

Apart from the executive path, positions were divided into five departments namely research and development ("R&D"), engineering and technology, management, operation, sales and procurement, each of which have five hierarchical levels namely "new-comers, experienced, core, expert and authorities" so that every employee could be promoted to a specialist level in their respective path of progression. Post-based qualification standards were set for each path of progression and position so that employees could easily discern their own development goals and path. The formation of a hierarchy-based training system according to qualifications helped employees improve targeted occupational skills systematically.

### (II) Standardised position management

In 2020, the Company established rules, methods and standards for career progression planning, through identification of key positions and core talents, assessment of position values, and position qualifications. The Company applied such rules, methods and standards to cross-level certification, special-treatment certification, skills-based talent appointment and so forth. Guided by spirit of craftsmanship, we evaluated and recruited skilled talents; added channels for recruiting business specialists, and completed the evaluation and recruitment of chief technicians, chief platform quality engineers and technical supervisors.

## IV. Employees' training

The Company highly values continuous improvement in employees' character and occupational skills. The trainings are positioned to "empower individuals and the group, leading all members towards our strategic targets". Adopting the strategy-oriented and issue-focused approach, the training covered various aspects such as mid-to senior-level management, R&D, craftsmanship, quality, sales and marketing, management and production, to nurture high-caliber and versatile talents in support of the Company's transformation and upgrade.

### Major indicators for trainings in 2020:

Total training hours	1.505 million training hours
No. of participants	205,000 participants
Percentage of employees received training	100%
Of which: percentage of male employees	100%
Of which: percentage of female employees	100%
Average training hours	100.3 training hours
Of which: average training hours received by male employees'	100.3 training hours
Of which: average training hours received by female employees	100.3 training hours



Strengthened the application of OTO training method

On the premise of pandemic prevention and control, we strengthened the cultivation of employees' comprehensive abilities, actively combining online and offline training projects to provide a series of trainings with specific training themes, strengthening training impact, so as to ensure the effectiveness of trainings and that employees can put what they have learnt into practice.

- We participated in "Red Flag League", the first national competition on management skills of team leaders in the machinery industry, which was a first-class competition organised by the China Machinery Enterprise Management Association. One of our employees was granted Class I Prize, one was granted Class II Prize, three were granted Class III Prize and fifteen were granted Award of Excellence, and the Company was awarded the Organisation of Excellence Award.
- We participated in Weifang "Golden Blue Collar" training project, and trained a total of 66 senior electrical technicians and fitter technicians.
- We participated the Weifang 2020 Junior Technicians Improvement Training Program, and trained a total of 137 lathe operators, fitter workers and foundry workers.

Strengthened the cultivation of skilled talents

A wide variety of training projects



Facilitative skills training for internal trainers



TTT training



Trainings for technicians



Training for management staff



Training for outstanding group or team leaders



## V. Employees' health and safety

### (I) Safe production

The Company strictly complied with relevant laws and regulations such as Safe Production Law of the People's Republic of China (中華人民共和國安全生產法), and Special Equipment Safety Law of the People's Republic of China (中華人民共和國特種設備安全法), and formulated and implemented safety management systems such as Administrative and Control Procedures on Safe Production Responsibility System (安全生產責任制管理控制程序), and Control Procedures on Safe Production Inspection and the Measures on Screening, Investigation and Rectification of Potential Danger (安全生產檢查與事故隱患排查治理控制程序), in order to provide a healthy, safe and comfortable workplace for our employees and to safeguard their health and safety.

In 2020, we organised more than 120 safety inspections, rectified more than 620 potential dangers and organised more than 130 emergency drills. We also organised impromptu emergency drills for relevant units to ensure that they can handle emergencies properly and effectively. There were no occurrences of work-related fatal incidents. 270 working days were lost due to work-related injuries.

### (II) Occupational health

The Company strictly complied with relevant laws and regulations such as Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China (中華人民共和國職業病防治法). To strengthen the execution and operation of the occupational health and safety management system, in 2020, we identified hazard sources, and established methods to control major hazard sources, organised tests by external parties and self-tests on hazardous factors for occupational diseases at poisonous and hazardous workplace and completed pre-employment, on-duty and off-post occupational health bodies checks for about 2,200 relevant staff members, and held training sessions on occupational health at company level for relevant pre-employment and on-duty staff members.

#### Work and activities for safe production and occupational health

##### Scientific pandemic prevention



Disinfection at workshops



Disinfection on company buses

##### Emergency drills



Emergency drills for work safety accident contingency plans



Workplace emergency experience experiment

##### Safety trainings



Safety trainings



Emergency experience trainings

## VI. Staff Activities

The Company concerns about the needs of staff in all aspects, and actively organises various cultural and sports activities to promote staff's well-being and enhance their sense of belonging and cohesion.

### A rich variety of cultural and sports activities



"Estuary of the Yellow River"  
symphony concert



Chinese Dream, Beauty of Labour,  
Kindness of Workers – a special performance  
to express gratitude for workers



Outdoor activities for new staff



Friendly basketball competitions

### Caring for the growth of young workers

On 4 May 2020, our Chairman Tan Xuguang hosted an online live meeting "Tan Has Something to Say" to communicate with young workers. Over 10,000 young employees had "face-to-face" exchanges with Mr. Tan through leaving comments, playing short videos and participating in off-site connection and small games. They were encouraged by the Chairman's messages and his personal success story, and were motivated to improve themselves and establish a sense of belonging toward the Company.



"Tan Has Something to Say"

## VII. Equal Opportunities, Anti-discrimination and Labour Standards

The Company is in strict compliance with laws and regulations including the Labour Law of the People's Republic of China and the Provisions on Prohibition of Child Labour. The Company conducted strict review on the information of applicants during the recruitment process and filed records online during on-boarding process. The age information of the prospective employee would be reviewed again against their personal identification information. Prospective employees who do not meet the entry requirements will be rejected for on-boarding process to avoid employment of child labour or forced labour. The Company adheres to a people-oriented philosophy, we have formulated fair and just systems and policies under which male and female employees will be remunerated equally for the same position, and everyone will be treated equally, regardless of their race, gender, age and background.

## VIII. Fulfilment of Responsibility by Subsidiaries

### (I) KION

KION formulated basic employment contracts in accordance with the fundamental labour conventions of the International Labour Organisation ("ILO") and adopted the minimum employment standards to ensure freedom of association and collective bargaining rights, and prohibited forced labour, child labour and employment discrimination as key human right respected by KION. In addition, KION adhered to the high global standards of occupational health and safety, KION offers salary comparable to industry standards in China, and always pay wages on time. At the same time, KION also follows the requirements under KION Group Code of Compliance ("KGCC") and Health, Safety and Environment ("HSE") policy regarding employment practices.

- 1. Recruitment:** The success of KION depends on each employees' ability and contribution. KION's human resources strategy is support the implementation of KION's 2027 Strategy. KION adopts a series of measures to ensure that a large pool of high-calibre employees are available at different stages of operations. Attractive working conditions and career progression of KION as an international enterprise have played an important role and laid a solid foundation for the Company to overcome challenges posed by demographic changes.
- 2. Anti-discrimination:** The goal of KION is to prevent any form of discrimination within its sphere of influence. Every member of the company, whether he/she is on management level or an employee, has the obligations to observe KION's compliance code and minimum employment standards and stand against discrimination. KION complies with all of its legal obligations and would not tolerate any form of discrimination on nationality, race, religion, age, disability, color, gender, political view or gender.
- 3. Remuneration and benefits:** KION is committed to offering remuneration comparable to domestic industry standards and ensure a basic level of income, which is no less than the minimum wage set by national legislation or applicable collective agreements. The principle of equal pay for equal work irrespective of gender is upheld. Where laws or collective agreements are inapplicable, the value of the work performed must, as far as possible, be determined by objective appraisal.
- 4. Work-and-leisure cycle:** KION implements flexible working hours, for work-life balance.

