

2022

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

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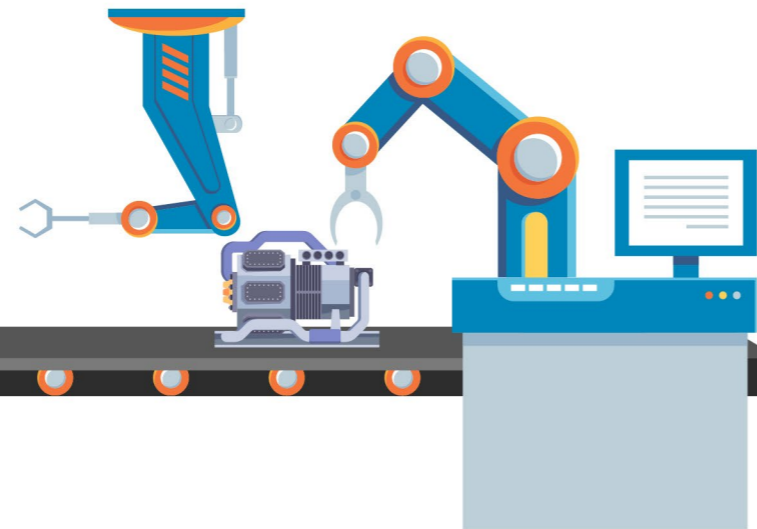


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About This Report



This is an Environmental, Social and Governance (ESG) report disclosed by Weichai Power Co., Ltd. (000338.SZ, 02338.HK). This Report is designed to respond to stakeholders' expectations and demonstrate the Company's philosophy, management, actions, and achievements in pursuing ESG and sustainable growth.

Basis of Preparation

This Report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the "ESG Reporting Guide") as set out in Appendix 27 to the *Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited*, with reference to the *GRI Sustainability Reporting Guidelines* issued by the Global Sustainability Standards Board (GSSB), the *Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises* developed by the Corporate Social Responsibility Research Center of the Department of Economics of the Chinese Academy of Social Sciences ("CASSCSR"), and the mainstream capital market ESG rating indices such as MSCI-ESG rating.

Scope of Reporting

Unless otherwise specified, this Report covers the performance of social responsibilities by the headquarter of Weichai Power Co., Ltd. in Weifang ("Weichai Power HQ") and its main subsidiaries, KION Group AG ("KION"), Shaanxi Heavy Duty Automobile Co., Ltd. ("Shaanxi Heavy Duty Automobile"), and Shaanxi Fast Gear Co., Ltd. ("Fast Gear") and Weichai Lovol Intelligent Agricultural Technology Co., Ltd ("Weichai Lovol")¹.

Data Source

The key financial data provided in this Report are from the *Weichai Power Annual Report 2022*, while others are from the Company's internal management system.

Unless otherwise specified, the currency unit in this report is RMB.

Reporting Period

The reporting period is from 1 January 2022 to 31 December 2022. Some parts of this Report may appropriately date back to previous years.

References

For easy reference and reading, Weichai Power Co., Ltd. is referred to as "Weichai Power", the "Company" and "We", the headquarter of Weichai Power Co., Ltd. in Weifang as "Weichai Power HQ", KION Group AG as "KION", Shaanxi Heavy Duty Automobile Co., Ltd. as "Shaanxi Heavy Duty Automobile", Shaanxi Fast Gear Co., Ltd. as "Fast Gear", and Weichai Lovol Intelligent Agricultural Technology Co., Ltd as "Weichai Lovol".

Report Access

This Report is available on our official website and that of HKEX in both Chinese and English. Should there be any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

Disclaimer

Parts of this Report are forward-looking subject to uncertainties, which could cause actual results to differ materially from those presented. The Company undertakes no obligation to update any forward-looking statements provided in this Report.



¹ Weichai Power Co., Ltd. acquired a controlling stake in Weichai Lovol Intelligent Agricultural Technology Co., Ltd and consolidated the subsidiary in June 2022. Therefore, this Report also discloses the ESG performance of Weichai Lovol Intelligent Agricultural Technology Co., Ltd.

Message from the Chairman

In 2022, against the headwinds from industry plummets and other severe challenges, Weichai Power laid out scientific plans and targeted policies for leveraging innovation as a new driver of growth, enhancing our presence as a market leader and showcasing our resilience to profound changes in and outside of the Company. Our remarkable growth has been widely recognized by all sectors of society. Overall, we have lived up to the expectations of society, government, shareholders and employees.

As a domestic leader in equipment manufacturing and also a multinational group with global influence, the Company remains true to our aspiration of "Green Power, International Weichai", actively responds to national strategies, fulfills our social responsibilities and corporate responsibilities, as well as aligns ourselves with respected world-class enterprises.

We persist in improving scientific and technological innovation capabilities on all fronts and gaining the upper hand in technological revolution and industrial transformation. The Company has established the National Internal Combustion Engine Product Quality Inspection & Testing Center and the National Internal Combustion Engine Industrial Measurement & Testing Center. With the State Key Laboratory of Internal Combustion Engine Reliability as the mainstay, the State Key Laboratory of Internal Combustion Engine & Power System was approved among the first

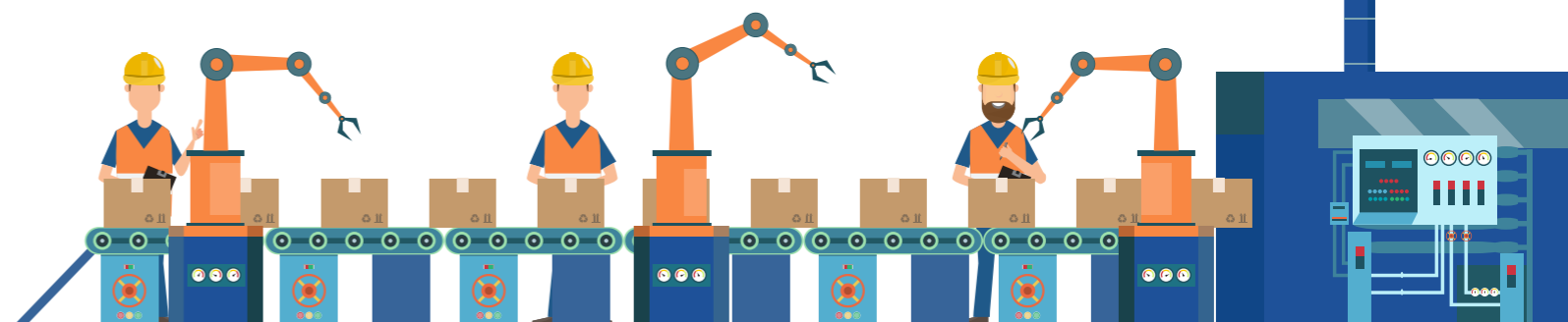
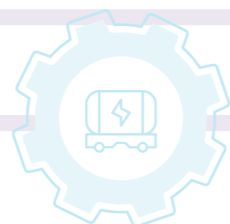
batch of national key laboratories. We also successfully released the world's first commercial diesel engine with a base engine thermal efficiency of over 51% and 52% respectively, which once again set a new benchmark across the globe. Besides, we released WP14H, WP15H, WP15NG and the new high-end T series with leading indicators, which enabled us to steer the transformation and upgrading of the industry. **We build China's No.1 agricultural machinery brand and empower modern agriculture with science and technology.** Relying on the synergistic advantages of various business segments, the Company keeps revolutionizing agricultural machinery for large-scale operations, high-end positioning and intelligent applications. The Company also ranks first in China for the sales of large tractors with 200 horsepower and above, wheat machines and corn machines. We tailor our products to the non-road state IV standard faster than expected, and upgrade our products and services such as tractors, harvesters and farming tools. The commercial 240-horsepower CVT intelligent tractor, the first of its kind in China, was delivered in batches, and the 340-horsepower CVT tractor was put to the test by the market. In strategic cooperation with Beidahuang Agricultural Reclamation Group, we have built a state-level high-end intelligent agricultural machinery manufacturing & application demonstration area, as part of our endeavor to promote the upgrading of the agricultural machinery industry. **We adhere to the dual drivers of**