5. **Promotion, equal opportunities and diversity:** As an international company, KION is thankful for the contribution of all employees, regardless of their gender, nationality, skin color, ethnic background, political views, origin, social background or religion. For KION, diversity goes beyond equal opportunities and fair treatment of all employees and includes tolerance and appreciation of others. In hopes of promoting international collaboration between employees, KION implements expat programmes to give employees the opportunity to transfer to different countries. To expand the proportion of female members in the management, the executive committee has set a series of goals in the corporate governance report.
6. **Training and development:** The purpose of KION's human resources management and development is to allocate or promote its staff members to a suitable post based on their potentials and skills. KION attaches high importance to the succession plans of key positions and promotion of high-calibre employees. KION's management on performance, talent and succession plan are in line with the standardised procedures, i.e. Organisation Capability Talent Review ("OCTR"), which is applicable to the entire group. In addition to the competency model or management regulations expressly defined, the assessment is also based on "integrity, coordination, courage and excellence", which are the shared values of KION. In 2020, KION introduced a "career path of technical roles" for specific fields in the future, which established a professional career path for technical experts.
7. **Labour standards:** KION complies with the requirements in ILO, KGCC and HSE policy regarding labour standards, respects the dignity of all and upholds human rights and will not tolerate child labour or any employment that is harmful to the young or any form of forced labour. The respective management team and person-in-charge of each operational units ensures the compliance with the relevant statutory standards. These standards are covered in our internal audit or are part of the review for the internal annual sustainability report. In case of any non-compliance, report can be made anytime by calling the compliance hotline anonymously.
8. **Health and safety of employees**

KION complied with the requirements in the ILO, Compliance Code and HSE policy regarding health and safety and took comprehensive precautions to create a safe working environment in ensuring that its employees are capable of avoiding risks and accidents.

KION provided a safe working environment by identifying, eliminating or reducing risks to an acceptable level based on its risk management approach while providing all employees with regular trainings in relation to workplace health and safety. KION implemented an accident reporting mechanism at the group level in order to improve occupational health and safety. Expanding the coverage of the HSE certification is a key goal of KION's sustainable development strategy. Currently, the number of certified sites increases every year. In 2024, all production sites, sales and service sites will pass the certification of ISO 14001 and ISO 45001 or equivalent systems.

## (II) Shaanxi Heavy-duty Motor

1. **Recruitment:** Shaanxi Heavy-duty Motor rationalised its recruitment requirements based on the development needs of its strategic businesses. Implementing the recruitment principles of “Openness, Equality, Competition and Meritocracy”, Shaanxi Heavy-duty Motor made public its recruitment requirements, standardised the recruitment procedures, to welcome talents on board.
2. **Remuneration and benefits:** Shaanxi Heavy-duty Motor adhered to the principles of distribution according to work and equal pay for equal work. Numerous wages strategies have been in place depending on the nature of the position, such as structured wage systems, piece-rate wage systems and sales-based salary system. The company set up various social insurance protection measures, and had duly paid its contribution into various insurance plans, including basic pension insurance, unemployment insurance, basic medical insurance, work injury insurance and maternity insurance, for its staff in a timely manner and also arranged housing provident fund, corporate annuity and supplementary medical insurance plan for its employees. In addition, Shaanxi Heavy-duty Motor provides high-temperature subsidies and drinks for heatstroke prevention in summer and allowance for heating fees in winter, as well as holiday benefits and other salary and benefits.
  - The salary of high-calibre and well-developed talents introduced was determined by benchmarking with the market level. Incentive policies such as project-based incentive system were also established to encourage high-calibre talents to make progress together with the company and share the fruits of development with the Company.
  - Selected “emerging young talents” are motivated to develop themselves through projects and rewards.
  - For front-line employees of the production department: the promotion path for technical employees has been enhanced and incentives for high-calibre talents increased. During the peak production period, the company increased the amount of various subsidies such as overtime pay, meal subsidies, subsidies for heatstroke prevention and cooling, and high temperature allowances.
  - For front-line employees of the marketing department: small and micro innovations were encouraged to facilitate the participation of all employees in innovation, and wages were increased significantly along with the completion of annual sales target. Technical allowances were set up for supporting technical employees.
  - For the R&D technical staff: innovation conferences were convened, guided on a project-by-project basis, R&D employees who have made contributions were rewarded to increase their motivation and enthusiasm to create and innovate.
3. **Work hours and leave days:** In strict compliance with the Labour Law of the PRC, Shaanxi Heavy-duty Motor implemented a standardised work hour system of 40-hour work weeks, while a comprehensive system of calculating work hours on a yearly basis is in place for skilled positions in specialised production factories based on its special characteristics of production and operation. The company formulated the Calculation Method of Paid Annual Leave for Staff, the Regulation of Administration for Staff Holiday and provided employees with paid annual leaves, maternity leaves and marriage leaves according to law, thereby fully protecting the legal rights of staff.
4. **Training:** Shaanxi Heavy-duty Motor has established a 3-level training system, providing stratified and comprehensive staff training. It continuously optimised its system by organising activities to improve its internal trainers’ capabilities. In 2020, the company organised employees to participate in training programs including “Strategy Formulation and Implementation” (《戰略制定與執行》), “Inspire Organisational Vitality” (《激發組織活力》), “Building Product Competitiveness” (《構建產品競爭力》), and “Business English Training” (《商務英語培訓》) with a total of 29,000 participants, focusing on skills improvement of front-line staff and involved 162 intermediate-level workers, 183 senior-level workers, 110 technicians and 9 senior technicians.

5. **Labour standards:** Shaanxi Heavy-duty Motor has been in full compliance with the Labour Law and the Labour Contract Law. The company has made it a policy to enter into an employment contract with every member of its staff on a voluntary and equal basis and upon agreement after negotiation. The company has entered into an employment contract with each of its staff. **No irregularity has arisen where the company has failed to enter into an employment contract with any staff.** In strict compliance with the national laws and regulations such as the Provisions on Prohibition of Child Labour, **the company has never hired any child labour or under-age persons.**
6. **Dismissal, promotion, anti-discrimination and diversity:** The company manages its employees according to the Labour Law (勞動法) and the Labour Contract Law (勞動合同法), and has formulated and implemented dismissal, promotion and diversified regulations such as the Labour Discipline Management Regulations (勞動紀律管理規定) and Measures on Career Planning by Employees (員工職業生涯管理辦法). It treats all its employees fairly without discrimination on gender, ethnicity, religion, age or disability.
7. **Health and Safety**
  - (1) In strict compliance with provisions of the Safe Production Law(安全生產法), Shaanxi Heavy-duty Motor established a safety management department and assigned a team of safety management personnel, and rigorously implemented the Safe Production Responsibility System, the Screening, Investigation and Rectification of Potential Danger System and the Regulations on Safety Operation. The company carried out the construction of work safety standardisation and passed the National Level 1 Work Safety Standardisation Enterprise Review. It also established a “dual-prevention” mechanism for safe production to further enhance safety literacy of its employees.
  - (2) In 2020, the company implemented 4 improvement projects for occupational hazards to continuously improve the operating environment of its production sites. According to the provisions of the “Law on the Prevention and Treatment of Occupational Diseases” (職業病防治法), the company organised special assignment check-ups and occupational health check-ups for its staff members, and confirmed that no staff member suffered from any occupational diseases. An examination of workplace hazards was conducted, results of which was consistent with the relevant standards. The company organised briefing sessions on workplace occupational hazards and training sessions on knowledge regarding the prevention and treatment of occupational diseases. An occupational health file has been set up for each employee. The company distributed adequate work-related protective gear to its staff, meeting relevant standards and requirements to protect the health of its staff.

### (III) Fast Gear

Its human resources management adhered to the working principle of “systematic, dynamic, and sustainable”, and under the guidance of “digitalisation and intelligence” and based on the human resource strategic target of “forming talent structure to meet development needs, building a talent pool to remain forward-looking strategically, controlling the human resource cost in a reasonable range and full development of potential talents”.

1. **Recruitment:** Fast Gear stands at a strategic highland through building a pool of outstanding talents, scientifically coordinating human resources, and creating an enhanced environment which could match the right talent to the right positions, making good use of talents and motivating employees to be skilled. The company conducted recruitment in accordance with its annual human resources recruitment plan.

2. **Promotion:** A five-star appraisal system was in place to improve the company's system of value appraisal and allocation, which determine staff performance effectively and form positive incentives, thereby stimulating the enthusiasm, initiative and creativity of employees. Dynamic management was implemented based on the results of the star-rate appraisal, with a view to open up a clear path for the employees to grow and incentivising employees to develop and succeed on their respective positions, thereby laying solid foundation in the establishment of a system favouring the long-term corporate development of the company.
3. **Remuneration and benefits:** Fast Gear has enrolled its staff in the five major Social Insurance Plans along with a Housing Provident Fund, **which covered 100% of its staff.** In setting up a system of supplementary insurance plans, the company refined the benefits and social security system for its staff. A corporate annuity is in place in which a trustee manages the annuity as a trust, thus offering better retirement protection for staff. The company established a supplementary medical insurance system for its staff to file claims for expenses falling outside the scope of their basic health care insurance and obtain reimbursements upon a second review, raising the standards of the health care available to its staff.
4. **Staff training:** Fast Gear continued to improve staff education and training to deepen the implementation of a multi-level talent training system. It also organised the phase two business administration training course to cultivate comprehensive management talents. The company recruited a pool of professional technical experts and set up positions for them. Leveraging on the skills of experts, the company expedited training of high-calibre talents and launched a dozen of high-calibre talent innovation projects and workshops. The company also established the online Fast Gear Cloud Academy learning platform (法士特雲學院線上學習平台), which integrated different functions including demand investigation, organisation and implementation, examination and assessment, knowledge sharing and data analysis, which will be gradually built as an employee learning center, data analysis center and knowledge sharing and co-creation platform.
5. **Labour standards:** Fast Gear strictly complied with national laws and regulations such as the Labour Law and the Labour Contract Law and duly implemented its own systems such as the Human Resources Administration System and the Administrative Measures on Labour Contracts. The company strived to regulate the management of labour and employment: **No child labour was employed, there was no risks of serious forced labour or forced labour incidents and 100% of the staff entered into a labour contract with the company,** which indicated that the company has maintained good order in labour and employment.
6. **Working hours, leave days, equality and anti-discrimination:** An 8-hour work day is adopted for all positions. Employees are entitled to paid annual leave and public holidays. They are legally entitled to employment equality and the right to choose their career, right to rest periods and leave days, and other labour rights stipulated under the law. Fast Gear adopts a meritocratic approach in recruiting talents. Employees are given equal wages for the same positions and equal opportunities irrespective of sex, age, marital status, family position, disability, ethnicity and religious beliefs.



## 7. Health and safety

- (1) Safe production management systems: In compliance with laws and regulations including the Safe Production Law of the People's Republic of China and the Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China (中華人民共和國職業病防治法), the company sought to develop safety awareness among staff members and paying attention to safe production. Trainings on occupational health and skill drills for safe production were arranged. It was intended to prevent the risks against occupational health and safety, and to protect the occupational safety of staff members. There were no employee casualties in 2020.
- (2) Occupational safety and health: Fast Gear organised a test on poison hazards and hazardous sites for 531 monitoring spots and completed occupational health body checks for a total of 1,573 staff members. There was zero incidence of occupational disease.
- (3) Safety training: Fast Gear provided new and resumed staff members with safety education at three levels (company, workshop and team) and the training rate reached 100%.
- (4) Emergency management mechanisms: Fast Gear prepared 20 contingency plans under three major aspects. It organised 48 emergency drills such as rescue drills in a limited space, emergency elevator rescue drills, evacuation drills and heat stroke rescue, improving employees' abilities of disaster prevention and mitigation and to deal with emergencies.

## Suppliers

In 2020, the Company was committed in establishing a team of suppliers under a unified strategy for coordinated development, creating a high-end engine supply chain system with the most competitive core technology, cost and quality to achieve competitive advantage in the whole product lifecycle.

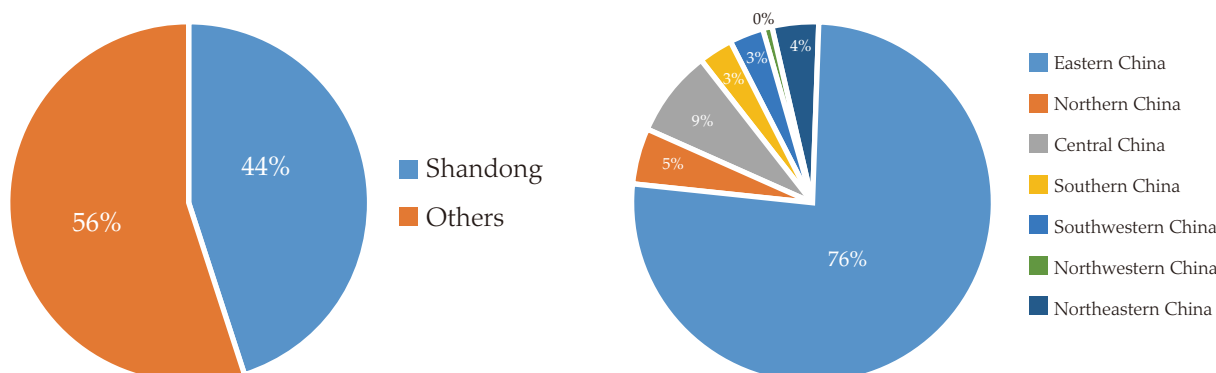
### I. Policies of supply chain management

- **Hierarchical supplier management strategy in face of market segmentation:** The Company's market positioning is vertically divided into high-end, mid-end and low-end levels. Based on the market and product positioning of the products, suppliers with corresponding capabilities and levels will be allocated. The product platform is horizontally divided into large-scale, mid-scale and small-scale divisions to realise the "market+product" positioning management. According to the characteristics of parts and components, different types of suppliers are categorised and a competitive advantage in supply chain differentiation had been achieved.
- **Internationalisation of supply chain and collective development strategy:** Through the internationalisation of suppliers, we introduced a group of suppliers which possesses advanced technologies and high-end products on an international level to improve the supply shortage of large-bore products and consolidated our internal supplier resources, improving the overall synergy of the supply chain and giving full play to the linkage effect. We looked for strategic cooperation with outstanding suppliers of key and important parts and components, locking in high-quality resources in the industry, supporting international suppliers to settle in Weifang and creating high-end manufacturing industry cluster.
- **Reserve of supply chain resources:** We are building a supplier resource pool in phases and improving procurement contingency plans to reinforce our risk resistance capacity.
- **Supply chain environment and social risk management policies:** We entered into procurement framework agreements with suppliers and required them to meet relevant criteria and requirements, operate in compliance with laws and regulations and fulfil relevant social responsibilities. Currently, more than 98% of our suppliers have signed procurement framework agreements with us.

### II. Criteria for engaging suppliers, and the management, control and monitoring of suppliers

The Company maintained "Suppliers Management Manual", "Selection, Assessment and Control Procedures for Suppliers", "Selection and Control Procedures for External Suppliers" and "Internet Bidding Management Procedures" to regulate the review and evaluation of the qualifications of suppliers and in the approval of their engagement. Suppliers that meet the qualifications, will be approved as qualified suppliers only when they have passed our internal recommendation review, on-site inspection, company recommendation review, examination on product durability, and preliminary process capability analysis.