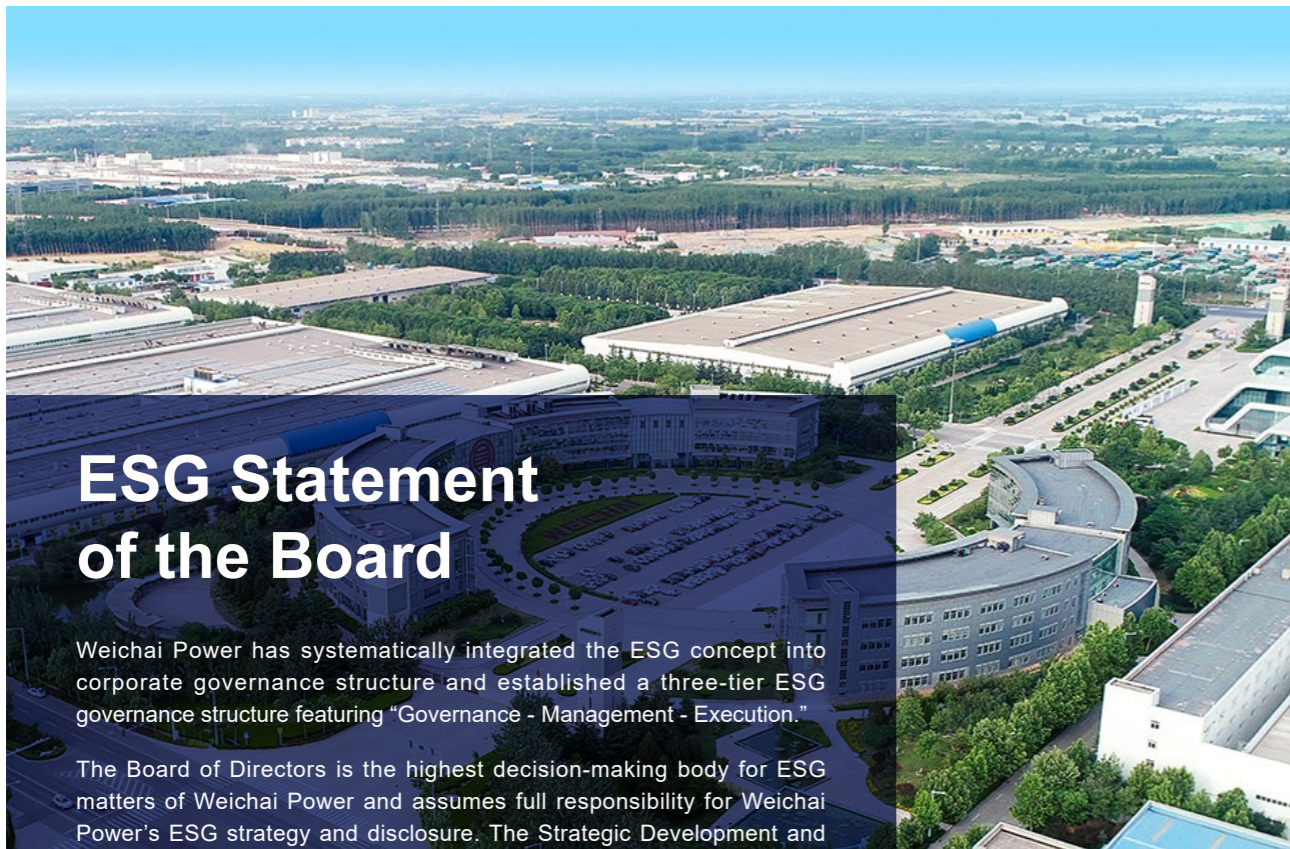
traditional energy and new energy and explore new pathways for diversifying energy transformation. The 13L hydrogen internal combustion engine independently developed by Weichai Power represents our groundbreaking achievement in the area of hydrogen energy. We have developed a wide range of dazzling products, such as the high-speed flat wire motor and the central powertrain for pure-electric heavy-duty trucks, all of which boast industry-leading performance. By leveraging and integrating the technical advantages of motor, electronic control systems and electric drive axles, we successfully achieve 100% of braking energy recovery. **We facilitate the replacement of traditional drivers by new ones, and forge new advantages for development.** A series of projects, including Weichai Power Science & Technology Research Institute, the Quality Research Center, the Additive Manufacturing Innovation Center, and the Zero-carbon Plant of Fast Digital Co., Ltd, have been completed and put into operation. To foster new momentum for development, we are advancing the implementation of multiple projects, such as the Phase I project of the new million-unit digital power industry base, industrialization project of the whole series of hydraulic powertrain systems, the project of Weichai Power (Qingdao) Global Future Technology R&D Center, and the Ji'nan project of Dematic in an orderly manner.

We proactively fulfill our social responsibilities and participate in charity activities such as volunteer services, poverty alleviation and donation for education. We also fully leverage our role as a "chain leader" to engage in diversified cooperation with upstream and downstream partners of the industrial chain. Besides achieving win-win cooperation, we have also earned a wider popularity and reputation.

The release of this ESG report is to take stock of our efforts in fulfilling social responsibility in 2022, hoping to further strengthen the Company's social responsibility, promote benefit sharing between the Company and all sectors of society, especially stakeholders, enhance mutual understanding and recognition, and make new and greater contributions to economic and social development by better fulfilling social responsibilities.

Chairman and Chief Executive Officer
Tan Xuguang





ESG Statement of the Board

Weichai Power has systematically integrated the ESG concept into corporate governance structure and established a three-tier ESG governance structure featuring "Governance - Management - Execution."

The Board of Directors is the highest decision-making body for ESG matters of Weichai Power and assumes full responsibility for Weichai Power's ESG strategy and disclosure. The Strategic Development and Investment Committee of the Board of Directors, as the main supervisory body of ESG governance of the Company, is fully responsible for the formulation and review of ESG strategies and objectives, supervision of ESG risk identification and prevention and control as well as the implementation and promotion of specific ESG matters, and review of annual ESG reports. To ensure the execution and implementation of ESG management on a daily basis, the Company has established an ESG Working Group consisting of business units and functional departments. Leading by the Strategic Development and Investment Committee of the Board of Directors, the ESG Working Group is responsible for coordinating the management and practice of relevant ESG issues by functional departments, business units and its subsidiaries, and regularly reporting to the Strategic Development and Investment Committee and the management on the progress of ESG work.

The Board of Directors highly values the identification and determination of material ESG issues. In 2022, Weichai Power updated the list of material ESG issues based on knowledge of the external macro social and economic environment and internal development strategies, and determined the ESG materiality matrix for 2022 through internal and external stakeholder surveys. The materiality matrix has been reviewed by the Board of Directors and disclosed in this Report.

This Report discloses in detail the progress and performances of Weichai Power's ESG efforts in 2022, which was submitted by the Strategic Development and Investment Committee to the Board of Directors for consideration and approval on March 30, 2023.

About Weichai Power

Weichai Power was founded in 2002 by Weichai Holding Group Co., Ltd. as the main sponsor together with other domestic and foreign investors. It is a Chinese combustion engine company listed on "HKEX", and also a company returned to Chinese mainland stock market and relisted as an A-share company. In 2022, Weichai Power's revenue reached RMB175.16 billion and the net profit attributable to the owners of the parent company reached RMB4.91 billion.

Weichai Power has always adhered to the operation strategy of both product-driven and capital-driven and is committed to developing products with three core competitiveness: top quality, advanced technology, and affordable cost. It has enabled the synergetic development of business segments including powertrain (engine, transmission, axle, hydraulics), vehicle and machinery, intelligent logistics and others. The Company owns multiple brands such as "Weichai Power Engines", "Fast Gear", "Hande Axle", "Shacman Heavy Truck", "Linde Hydraulics", and "Weichai Lovol Intelligent Agricultural." Weichai Power has established a service network comprising of over 7,000 domestic special maintenance service centers, and more than 500 overseas maintenance service stations, with products exported to more than 150 countries and regions.