Geographical breakdown of suppliers:



### **III. Fulfillment of responsibility by subsidiaries**

#### **(I) KION**

KION has requirements on sustainability for its suppliers. For example, KION's code of compliance and general terms and conditions of procurement include the particular requirements and code of conducts for the personnel who are responsible for procurement. To ensure that the objectives are met, the basic framework is set out in KION's code of conducts of suppliers. These regulations, available in eight languages, are of the utmost importance in procurement, and clearly stated scenarios and ethical standards for supplier management. It also requires all suppliers to respect human rights and to meet the expectations of international community standards, including the prohibition of child and forced labour and the enforcement of statutory minimum health and safety standards in accordance with conventions of the ILO.

Leveraging on the EcoVadis platform, KION made an objective and reliable evaluation on the sustainability performance of its most significant suppliers. In this way, KION is able to enhance the transparency of the sustainability performance of its suppliers and manage the risks and opportunities associated with the sustainability of the supply chain with a targeted approach. During the course of evaluation, suppliers are required to describe its procedures to maintain sustainability, especially in terms of the environment, working conditions, human rights, fair business practice and sustainable procurement. 74% of KION's purchases come from Europe, 14% from North and South America and 11% from Asia Pacific.

#### **(II) Shaanxi Heavy-duty Motor**

We implemented "Procurement Control Management" and "Supplier Management" on the basis of the standards of quality management system and established an industry leading supplier system in accordance with "SQS/SI14.2.1 Supply Entry Permit Management Rules". New suppliers will be approved for engagement when they have gone through on-site inspection, on-site assessment and evaluation, test verification on the products developed and the PPAP audit. We have also conducted quantitative assessment on the performance of suppliers based on product quality, delivery, new product development, and cost control, etc. according to the "SQS/SI14.2.3 Supplier Classification and Performance Assessment Management Rules", and made adjustments to the share of supply, issued interviews alerts, set time limit of rectification suspended new product development, conducted a second party assessment or eliminated suppliers based on the assessment results. Shaanxi Heavy-duty Motor has 421 qualified suppliers, among which, 43 are located in Northern China, 6 in Northeastern China, 182 in Eastern China, 122 in Northwestern China, 20 in Southwestern China and 48 in South Central China.

#### **(III) Fast Gear**

Fast Gear emphasised on management of the environmental and social risks of its suppliers, while increasing its green purchases and managed social risks. It has a long-standing commitment in establishing a team of suppliers with unified strategy and coordinated development. It requires that all procured materials shall meet the domestic and international environmental protection requirements, and that suppliers shall hold an environmental assessment qualification, striving to put into practice the concept of energy conservation and emission reduction as well as green and environmental friendliness throughout the whole life cycle of purchased products, including procurement, delivery, utilisation, recycling and production. As of now, there are 86 qualified suppliers.

## Environmental Protection and Energy Saving

### I. Environmental protection

The Company strictly observed laws and regulations such as Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Water Pollution Prevention and Control (中華人民共和國水污染防治法), Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) and Law of the People's Republic of China on Pollution Prevention and Control of Environmental Noise (中華人民共和國環境噪聲污染防治法), and formulated a set of internal rules, such as the "Administrative and Control Procedures on Accountability of Environmental Protection" (環境保護責任制管理控制程序), "Procedures for Water Body Pollution Prevention, Management and Control" (水體污染防治管理控制程序), "Procedures for Air Pollution Prevention, Management and Control" (大氣污染防治管理控制程序), "Procedures for Solid Waste Pollution Prevention, Management and Control" (固體廢物污染防治管理控制程序), "Procedures for Hazardous Waste Pollution Prevention, Management and Control" (危險廢物污染防治管理控制程序), "Procedures for Noise and Vibration Pollution Prevention, Management and Control" (噪聲、振動污染防治管理控制程序), and Procedures for Environmental Emergencies Management and Control" (突發環境事件應急管理控制程序), to regulate exhaust gas and greenhouse gas emissions, discharges into water and land, and management of wastes, so as to ensure that emission is in compliance with regulations and that the environmental protection responsibilities are fulfilled.

#### (I) Major substances emitted and emission information

Major substances emitted by the Company include greenhouse gas, exhaust gas and solid wastes. Information about the major substances emitted in 2020 is as follows:

Substance Emitted	2020 Emissions
Sulphur dioxide	0.99 tons
Nitrogen oxides	9.44 tons
Carbon dioxide	404,000 tons, with an intensity of 0.02 ton per RMB10,000 revenue
Chemical oxygen demand	13.2 tons
Ammonia nitrogen	0.66 tons
Hazardous waste	Handled approximately 4,200 tons of hazardous waste including oily waste and paint residue, with an intensity of 0.21 kg per RMB10,000 revenue
Non-hazardous waste	Generated approximately 63,000 tons of non-hazardous waste, such as scrap iron, waste iron, waste paper shell, chop wood, iron from lime and dust, with an intensity of 3.19 kg per RMB10,000 revenue

## (II) Measures for emissions management

In 2020, the Company kept improving its environmental protection system, conducted two internal audits of the environmental management system, and successfully passed the recertification audit on the environmental management system in July 2020. In accordance with the requirements of “Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources” (固定污染源排污許可分類管理名錄), the Company applied for discharge permit to ensure the regulation of its emissions.

### 1. *Wastewater: Installation of the online phosphate monitoring equipment for wastewater and intelligent monitoring system for rain water*

Online phosphate monitoring equipment is installed at the sewage outfall to strengthen the supervision of the total phosphorus emissions. An intelligent monitoring system is installed at the rainwater outfall to conduct real-time monitoring of the outfall of rainwater.

### 2. *Exhaust gas: Installation of emission control facilities at the sewage station to facilitate treatment of volatile organic compounds*

Outdoor pools at the sewage treatment station such as grease trap, balancing tank, biochemical tank and sludge thickening tank are sealed, and exhaust gas treatment facilities are installed to reduce the odour generated during the sewage treatment process. The exhaust gas treatment facilities are installed at the hazardous waste warehouse to reduce the unorganised emission of volatile organic compounds.

### 3. *Solid waste: Promoting the reduction of lacquer residues and the standardisation of solid waste management*

The automatic lacquer residues extraction devices are installed in paint lines and passed the acceptance and inspection process. Through flocculation and filter press to reduce the water content of water-based paint, the amount of lacquer residues generated in 2020 was reduced by approximately 100 tons. According to the requirements of the newly promulgated Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, we organised special training, established a whole-process management system, carried out special inspections, and promoted standardisation of solid waste management.

### 4. *Contingency plan for heavily polluted weather: Installation of the power consumption intelligent monitoring system and organisation of performance classification report*

In order to strengthen the management and control of emergency emission reduction measures for industrial enterprises during the emergency period of heavily polluted weather, we installed intelligent electricity monitoring systems for key processes and key points, and completed network debugging. Based on the classification of different industries, we carried out the performance classification report of the key industries in heavily polluted weather, and promoted the improvement of environmental protection management.

### 5. *Real-time monitoring: Strengthening the monitoring of pollutant emissions by the combination of online monitoring and engaging inspections*

With the existing online VOCs monitoring equipment, online exhaust gas monitoring equipment and online waste water monitoring equipment, we realised real-time monitoring on the concentration of major pollutants emitted; at the same time, we engaged qualified inspection units to carry out an annual environmental monitoring on the emission of pollutants including waste water, exhaust gas and noise, to further enable a more comprehensive grasp of the pollutant emissions.

## II. Energy-saving

The Company insisted on the energy principle of “Energy Conservation and Emission Reduction, Obligation Fulfillment, Green Power, International Weichai” (節能減排、踐行責任、綠色動力、國際濰柴), and strictly complied with the relevant laws and regulations such as Energy Conservation Law of the People’s Republic of China (中華人民共和國節約能源法), Renewable Energy Law of the People’s Republic of China (中華人民共和國可再生能源法), and Water Law of the People’s Republic of China (中華人民共和國水法) to save energy scientifically. We enacted and implemented various systems, procedures, and standards such as “Energy Management Measures” (能源管理辦法), stressing the development of circular economic development and intelligent transformation in which energy resources are utilised in an eco-friendly way. In 2020, the integrated energy consumption per RMB10,000 output value of the Company continued to decline, achieving the best results in its history.