Weichai Power attaches great importance to scientific and technological innovation. We boast a number of national R&D platforms, such as the State Key Laboratory of Internal Combustion Engine and Power System, the National Fuel Cell Technology Innovation Center, the National Internal Combustion Engine Industrial Measurement and Testing Center, the National Internal Combustion Engine Product Quality Inspection and Testing Center, the National Commercial Vehicle Power System Assembly Engineering and Technology Research Center, the National Industrial Design Center, the Nationally Recognized Enterprise Technology Center, and the National Professional Makerspace. We have set up various R&D bases including "postdoctoral workstations" and the National Intelligent Manufacturing Demonstration Base. In addition to R&D centers in domestic cities including Weifang, Qingdao, Shanghai, Xi'an, Chongqing and Yangzhou, we have also established cutting-edge technology innovation centers across the globe and built a global collaborative R&D platform, so as to equip ourselves with world-leading technologies.

In 2022, Weichai Power's revenue reached

RMB **175.16** billion

Net profit attributable to the owners of the parent company reached

RMB **4.91** billion

Weichai Power has established a service network comprising of over

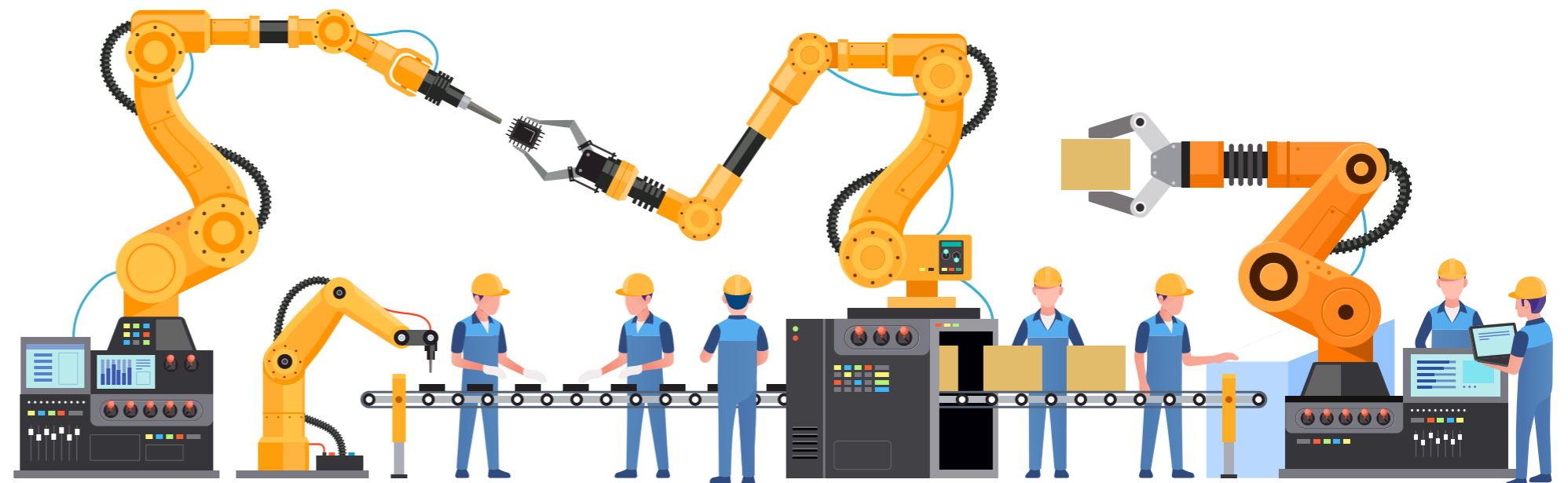
7,000 domestic special maintenance service centers

and more than

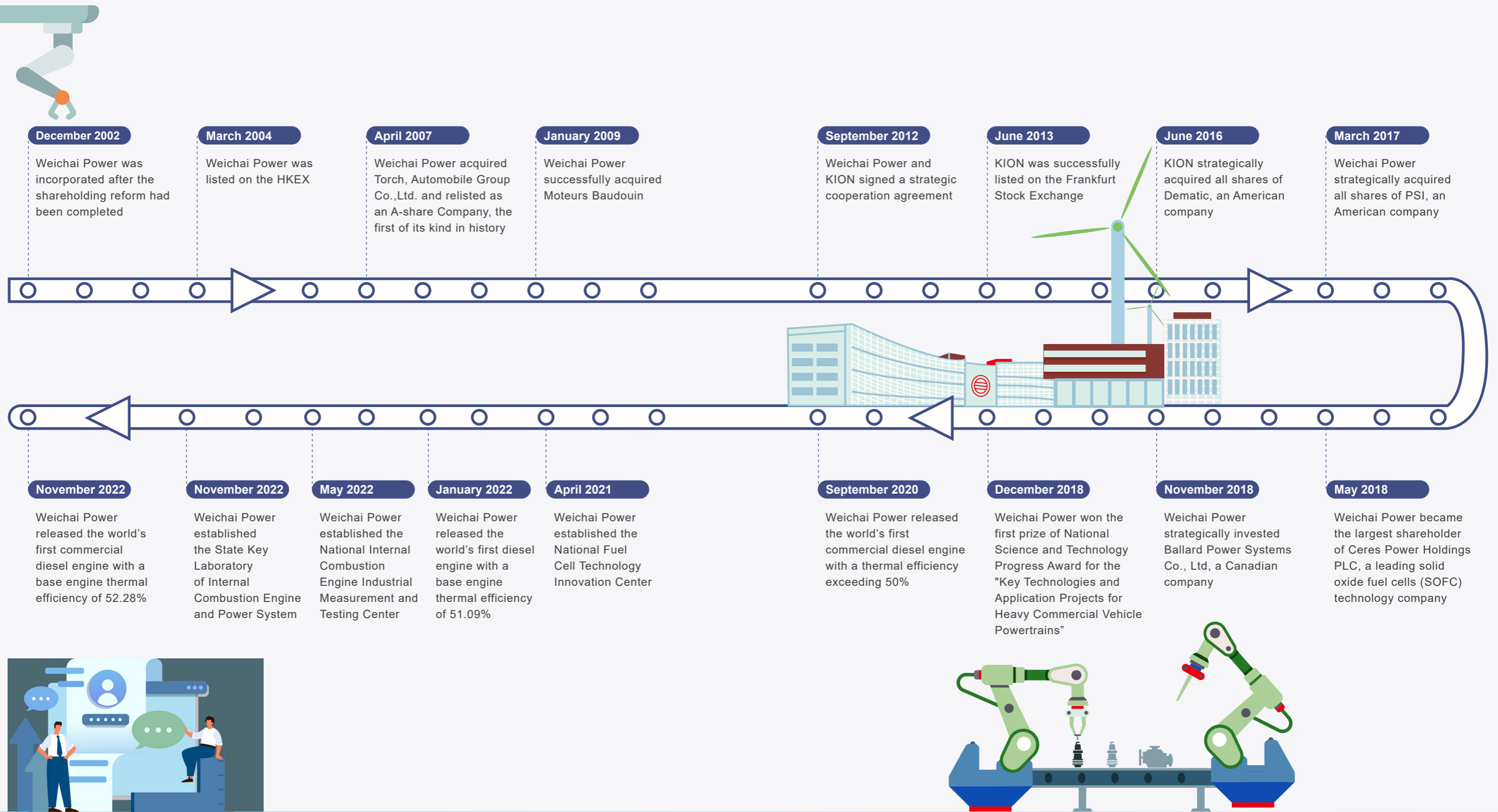
500 overseas maintenance service stations

with products exported to more than

150 countries and regions



Weichai Milestones



Honors and Awards in 2022

In recent years, Weichai Power has been granted the first prize of National Science and Technology Progress Award, the China Quality Award, the National Quality Award, the China Industry Award, and other honors. In 2022, Weichai Power won multiple honors by virtue of excellent technology and performance. Mr. Tan Xuguang, Chairman of Weichai Power was presented the title of “Outstanding Entrepreneur of Shandong Province” by the People’s Government of Shandong Province and was named as “Influential Scientist” by the *Scientific Chinese*.



2022 China Corporate ESG “Golden Responsibility Award” -- Sustainable Development Award

Sina Finance



AAA for ESG rating

Shenzhen Stock Exchange



List of 2022 Forbes China Top 50 Most Innovative Companies

Forbes China



List of 2022 Forbes Global 2000

Forbes



List of 2022 *Fortune* China 500

Fortune (Chinese version), CICC Asset Management Department



List of 2022 Top 100 Global Auto Parts Supplies

Automotive News China, Roland Berger



Key ESG Performance in 2022¹



Building Robust Enterprise

Weichai Power HQ organized **28** compliance training sessions, with over **10,000** enrollments;

The total number of hours of anti-corruption education and training was **64,827**, with **3.30** hours per managerial employee and **1.33** hours per non-managerial employee;

Signed the *Supplier Integrity and Honesty Agreement* with **96.5%** of suppliers;

78.2% of Weichai Power HQ's suppliers adopted environment-friendly materials and recyclable packaging;

67.1% of suppliers passed the IATF 16949 quality management system certification;

Conducted **143** supplier training sessions and **108** supplier exchange meetings.



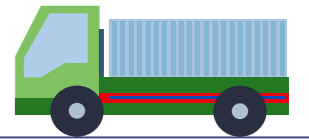
Protecting Green Home

Released the world's first commercial diesel engine with a base engine thermal efficiency of **52.28%**;

Environmental protection investment exceeded RMB **34.367** million;

Achieved **100%** coverage of the GB/T 24001 or ISO 14001 environmental management system certification;

Achieved **100%** coverage of the ISO 50001 energy management system certification.



Creating Premium Products

Achieved **100%** coverage of the ISO 9001 or IATF 16949 quality management system certification;

Weichai Power HQ organized quality training with **135,371** enrollments, totaling **83,478** class hours;

Reported **0** product recall incidents throughout the year;

The customers' complaints handling rate reached **99.1%**, and the customer satisfaction rate of Weichai HQ achieved **86.4%**;

The annual innovation and R&D investment² totaled RMB **8,850.9** million;

3,300 patent applications and **2,888** patents granted³.



Safeguarding Harmonious Society

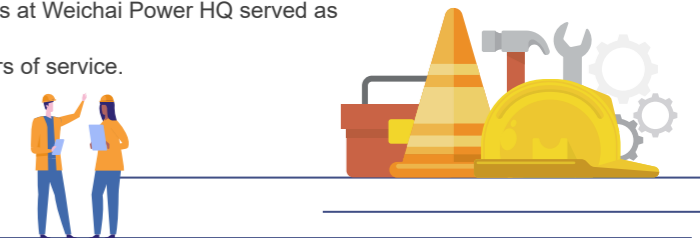
The overall satisfaction rate¹ of employees surveyed reached **93.76%**;

40,917 employees participated in the training, totaling **3,965,637** hours, averaging **85.39** hours per employee;

Achieved **100%** coverage of the GB/T 45001 or ISO 45001 occupational health and safety management system certification;

Charitable contribution² totaled RMB **12,331,000**;

A total of **21,000** person-times of employees at Weichai Power HQ served as volunteers, totaling more than **31,000** hours of service.



¹ Unless otherwise stated, data do not include KION.

² The data include KION.

³ The data include KION.

¹ The data exclude Shaanxi Heavy Duty Automobile and KION.

² The data include KION.



01

Building Robust Enterprise

Under the guidance of the 14th Five-Year Plan and the “Dual Carbon” goals, Weichai Power has taken ESG governance as an important driver for corporate development. We make ongoing efforts to standardize corporate governance to lay a solid foundation for long-term corporate sustainability. We also actively respond to the concerns of all stakeholders on corporate development, carry out exchanges and cooperation, and cooperate with suppliers to build a sustainable supply chain and achieve corporate sustainability.

Corporate Governance

Compliant Corporate Operations

Weichai Power puts honest corporate operation and compliant management high on agenda. We strictly comply with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Publicly-Listed Companies*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, and other laws and regulations, as well as regulatory requirements of place of listing. We continuously improve corporate governance structure with a clear division of rights and responsibilities and implement internal controls.

Weichai Power has put in place a corporate governance framework with the board of directors as the leading core. The Board of Directors maintains the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic Development and Investment Committee. A top-down approach has been adopted to implement the principles of corporate governance, ensuring compliant operations and efficient business running. During the reporting period, the Board of Directors of Weichai Power was made up of 15 members, including six executive directors and five independent non-executive directors, of which two are female. Board members boast diversity in knowledge, cultural, industrial and professional background, beneficial to ensuring scientific decisions.

To enhance governance efficiency, Weichai Power has established a compliance issue pool of regulatory opinions, urging all functional departments to conduct rectifications for problems identified in audits and supervisions in the forms of the supervision letter and assistance letter. Regular follow-up monitoring is also conducted to ensure the implementation of rectifications.

The Board of Directors of Weichai Power was made up of

15 members

6 executive directors

5 independent non-executive directors

2 female independent non-executive directors

Risk Management on All Fronts

Weichai Power prioritizes building risk management systems and has established sound organization systems for risk management. By doing so, we can reinforce the building of internal audit and internal control systems, to substantially minimize and prevent operational risks and enhance risk management.

The First line of defense

Business Units and Functional Departments

Business units and functional departments directly face various risks in their daily work and are the front lines of the Company.

The Second line of defense

Risk Management Responsible Bodies

Risk management departments lead and coordinate works regarding risk management of all units within the Company. The risk management leading group ensures the implementation of risk management and continuously monitors relevant works.