### (I) Policy for effective use of resources

#### 1. Energy-saving

- In 2020, a new 5MW photovoltaic power generation system was built using contracted energy, and a total of 11.1MW has been consumed.
- Promoting the use of LED lights with an energy-saving rate of 55% and annual electricity saving of approximately 3,600,000 kW·h.
- Implementing the ultra-slip energy-saving coating transformation on 35 circulating water pumps with an energy-saving rate of approximately 15% and annual electricity saving of approximately 1,500,000 kW·h.
- Replacing 4 high-efficiency voltage transformers to reduce power conversion loss.
- Implementing compressed air aluminum alloy super pipeline transformation to reduce transmission pressure loss.

#### 2. Water saving

The Company’s water supply mainly comes from municipal pipe network’s supply of tap water, and no river water or underground water has been used. Water quality standards and water supply amount both met enterprise production and daily needs. The Company strictly monitors the key parameters of water usage. We formulated scientific and reasonable water saving plans, increased the investment of water quality treatment equipment and the reuse times of recycled water and to classify the utilisation of water resources to recycle and reuse concentrated water and used water. As a result, water consumption per RMB10,000 output value in 2020 fell by 10% as compared with 2018.

### 3. *Strengthening energy management and improving control efficiency*

- We carried out a series of energy-saving publicity activities to build an energy-saving cultural atmosphere.
- We conducted internal energy-saving diagnosis to investigate the requirements of energy-consuming units, identify room for energy-saving, and promote the implementation of a batch of energy management plans.
- We started energy efficiency benchmarking to set an energy-saving target and energy consumption benchmark and further reduced the granularity in energy measurement while actively implementing energy-saving measures.
- By utilising the energy data control centre to manage and control a large amount of data and the self-developed consumption analysis and forecast platform, we provided supporting data for the Company's energy plans and decision-making. A set of complete and effective energy management standards at all levels as well as a long-term energy management mechanism have been established. We also actively responded to government policies on electricity demand management, electricity spot trading and energy storage.



Photovoltaic power generation system



Water saving promotion week

### 4. *Packaging materials*

In 2020, packaging materials used by the Company during the sales process of engines were predominantly iron boxes and wood. Iron boxes were reused and wood used amounted to 6,500 tons. Material consumption per RMB10,000 revenue amounted to 0.33kg.

**(II) Utilisation of the major resources in 2020****Energy consumption in 2020**

Indicators		Measurement Unit	2018	2019	2020	Increase/decrease in 2020 as compared with 2018
Energy Consumption	Water	Ton	1,054,799	1,158,632	1,390,725	32%
	Electricity	10,000 kWh	42,142	45,467	55,303	31%
	Natural gas	Thousand cubic meter	22,256	23,492	26,231	18%
	Diesel oil	Ton	8,481	8,769	11,263	33%
Intensity	Water	Ton per RMB10,000	0.23	0.22	0.21	-10%
	Electricity	kWh per RMB10,000	92	87	83	-10%
	Natural gas	Thousand cubic meter per RMB10,000	0.00485	0.00449	0.00392	-19%
	Diesel oil	Ton per RMB10,000	0.00185	0.00168	0.00168	-9%
Integrated energy consumption		Standard coal (ton)	132,622	139,556	162,237	22%
Integrated energy consumption per RMB10,000 output value		Standard coal (ton) per RMB10,000	0.029	0.027	0.024	-16%
New energy (photovoltaic power generation)	10,000 kWh		540	487	801	48%
	Standard coal (ton)		664	599	985	48%
Financial input for technological improvement of energy conservation		In ten thousand RMB	837	4,881	582	-30%

Note: In 2019, the financial input for technological improvement of energy conservation included the expense for changing from steam heating to hot-water amounting to RMB44.70 million.



### (III) Environmental and natural resources: Green power, international Weichai

Commercial vehicles are the main equipment of road transportation, accounting for a relatively high proportion of oil consumption and air pollutant emissions in China. Promoting the large-scale application of clean new energy technologies in the field of commercial vehicles will help promote the development of green transportation and reduce air pollution.

The Company has clear developmental goals in the field of new energy, and has carried out extensive strategic plans and continuous in-depth research and development work. It has built a full range capabilities of research and development for testing and production covering pure electric, hybrid, and fuel cells. The Company is committed to becoming the world's leading provider of new energy power system solutions with core technologies. In the future, we will continue to increase investment, expand the research and development team and production scale, to become the world's leading comprehensive power system solution service provider.

The Company takes "Green Power, International Weichai" as its mission. Adhering to the environmental protection concept in the whole process and whole lifecycle, we keep increasing our research and development inputs, striving to manufacture energy-efficient products and minimise energy consumption and emission of pollutants during the production and utilisation of the Company's products.

In 2018, the Company undertook the national key research and development plan of the Ministry of Science and Technology, "Technology and Application of Fuel Cell Engine and Commercial Vehicle Industrialisation (《燃料電池發動機及商用車產業化技術與應用》)", and carried out technical research in cooperation with universities, institutes and enterprises.

Six hydrogen refueling stations have been established with batch delivery for uses in fuel cell buses. A plant with 20,000 hydrogen fuel cell engines was officially put into operation.

In September 2020, the Company released the world's first commercial diesel engine with a thermal efficiency of over 50%. Based on the current industrial thermal efficiency level of 46%, the thermal efficiency is increased to 50%, diesel consumption will be reduced by 8%, and carbon dioxide emissions will be reduced by 8%.

The Company attaches great importance to the development of natural gas engine products, and currently has a domestic market share of more than 50%, and will continue to promote natural gas engine sales in the future.



Release of the world's first diesel engine with a thermal efficiency exceeding 50%



Delivery of hydrogen fuel cell buses

While achieving rapid development, the Company focuses on stimulating the development of the fuel cell industry, and promotes the improvement of the overall technical standard of the industry by participating in the establishment of an industry technology exchange platform.

In February 2018, as a backbone unit in the fuel cell industry, we participated in the establishment of the China Hydrogen Alliance;

In March 2018, we joined the International Association for Hydrogen Energy and became a steering committee unit;

In July 2018, the Shandong Province Fuel Cell Technology Innovation Center was established;

In December 2019, Fuel Cell Engine Sub-society of CSICE was established and we served as its unit secretary;

In December 2020, we were approved to build Shandong Provincial Key Laboratory of Fuel Cells.



## IV. Fulfillment of responsibility by subsidiaries

### (I) KION

#### 1. Environmental protection

KION's compliance code and the HSE policies derived therefrom provided the framework structure for its activities, particularly compliance with national regulations and standards. KION pledged to:

- use energy and raw materials effectively;
- use raw materials, products and production processes that achieve environmental optimisation under all circumstances;
- reduce waste to the maximum extent by raising the utilisation rate of raw materials and making thorough use of recyclable materials.

Under the strategic framework of sustainable development, KION is gradually incorporating environmental protection concepts into different aspects ranging from environment and climate protection, use of resources, social and environmental standards of the supply chain to the production of energy efficient products. KION set up strategically sustainable objectives for each aspect and implemented measures to enhance performance in environmental protection.

In the aspect of environmental protection, KION aimed at reducing environmental influence to the maximum extent through efficient management. Its core objectives included: handling waste materials and waste water in an environmentally-friendly way. A set of minimum standards was set up to foster KION's distributors' participation in environmental activities.

For the purpose of reducing the impact on global warming, KION is dedicated to the implementation of “climate-protection” actions and sustainable development strategies, so as to achieve a reduction of 30% greenhouse gas emissions arising from its own energy consumption by 2027 (compared to 2017) and has formulated an action plan. Through the introduction of a network of HSE experts, KION is able to incorporate the environmental aspect into the HSE league to raise environmental awareness among staff members.