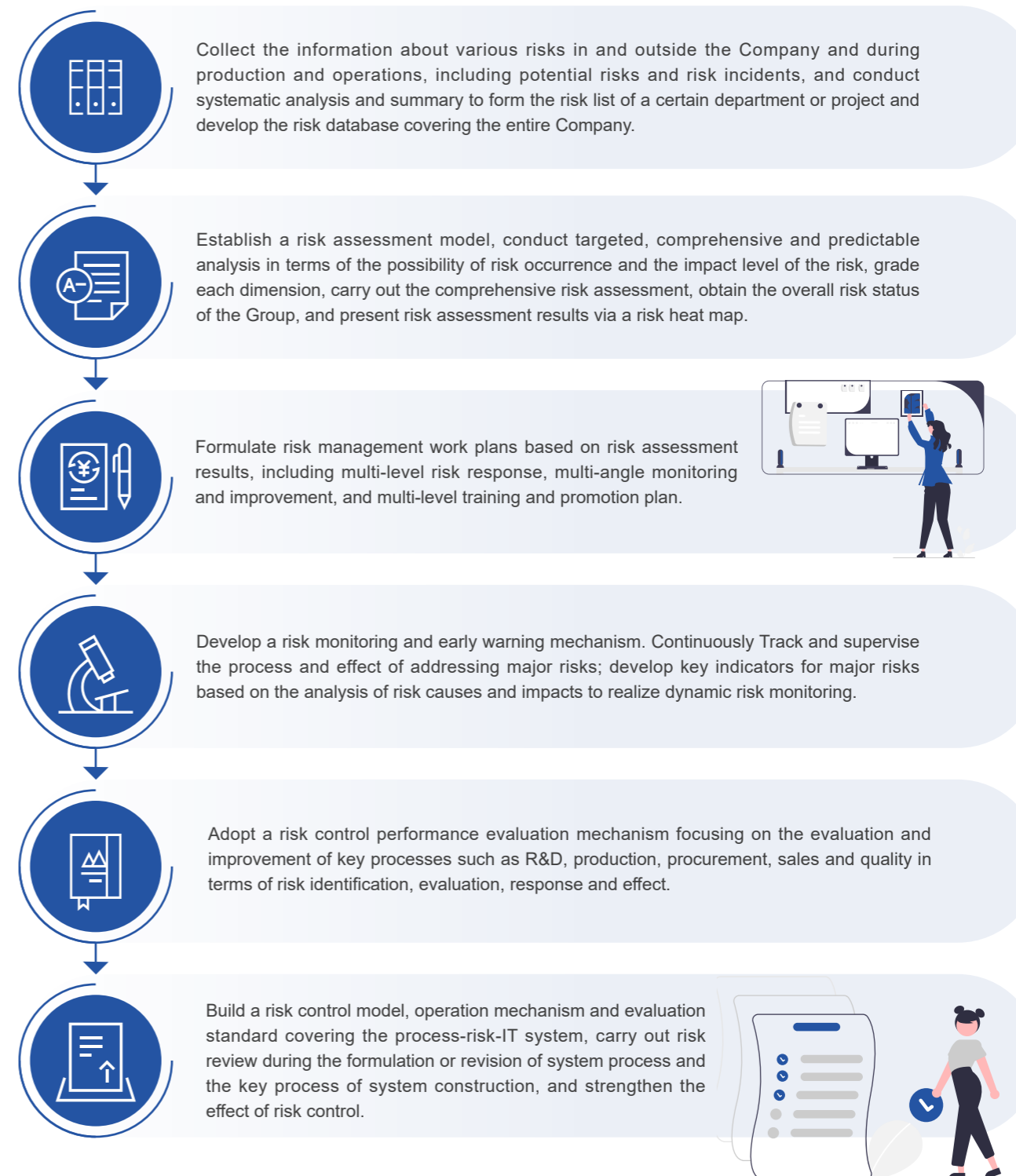
The Third line of defense

The Internal Audit Department

The Internal Audit Department is charged with the role of assisting the management and the Board of Directors/Audit Committee in performing their duties of supervising company risk management, responsible for senior management and the Board of Directors/Audit Committee, as well as monitoring and assessing corporate performance in the operation and efficiency of risk management systems and internal control systems.

In line with regulatory requirements as well as strategic targets and specific targets set by the Company, we have developed full life cycle risk management procedures covering risk identification, assessment, response and continuous supervision and improvement.

Full life cycle risk management procedures



In 2022, Weichai Power conducted risk identification from four categories, namely strategic risks, operational risks, financial risks and compliance risks. Moreover, we conducted a comprehensive risk review and assessment, identified 10 material risks and 33 sub-risks, and formulated 44 risk countermeasures, thus forming a risk response and supervision responsibility matrix. Risks identified included security incident risks, resource supply risks and other ESG-related risks.

In order to comprehensively enhance employees' risk compliance awareness and effectively improve risk control, in 2022, Weichai Power HQ made continued input in training on compliance and risk management, organizing a total of 28 compliance training sessions, covering more than 10,000 employees, effectively improving employees' compliance risk awareness and capability.

Organizing a total of **28** compliance training sessions, covering more than **10,000** person-times of employees.

“Four-in-One” compliance management system

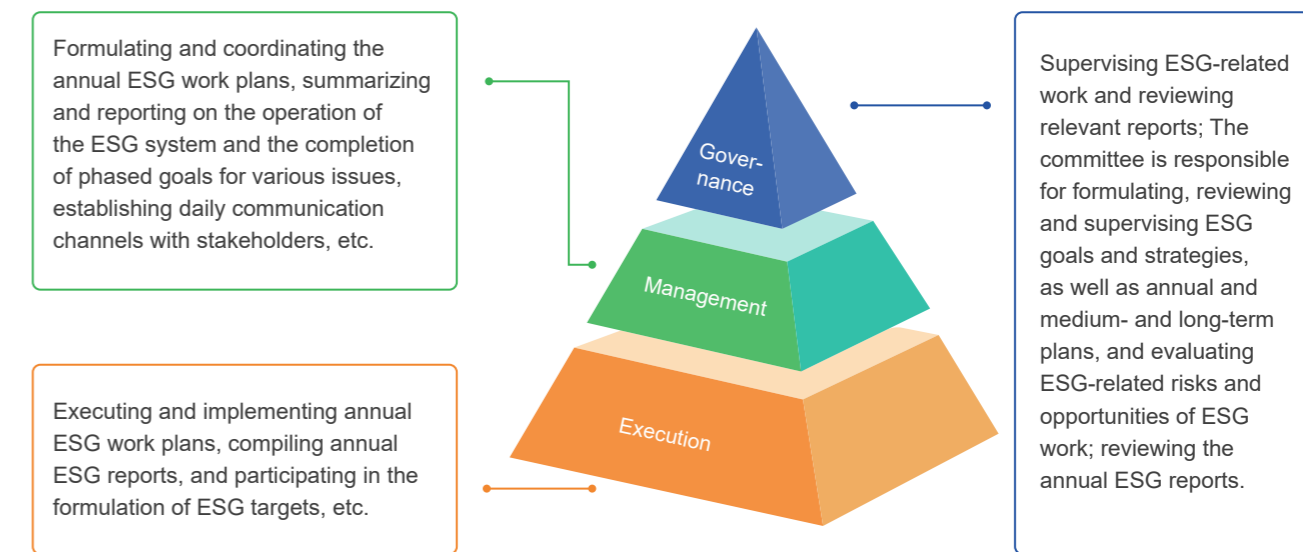
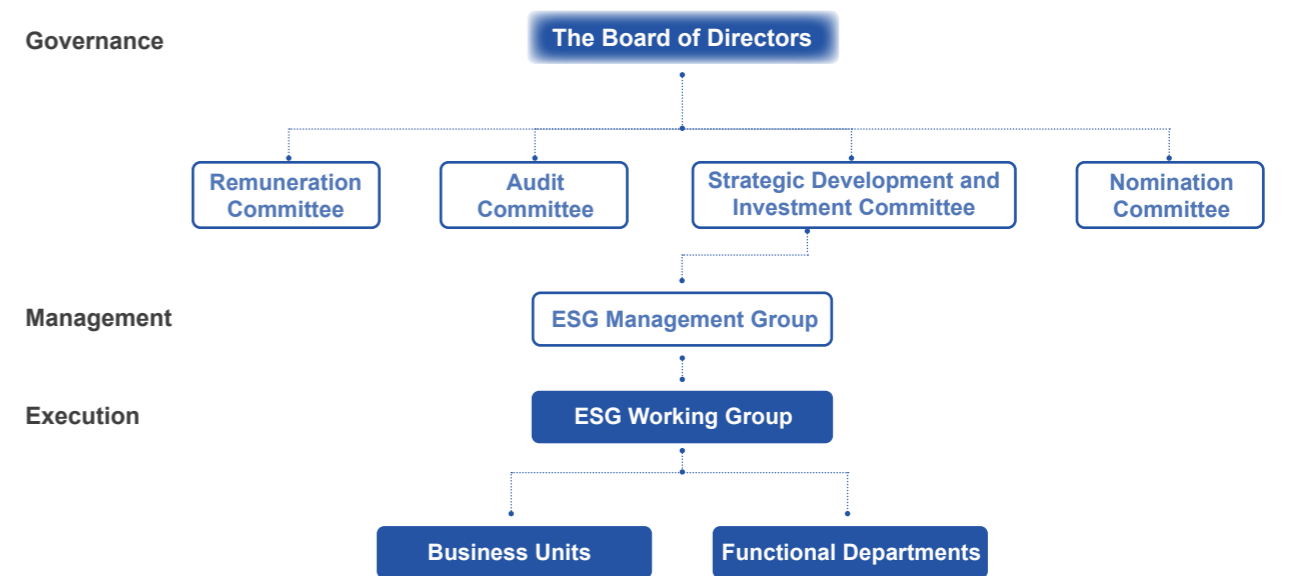


ESG Governance

Weichai Power incorporates ESG concept into corporate management and operations and actively captures green development opportunities by strengthening communication with stakeholders, striving to create social value and enhance sustainability with constant attention.








ESG Governance Structure

To ensure the development and implementation of long-term corporate sustainability strategies, Weichai Power has established a multi-tiered top-down ESG governance structure with the Board of Directors as the leading body, the ESG Management Team as the core and ESG Working Group as the main execution force.



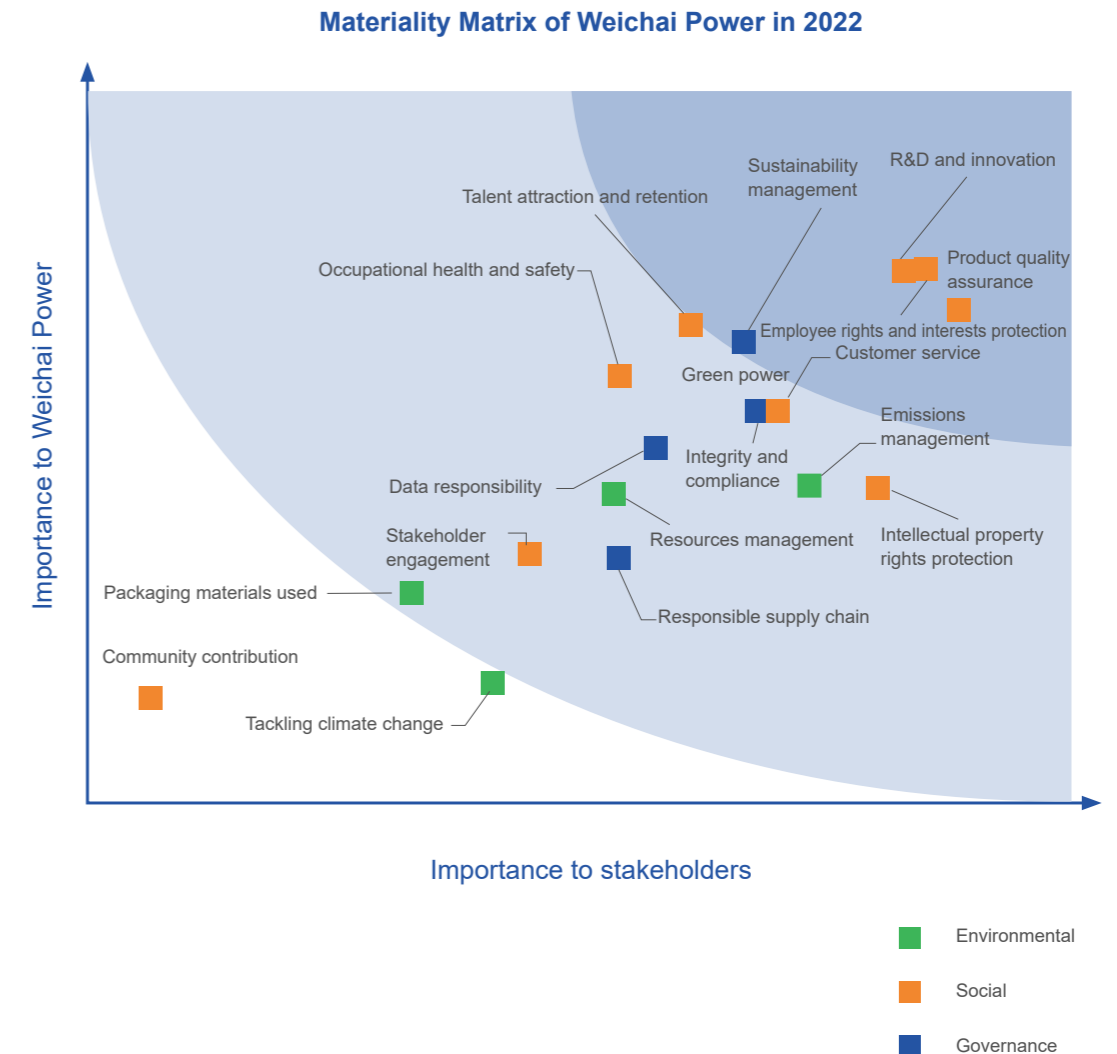
Stakeholder Communication

Weichai Power highly values communication with stakeholders, develops diversified communication channels, and regularly holds communication exchanges in various forms for two-way information flow. We promptly respond to feedback and requirements of stakeholders and adjust development directions accordingly.

Stakeholder	Stakeholder Expectation	Communication Mechanism
 Government and Regulatory Agencies	Compliance with laws and regulations Compliance operation Paying taxes according to law Contributing to local development	Information disclosure Routine communication and report Government research and inspections
 Shareholders and Investors	Shareholder returns Information disclosure Risk management Corporate governance Business performance	Shareholders' meetings Periodic reports and announcements Investor communication meetings
 Customers	Supply of renewable energy products High-quality services	Guaranteeing product quality Customer satisfaction surveys Regular customer communication activities
 Staff	Employee rights and interests protection Occupational health and safety Employee development	Staff congresses and Trade Unions Employee satisfaction survey Performance management Internal and external trainings Employee care activities
 Partners	Clean business environment Win-win development Supply chain sustainability	Public bidding On-site audits Supplier conferences Business conferences
 Community Representatives	Driving local economic development Environmental impact of production and operation on the community Community service and charity	Volunteer service Supporting cultural and sports activities Participating in community building
 Industrial Associations	Fair competition Promoting industry development Technology and experience sharing	Industry exchange seminar Project cooperation

Responding to Reporting Principles

Materiality: In accordance with the *ESG Reporting Guide* of the HKEX, disclosure standards of capital markets and other domestic and overseas authoritative institutions, and by benchmarking peers, Weichai Power has updated the list of ESG issues and conducted an assessment. We tried to understand the degree of concern of stakeholders including employees, shareholders and investors, customers, government, and regulators, on all issues through 635 anonymous questionnaires in 2022, and we comprehensively considered the impacts of the issues on the sustainable operations of Weichai Power, on the basis of which we evaluated the materiality of ESG issues, forming a materiality matrix, which serves as the goal and basis of our sustainable management to ensure that the information disclosed in this Report fully covers the key issues of concern to Weichai and all stakeholders.



Quantification: The Company sorts out ESG key performance indicators, clarifies the process to collect ESG performance information, and discloses the required information in the Report in accordance with the *ESG Reporting Guide* of the HKEX, capital market focus, and industry attributes. For the detailed information on calculation methods, standards, and tools for each indicator, please refer to the relevant sections of this Report.

Consistency: While maintaining consistency in the disclosed contents of ESG key performance indicators and quantification methods, we have included Weichai Lovol, the new subsidiary, in the indicators of this Report in 2022, which may lead to fluctuations in the results of indicators. For the specific changes in caliber and comparison of the data in recent two years, please refer to the relevant sections of this Report and the "Appendix - Key Performance Indicators."

Business Ethics

Weichai Power strictly upholds business ethics, builds sound management systems for honest operations, and regulates employees to fulfill their duties while following the basic principle of honesty.

Weichai Power strictly complies with the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Interim Provisions on Prohibition of Commercial Bribery* and other laws and regulations. Weichai Power has formulated the *Administrative Measures for the Integrity of the Company*, the *Management Procedures for the Declaration of Major Events for Key Positions*, the *Management Measures for Administrative Accountability* and other internal systems. We strictly comply with standards of business conduct, participate in market competition in accordance with laws and regulations, prohibit commercial bribery, extortion, fraud, money laundering, monopoly, and unfair competition in any form. We build governance architecture of business ethics in compliance with rules and regulations, implement mechanisms of stationing supervision and set up discipline inspectors in important departments and regions to strengthen the supervision and management of anti-corruption and integrity.

Weichai Power opposes any form of corruption. We continuously strengthen anti-corruption governance and anti-corruption daily publicity, strengthen integrity risk prevention and control management, and actively promote integrity risk management in overseas enterprises. We guide and regulate the daily behavior of employees and prevent corruption at the source. In 2022, Weichai Power carried out supervisions and inspections on anti-corruption and implemented the supervision of integrity in internal audits. We also improved the anti-corruption and integrity performance of the grassroots party organizations by signing the *Letter of Responsibility for the Main Body of Improving Party Style and Building Integrity* and the *Letter of Supervisory Responsibility as well as other methods*. In 2022, Weichai Power was not involved in any corruption-related lawsuits.