KION complied with HSE policies, compliance code and requirements under other regulations to fulfil its obligations in reaching emission standards. It abided by all environmental regulations applicable to the construction and operation for production services, obtained relevant permission and approval in a timely manner and followed their rules and requirements. KION also complied with the statutory limits of pollution levels and was dedicated to reducing its impact on the environment by appropriate means, particularly in aspects of noise, gas, soil pollution and waste water. It followed all waste handling regulations, particularly the handling of hazardous waste, such as waste paint, lead acid and waste oil.

### Substances Emitted and Emission by KION in 2020

Substance Emitted		2020 Emissions
Carbon monoxide		1,003.7 tons
VOC		161.8 tons
Nitrogen oxides		27.4 tons
Greenhouse gas	Direct emission	106,641 tons
	Indirect emission	83,363 tons
	Other	29,125 tons
Hazardous Waste		13,034 tons
Incl: recycled		9,007 tons
Disposed of		4,027 tons
Non-hazardous Waste		52,661 tons
Incl: recycled		39,121 tons
Disposed of		13,540 tons

2. *Energy-saving*

(1) **Policies regarding effective utilisation of resources:** KION’s HSE policy provides guidance on the effective use of resources and undertakes to:

- comply with all national laws and standards in the process of global operations;
- use energy and commodities effectively;
- use materials, products and technologies that comply with the best environmental practices;
- reduce waste through better use of raw materials and recyclable materials;
- use resources effectively, which is the focus of “resource efficiency” in the sustainable development plan.

Striving to protect the environment, KION remained competitive and fulfilled its responsibilities as a corporate citizen. KION also developed and produced energy-saving products and adopted environmentally-friendly production techniques in the production process, as well as promoted the development and application of environmentally responsible technology to protect the environment or reduce its impact on the environment. KION expects all employees of all regions can use natural resources in a sustainable manner.

**Total Direct or Indirect Energy Consumption by KION in 2020**

Energy consumed		Consumption in 2020
Direct energy consumption	Other than transport	739,879 GJ
	Transport	738,176 GJ
Indirect energy consumption	Electricity	579,878 GJ
	Heat	83,055 GJ
Total water consumption		437.2 ML

Effective utilisation of resources not only constituted an integral part of shouldering responsibilities in environmental protection, but also served the purpose of meeting KION’s operational needs. At the stage of product utilisation, reduction in energy use would give the greatest result in reducing the environmental impact of KION, which was the reason for KION to devote great efforts to incorporate energy use reduction as part of its product development activities.

(2) **Energy use efficiency initiative and results accomplished:** The sustainable development strategies include a total of 14 action areas, among which, 5 of them are related to the environment. Climate protection, especially energy use, is of the highest priority at the group level. KION has put in place measures to improve energy efficiency such as, introduction of an energy management system into relevant sites and establishment of central functions that coordinates with facilities related to energy standards.

## (II) Shaanxi Heavy-duty Motor

### 1. *Environmental protection*

- (1) **Environmental protection policies and relevant measures:** Shaanxi Heavy-duty Motor strictly complied with all environmental protection laws, regulations, standards and industry policies promulgated by the national and local governments. Shaanxi Heavy-duty Motor followed through on the requirements of “simultaneously designing, commencing the construction of, and putting into production and use”. The company invested in pollution treatment equipment and facilities to ensure the emission of pollutants stays within the limit permitted by regulations. Solid waste had to be sorted meticulously under standardised management. The emission of pollutants was subject to regular monitoring. Shaanxi Heavy-duty Motor carried out its review of clean production and accomplished the target of “saving energy, cutting consumption, reducing pollution and boosting efficiency” by minimising pollution and emission at their source and reducing the use of resources.
- (2) **Measures for reducing emissions of exhaust gas and discharge of waste water and results accomplished:** In terms of handling exhaust gases, by the transformation of organic waste gas treatment for touch-up painting process and using activated carbon purification treatment process, emissions of benzene, toluene, xylene and non-methane hydrocarbon generated in the touch-up painting process could be stably controlled below the specified limits. The automated device for online monitoring is installed for the coating unit. Welding workshops were equipped with the ventilation and dust removal equipment which effectively reduced smoke and dust. For sewage treatment, a sewage treatment station for coating waste water has been upgraded and transformed with a newly added biochemical processing system to recycle part of waste water for landscape irrigation within the plant area after going through the treatment process of the sewage treatment station located in the plant area, while another part of waste water will be discharged into the urban sewage pipe network.
- (3) **Measures taken to reduce waste materials and results accomplished:** Shaanxi Heavy-duty Motor took the initiative to review its clean production process by making the most out of the resources through the process of selection of raw materials, the control of production technologies and processes, and the output of products and by thoroughly considering the possibility of reducing the amount of waste generated at each stage of production. It also stepped up its management of hazardous waste produced with a newly built hazardous waste storage facility in 2020 to make sure it will not lead to environmental pollution. All hazardous waste is handed over to qualified entities to perform safe detoxification for disposal.

### 2. *Policy on use of resources*

Pursuant to the Energy Conservation Law of the People’s Republic of China (中華人民共和國節約能源法), the Company established procedural documents namely the Energy Supply Management Regulations (能源供應管理規定) and Energy Use Management Procedures (能源使用管理程序), and systems such as the Energy Statistics Management Regulations (能源統計管理規定), the Energy Measurement Management Regulations (能源計量管理規定), the Energy Saving Low Carbon Implementation Rules (節能低碳實施辦法) and the Contract Energy and Subcontracted Energy Supply Management Regulations (合同能源及外包能源供應管理規定) and so forth for effective use of resources.

### (III) Fast Gear

#### 1. Environmental protection

Adhering to the concept of green and environmental protection and continuing to increase investment in environmental protection, Fast Gear reduces pollutant emissions, and strives to build an “environmentally friendly” pioneer enterprise. The Company strictly observed laws and regulations such as Environmental Protection Law of the People’s Republic of China (中華人民共和國環境保護法), Law of the People’s Republic of China on Water Pollution Prevention and Control (中華人民共和國水污染防治法), Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法). Fast Gear’s management is in accordance with national environmental protection requirements to ensure that the production process meets environmental protection requirements. It has established safety, technological and environmental protection headquarters and improved its production safety management, environmental protection and occupational health management mechanisms. Environmental indicators such as waste water, exhaust gas, noise, and soil are regularly monitored every year to ensure that all indicators meet standards. In 2020, a total of 3,475 tons of hazardous waste and 24,183 tons of non-hazardous waste were generated.

Measures to reduce emissions	
Waste Water	Production waste water and domestic sewage are treated in the sewage treatment station and discharged in accordance with the emission standards.
Exhaust Gas	Exhaust gas is mainly exhaust gas of boilers and exhaust gas of the painting of assembly workshop. The boilers are all clean energy natural gas boilers, and low-nitrogen transformation is carried out to effectively reduce the emission of pollutants such as sulfur dioxide and nitrogen oxides. The shot blasting process is carried out in a sealed equipment, and is equipped with a bag-type dust collector, with a dust removal efficiency of 99%. The spray paint adopts water-based paint and water-curtain-type adsorption process, and the exhaust gas terminal is equipped with UV photo-oxygen plus activated carbon treatment facilities to greatly reduce the concentration of harmful gases generated in the spray paint operation. VOCs online monitoring system is installed to ensure that the exhaust gas meets the emission standards.
Hazardous waste	In accordance with the requirements of the “Law of the People’s Republic of China on Prevention and Control of Solid Waste Pollution” and “Standardised Management of Solid Wastes”, a united electronic transfer system is implemented for hazardous wastes generated to ensure that all hazardous wastes are handed over to qualified parties for proper disposal. It builds standard hazardous waste temporary storage rooms, improves the hazardous waste management system, and posts hazardous waste signs and labels and registration ledgers as required.
Noise	The main noise sources of the company are air compressors and shot blasting machines. For the air compressors, an air compressor station is set up to keep it in an enclosed area, and a shock-proof pad is installed at the bottom of the motor to minimise noise. The blower and motor of the shot blasting machine are driven by belts, and the noise is at a relatively low level. Such machines are seldom used at night time to minimise the impact to surrounding residents.

2. *Energy conservation*

- (1) **Policies:** Fast Gear is committed to taking guidance from the scientific philosophy of development and to the principle of mutual facilitation of energy conservation and development. It strictly abided by laws and regulations on energy conservation, including the Energy Conservation Law of the People’s Republic of China (中華人民共和國節約能源法) and the Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法).
- (2) **Energy-saving:** Waste heat of flue gas of 4 boilers is recycled through the heat exchanger to save energy, reduce cost and increase efficiency.
- (3) **Water saving:** Through setting water consumption indicators per RMB10,000 output value and establishing a water usage quota system, and by means of inspections, rectifications and corrections, and publicity to create a corporate atmosphere of water-saving, in 2020, water consumption per RMB10,000 output value was 1.22 tons per RMB10,000, representing a year-on-year decrease of 8.6%.
- (4) **Publicity activities:** In response to the national energy conservation publicity week and to create a strong publicity atmosphere, it promoted energy-saving knowledge through its WeChat official account, and conducted a series of questions and answers on energy-saving knowledge to promote employees’ awareness of energy conservation.

3. *Green energy saving to help carbon neutrality*

Measures to reduce significant impacts on the environment and natural resources	
To build a green energy-saving factory	In accordance with the design standard of the new plant, a roof shall be able to carry distributed photovoltaic power generation facilities, which indirectly saves energy consumption and reduces carbon emissions.
To develop green energy-saving products	New energy products and lightweight products are developed to help commercial vehicles reduce energy consumption, thereby reducing carbon emissions.
To advocate green production	Green industry development is promoted thorough implementation of green manufacturing, green design, green craftsmanship, and green material selection and management. It has successfully been selected as a national green factory and set a benchmark for “green manufacturing”.
To preserve forest resources	Employees are organised to carry out tree planting activities on March 12 each year. So far, 42 sessions have been held, with a total of about 130,000 trees planted involving 4,200 participants, which effectively absorbs and neutralises carbon dioxide emissions.

## Community

The Company was devoted to organically combining the maximisation of its economic interests with society's interests by maintaining smooth communication with communities, actively participating in social welfare activities and carrying out various charitable donation activities and volunteering works to fulfill our corporate social responsibility. We formulated the "Management Process for External Donation" to promote the development of charity work, and provided assistance to employees in difficulty through the "Management Measures for Love Fund".

### I. Social welfare

#### Fight against the pandemic

Since the outbreak of the COVID-19 pandemic, the Company has responded quickly to fight the pandemic by donating vegetables, caring donations, and equipment servicing, demonstrating our responsibility as a state-owned enterprise, and showing the care of our employees.



#### Charity purchase

Affected by the pandemic, orah mandarin was unsalable in Guojia Town, Changsha Town and other places in Kaizhou District of Chongqing, and local fruit farmers were about to suffer serious economic losses. We organised a charity purchase activity of "Purchasing Caring Orah Mandarin, Helping Win Poverty-Alleviation Battle", and accumulatively more than 12,000 catties of orah mandarin were sold, which solved the problem of unsalable orah mandarin for farmers in difficulty.



We fulfilled our social responsibility, and assisted Juancheng of Heze in poverty-alleviation. Our various Juancheng poverty-alleviation projects have been carried out smoothly and received wide acclaim by the local government and citizens. Due to the COVID-19 pandemic, the agricultural products in local villages and towns were unsalable. We carried out a charity purchase of agricultural products themed "One Heart, One Mind – Helping Juancheng", and more than 1,500 pieces of grain products with a total weight of about 10,000 catties was sold accumulatively, such practical actions helped in the national battle against poverty-alleviation, showing the enterprises' commitment to social responsibility.





### Voluntary activities

Our volunteer association actively fulfilled its social responsibilities by running around 70 activities such as “Afforestation and Green Landscaping”, “Civilisation Guidance”, etc. There were around 10,000 volunteers participating in the activities, accumulating more than 20,000 hours of service.



“Afforestation and Green Landscaping”  
volunteer activity

## II. Anti-corruption

The Company strictly complied with relevant laws and regulations as well as anti-corruption rules and regulations including “Law of the People’s Republic of China on Anti-money Laundering” (中華人民共和國反洗錢法), “Bidding and Tendering Law of the People’s Republic of China” (中華人民共和國招標投標法), “Anti-corruption Self-discipline Code of Conduct of the Communist Party of China” (中國共產黨廉潔自律準則), “Regulation of the Communist Party of China on Disciplinary Actions” (中國共產黨紀律處分條例), “Regulation of the Communist Party of China on Accountability” (中國共產黨問責條例), and “Regulation of the Communist Party of China on Internal Supervision” (中國共產黨黨內監督條例). The Company also established a series of management measures such as “Administrative Measures for Administrative Accountability” (行政問責管理辦法), “‘Blacklist’ Management Process for Business Related Parties” (業務關聯方「黑名單」管理流程) and “Measures for the Administration of Accountability Inquiry for Irregular Operations and Investments” (違規經營投資責任追究管理辦法), aiming at preventing bribery, extortion, fraud and money laundering.

### (I) Identification and prevention of risks of corruption

Through risk prevention and control management of corruption, the Company identified, evaluated and prevented and controlled corruption risks from areas such as ideology and morality, system mechanism, work performance and external environment, through supervision and prevention at the level of ideology, system and implementation, etc. The specific methods included supervision and inspection, patrol, stationed supervision, risk prevention and control management and warning, etc.

### (II) Reporting channels and whistleblower protection system

The Company has a variety of real-name or anonymous reporting channels such as mail, in-person visits, telephone, network, QR code, etc., aiming at standardising the acceptance of reports to ensure the smooth flow of reporting channels. A service complaint column is set up in our website, and publishes various reporting methods through internal documents, posting reporting leaflet etc. Information on the anonymous whistleblower cannot be identified through the QR code reporting method, thus effectively protecting the rights and interests of whistleblowers.

### **(III) Anti-corruption training**

- The Company carried out warning education on “Interpreting Disciplines by Cases, Interpreting Rules by Cases” for leading party and government cadres.
- The Company carried out special training on corruption risk prevention and control and work style construction for leading cadres.
- The Company carried out integrity publicity for key positions in different departments including marketing and procurement etc. The Company also organised activities to crack down on corruption and held tests on party discipline and regulations, and took multiple measures to strengthen anti-corruption policy learning.

### **(IV) Effect of anti-corruption campaigns**

- The Company implemented the management mode of “Comprehensive Supervision” on subordinate business units, and carried out more than 60 supervision and inspection items annually in conjunction with functional departments to supervise the functions related to production, procurement, technology and finance.
- The Company deepened its supervision on inspection, completed inspection on 5 units, and implemented “Look Back” inspection.
- The Company strengthened warning and deterrence, highlighting the pertinence of warning education, and educated the people around us with examples.
- The Company increased the intensity of conversation and correspondence to promote the implementation of the “Four Patterns”, and actively built an ideological line of defense against corruption.

### **(V) Anti-corruption and anti-commercial bribery**

The Company carried out anti-corruption and anti-bribery work through systems such as “Administrative Measures for Administrative Accountability”(《行政問責管理辦法》) and “‘Blacklist’ Management Process for Business Related Parties”(《業務關聯方「黑名單」管理流程》), and carried out bidding procurement supervision on fixed assets bidding, network procurement and other activities to prevent arising any violation of law and discipline. At the same time, the Company formulated strict codes of conduct and business behavior constraints, and employees received clear guidance to ensure that they do not use their authority to obtain improper benefits for other small groups or themselves. The Company entered into the “Supplier Integrity and Honesty Agreement”(《供應商廉潔誠信共建協議》) and “Transparent Procurement Agreement”(《陽光採購協議》) with all suppliers employed by it, which specifies the penalty regulations to fundamentally eradicating commercial bribery.