We will severely punish any violation of business ethics, formulate and strictly comply with the *Management Procedures for Violation of Disciplines or Regulations* and the *Reporting Management Measures*, establish a "large supervision" work pattern and operation mechanism, and set up an all-round and multi-channel system to collect clues of violation of disciplines and regulation. We encourage all business-related personnel to report any misconduct that violates business ethics when performing their duties, and promise to keep the name, company, address and other relevant information of the whistleblower and the content of such reporting strictly confidential in accordance with laws and regulations.



Weichai Power's reporting channels of business ethics

Reporting QR code: 

Reporting email: 2102388@weichai.com

Reporting phone: 0536-2102388

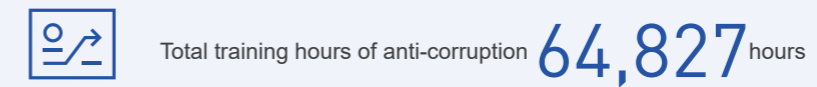
Reporting section of official website: https://www.weichaipower.com/media_center/gysjb/

The Company gives high priority to fostering a clean culture, and has held activities for board members and all employees in various forms to promote integrity.

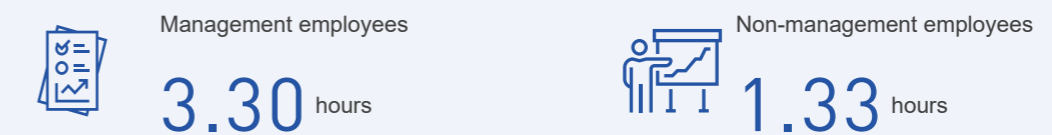
- Organize the activity themed "Promoting Integrity throughout Weichai, Setting Sail for New Horizons" to foster a clean culture;
- Launch the initiative of "Fostering Clean Style, Building Clean Defense Line and Creating Happy Families";
- Organize educational activities for leading cadres, including educational films, improvement of working practices and educational meetings;
- Organize the learning of Party disciplines and regulations, special tests for the *Regulations for the Implementation of the Administrative Supervision Law of the People's Republic of China*, and knowledge tests on discipline inspection and supervision;
- Issue integrity reminder documents on occasions such as the Spring Festival, New Year's Day, International Workers' Day and Dragon Boat Festival.



Weichai Power's Integrity Training Highlights in 2022¹



Average training hours of anti-corruption per employee by rank



We also attach great importance to suppliers' business ethics. By holding supplier conferences and other activities, we strictly inspect the integrity performance of suppliers and contractors, and require our partners to comply with the Company's anti commercial bribery and anti-corruption provisions. In doing so, we have established a positive partnership based on mutual respect and win-win cooperation with business partners. In the bidding and procurement stage, Weichai Power conducts retroactive inspections on the bidding projects every year to ensure compliant and transparent procurement and sustain the virtuous cycle of the supply chain. In 2022, Weichai Power signed the *Supplier Integrity and Honesty Agreement* with 96.5%² of suppliers.

¹ This data not include KION.

² This data not include KION.

Supply Chain Management

Weichai Power respects partners, ensures the compliant operation of the supply chain, and promotes sustainable development. The Company has formulated relevant rules and regulations such as the *Supplier Management Manual*, the *Contingency Plan for Supply Chain Disruption*, and the *Supplier Qualification Review Form* to improve the supplier management system by improving the procurement management mechanisms and processes. Meanwhile, the Company regularly identifies and assesses the risks in the procurement process and actively responds to the risks to build a sustainable supply chain. As of December 31, 2022, the Company had 2,721 suppliers in Chinese mainland and 128 suppliers¹ from Hong Kong, Macao, Taiwan and overseas.



Supplier Management

The Company highly values the whole process management of suppliers. In the supplier admission stage, we conduct supplier qualification review, on-site review, recommendation review and other review processes covering the quality, technology, capacity delivery and other aspects, in a bid to ensure product quality. We also carry out comprehensive assessments and reviews of our major suppliers every year. For the suppliers whose evaluations show delayed delivery, poor quality, shortage of quantity or other negative results, we will issue oral or written complaints and require them to take rectification measures or disqualify them, in a bid to ensure the stability and sustainability of the supply chain.

Supplier ESG Management

To promote sustainable management of the supply chain, Weichai Power has integrated the ESG performance of our suppliers into the whole process of supplier admission, evaluation and exit. We are committed to carrying out the sourcing activities fairly and equitably to create a transparent supply chain. In the supplier admission stage, we conduct internal recommendation review, on-site review, company recommendation review and other management processes on potential suppliers, including quality, occupational health, safety and environmental management. In addition, we give preference to suppliers with ISO 14001 and IATF 16949 certifications or other equivalent standards, and encourage suppliers to adopt environment-friendly materials and recyclable packaging.



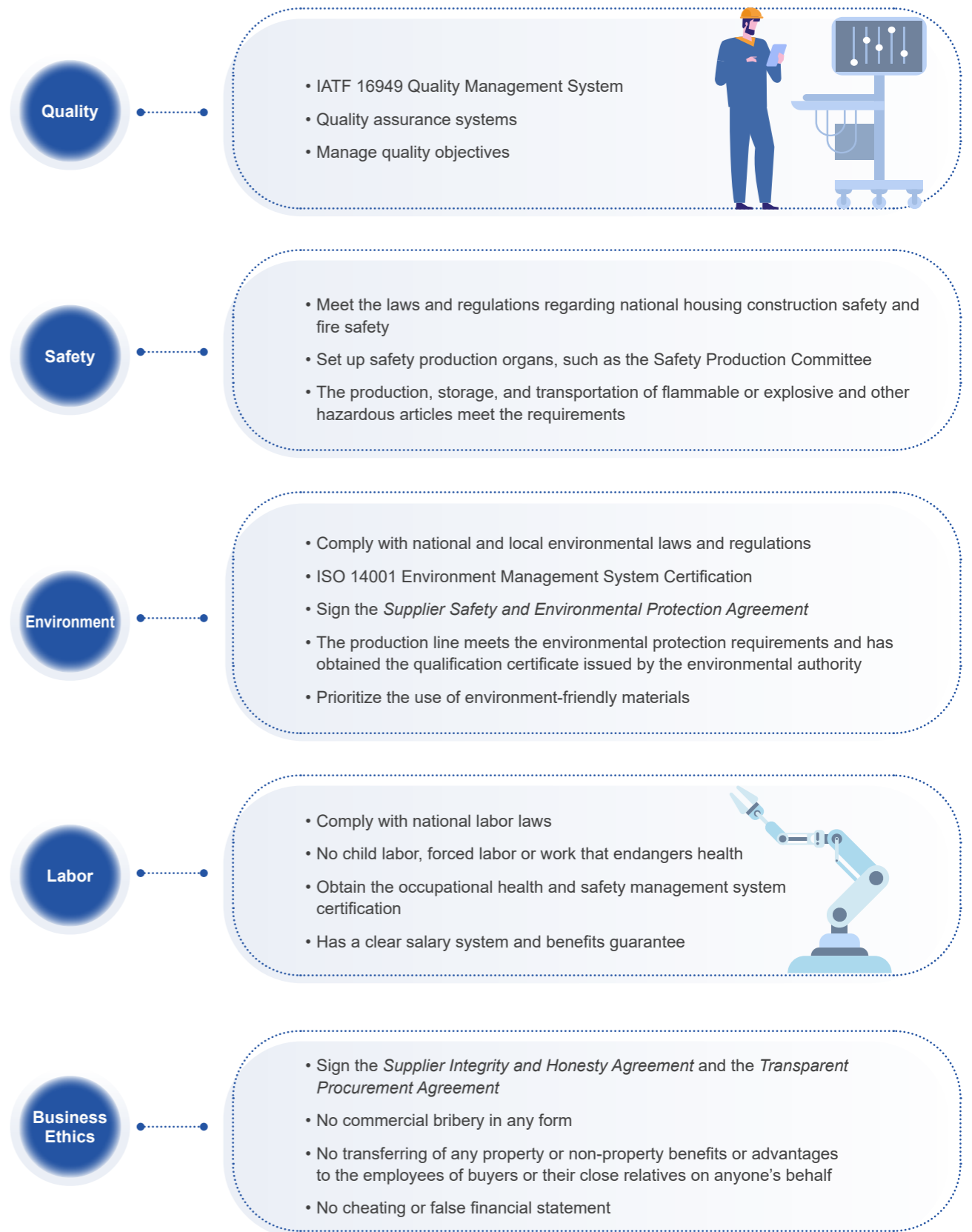
In 2022, 59.3% of our suppliers obtained ISO 14001 certification and 67.1%² for IATF 16949 certification; 78.2% of Weichai Power HQ's suppliers adopted environment friendly materials and recyclable packaging³.