### III. Fulfillment of responsibility by subsidiaries

#### (I) KION

##### 1. *Community*

KION has formulated the “Donation and Sponsorship Policy”(《捐贈與贊助政策》) to regulate its donation behavior, which provides cash or non-cash donations for social, humanitarian, educational and scientific projects, as well as environmental protection and resource conservation projects. Recipient of the donation and the purposes for which it is to be used must be made as transparent as possible and clearly documented. KION does not donate to individuals or for-profit organisations, and the goals of the recipients must not conflict with the values of the company.

##### 2. *Anti-corruption*

KION strictly complied with laws, regulations and voluntary rules and ensured effective implementation by the compliance management system in accordance with the code of compliance. The code of compliance provides guidance on moral and value oriented and law-abiding commercial activities, covering the company’s activities in all spectrum. In view of stricter anti-corruption regulations around the world, KION issued the “Anti-bribery and Anti-Corruption Policy” in September 2018.

#### (II) Shaanxi Heavy-duty Motor

- **Improving institutional mechanism and strengthening organisational support.** The company improved its system construction, and newly established and revised its systems such as the “Registration and Filing System for Leading Cadres’ Violation and Intervention in Major Matters”(《領導幹部違規查收干預重大事項登記備案制度》) and the “Measures for the Supervision and Administration of ‘Three Major and One Significant’”(《「三重一大」監督管理辦法》) to standardise work standards and improve governance efficiency.
- **Focusing on the three key points and strengthening the construction of work style.** The company carried out accurate supervision on key personnel at key links and critical points, focusing on investigation of the receipt of gifts and cash in violation of regulations. The company also carried out special supervision on pandemic prevention and control and resumption of work and production, special rectification of outstanding issues of leading cadres’ illegal intervention in project construction, and special rectification of food waste, etc.
- **Innovating the publicity model and strengthening ideological education.** The company organised employees to watch educational clips, and carried out activities such as the collection of poems and essays on party conduct and government integrity and the promotion of letters and visits reporting, etc., aiming to promote a healthy atmosphere and foster healthy tendencies. The company innovated its publicity model to show its culture of integrity in the form of videos, cartoons, micro-movies, etc. in order to create a cultural atmosphere of advocating and upholding integrity.

### **(III) Fast Gear**

#### *1. Community*

The company attached great importance to building a harmonious community relationship and strived to achieve common development with the community where the enterprise is located. Specifically, the company built a “Fast Gear Volunteer Team”, and successfully entered the platform of “Volunteer China • Volunteer Exchange”. The team organised volunteer services campaigns ranging from public welfare donations, poverty alleviation campaigns, tree planting, voluntary labour work, visits to solitary elderly, orphanages visits college entrance examination volunteer services, and organising volunteers for the Special Olympics. In 2020, the company was awarded the title of “A Good Star in Three Qins” in Shaanxi Province.

#### *2. Anti-corruption*

In compliance with laws and regulations including the “Standards on Integrity and Self-discipline of the Communist Party of China” (中國共產黨廉潔自律準則), “Regulation of the Communist Party of China on Disciplinary Actions” (中國共產黨紀律處分條例) etc., the company formulated the “Standards of Integrity for Cadres in Fast Gear”(法士特公司幹部廉政準則), “Measures for Due Implementation of the ‘Eight Rules’ set by the Central Government for Improving Work Ethics in Fast Gear” (法士特公司貫徹落實中央「八項規定」改進工作作風實施辦法), “Procedures for Discipline Inspection in Fast Gear”(法士特公司紀律審查流程) etc.. The company carried out its anti-corruption training and education through the special training sessions, law popularisation and implementation meetings, watching anti-corruption educational film, and anti-corruption tests. No incident of corruption-related litigations occurred in 2020.

## 2021 Outlook

2021 is the first year of the national “14<sup>th</sup> Five-Year Plan” and the long-term goal of 2035, as well as the starting year of the new journey in building a modern socialist country. Weichai welcomes a new five-year plan, along with with new opportunities and challenges. There is still a long journey ahead of us, but we will strive and focus on high quality, seize new opportunities, and climb a new peak!

In the new year, the Company will strictly implement the relevant decisions and arrangements of the CPC Central Committee and governments at all levels, continue to take responsibility for pandemic prevention and control, and resolutely win the protracted war of pandemic prevention and control. Focusing on our annual sales target, we will accelerate the optimisation and upgrading of product structure. We will take customer demand as the guide, and cultivate each market segments, allocate resources accurately, innovate marketing models, optimise the sales and service system, to achieve the re-upgrading of business model. We will speed up the pace of scientific and technological innovation, moving towards all-rounded high-tech and to continuously improve the new four-in-one scientific and technological innovation system of “Independent Innovation + Open Innovation + Artisan Innovation + Basic Research innovation”. We will make every effort to march into the “depopulated zone” in the field of research and key technology, aiming to breakthrough in a number of core technologies that others cannot take away. We will strengthen risk management and control, comprehensively improve operation quality, innovate management methods and management tools, build a data governance system around customer needs, tapping into the value of data, advance our enterprise management to realise digital transformation. We will also deepen the construction of innovative ecology and create a talent gathering highland. Based on the new era, new situation and new requirements, the Company will optimise the accurate assessment and incentive system, establish a multi-level incentive mechanism, and stimulate the vitality of innovation and creation; conduct scientific human resources planning, strengthen the introduction of strategic talents, speed up the cultivation of skilled talents, and build an international talent team with a reasonable mix of old, middle-aged and young people and scientific echelon of middle and high end, so as to fully support the enterprise to move towards the high end.

In 2021, the Company will further improve the happiness and sense of belonging of our employees, sharing our fruitful results of corporate development. In the meantime, we will actively fulfill our social responsibility in production and operation activities, and carry forward the positive energy for development in this new era. We will also shoulder new responsibilities, highlight new achievements, and create other new glories in a new round of development opportunities!

## Appendix: Index of ESG Indicators

Aspect	Contents	Pages
<b>A1: Emissions</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	35-36
	A1.1 The types of emissions and respective emissions data.	
	A1.2 Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.3 Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.4 Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.5 Description of measures to mitigate emissions and results achieved.	
	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
<b>A2: Use of Resources</b>	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	37-39
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (mWh) and intensity (e.g. per unit of production volume, per facility).	
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	A2.3 Description of energy use efficiency initiatives and results achieved.	
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
	A2.5 Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	
<b>A3: The Environment and Natural Resources</b>	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	40-41
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

Aspect	Contents	Pages
<b>B1: Employment</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	21-22, 26-27
	B1.1 Total workforce by gender, employment type, age group and geographical region.	
	B1.2 Employee turnover rate by gender, age group and geographical region.	Plan to disclose in the future
<b>B2: Health and Safety</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	25
	B2.1 Number and rate of work-related fatalities.	
	B2.2 Lost days due to work injury.	
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	
<b>B3: Development and Training</b>	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	23-24
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior and intermediate management).	Partially disclosed
	B3.2 The average training hours completed per employee by gender and employee category.	
<b>B4: Labour Standards</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	27
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	
	B4.2 Description of steps taken to eliminate such practices when discovered.	No occurrence
<b>B5: Supply Chain Management</b>	General Disclosure Policies on managing environmental and social risks of the supply chain.	33
	B5.1 Number of suppliers by geographical region.	Partially disclosed
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	

Aspect	Contents	Pages
<b>B6: Product Responsibility</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	13-15
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Plan to disclose in the future
	B6.2 Number of products and service related complaints received and how they are dealt with.	
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	13-15
	B6.4 Description of quality assurance process and recall procedures.	Partially disclosed
	B6.5 Description of consumer data protection, privacy policies, and how they are implemented and monitored.	
<b>B7: Anti-corruption</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	48-49
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Plan to disclose in the future
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	48-49
<b>B8: Community Investment</b>	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	47-48
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sport).	
	B8.2 Resources contributed (e.g. money or time) to the focus area.	

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