¹ The data not include KION.

² The data not include KION.

³ The data include only Weichai Power HQ.

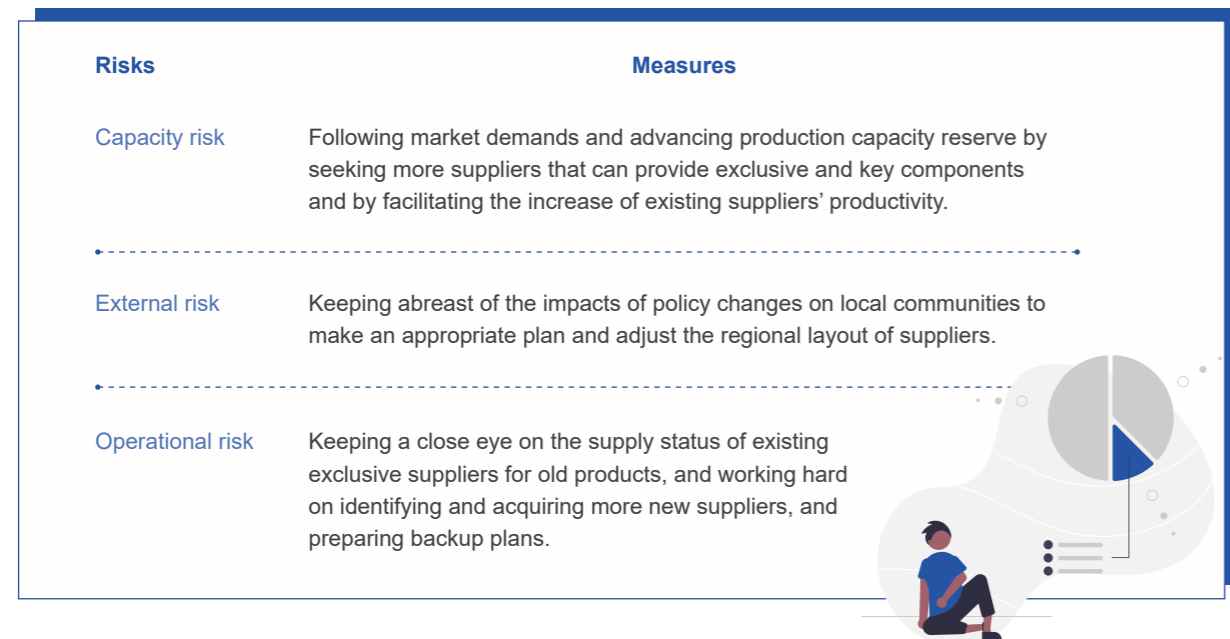
Suppliers' ESG Admission and Evaluation Criteria



Supply Chain Stability Assurance

Amid the unstable global supply chain environment, Weichai Power has established the supplier layout database, competitor database and component supply guarantee mechanism. In light of changes in the internal and external environment, we adjust the overall plan of supplier system construction for differentiated management to established a win-win and sustainable supply chain ecosystem. We also join hands with numerous suppliers to jointly face up to the challenges of global competition.

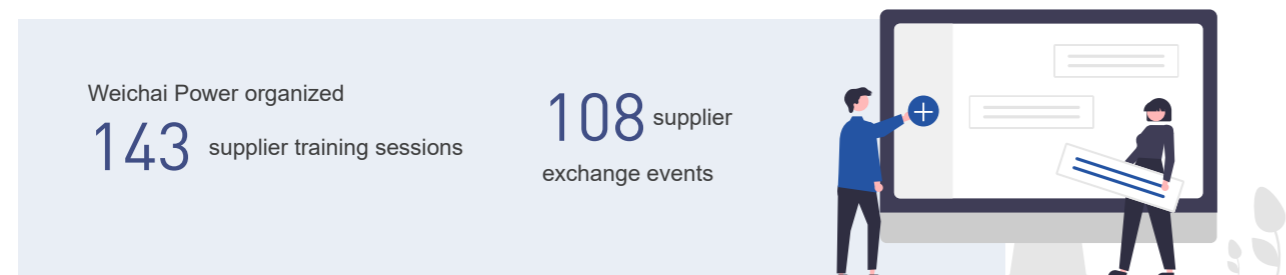
Component Supply Assurance Mechanism



To ensure the timely delivery of products, we proactively keep abreast of the changes in market demands and increase production capacity in advance. Moreover, we optimize the safe reserve model to ensure the timely delivery and reasonable cost of the reserve. In collaboration with our suppliers, we improve the rapid response ability for procurement and also ensure the timely delivery of emergency orders.

Supplier Empowerment

Weichai Power maintains positive interactions with suppliers to promote the development of the supply chain. We communicate with suppliers through supplier meetings and other activities. The Company also provides a wide range of training programs, such as the SRM system training, and WOS training, to help suppliers improve product quality and grow together with all partners across the value chain. In 2022, Weichai Power organized 143 supplier training sessions and 108 supplier exchange events¹.



¹ The data not include KION.

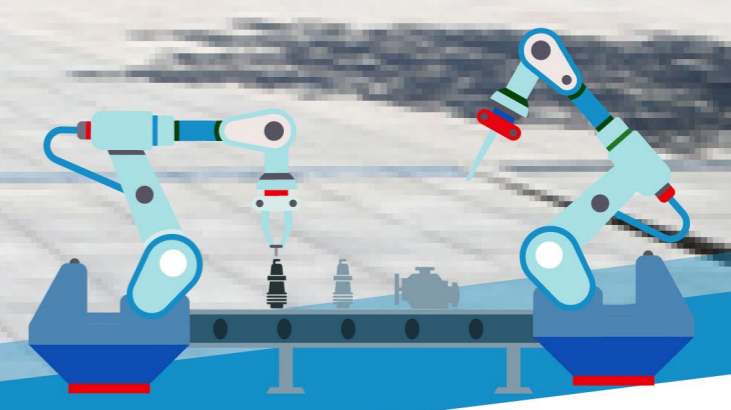
Information Security

Weichai Power highly values information security, and has formulated internal management systems such as the *Management Measures for Secret-related Personnel* and the *Management Measures for the Protection of Trade Secrets*. The Company has revised the *Confidentiality Management Measures* and the *Management Measures for Computer Information System Confidentiality*. A comprehensive information security protection system has been established to protect customers' privacy. At the levels of security governance, security management and security operation, we also engage in system construction from the dimensions of risk audit, personnel safety, asset safety, environmental safety, information system security construction, and information system security operation & maintenance, to ensure the traceability of information security work. In 2022, Weichai Power achieved Classified Protection of Cybersecurity (DJCP) Level 3 certification.

We have adopted a variety of measures to strengthen control over information security, improve external defense and internal control, and gradually build up the ability to resist professional spies to protect the core information resources of the Company.

Weichai Power's Key Management Points of Information Security

- Introduce the Identification, Protection, Detection, Response and Recovery (IPDRR) model, carry out the construction of information security operation systems, effectively identify security risks in key business scenarios, and improve security operation capability;
- Establish the full life cycle security management for information system construction, and clarify the requirements of information system security construction;
- Define the management requirements for the full life cycle of personnel from entry to resignation, and conduct daily audits on high-risk personnel in service;
- Approve the access to confidential information requested via the information system in every link;
- Focus on information asset management, implement asset classification, effectively identify key information assets and information security services, build a cloud-channel-device protection system, and realize information asset security protection;
- Check employees' security awareness through information security detection (such as phishing emails), independently develop a credit platform for enhancing employees' security awareness, and demonstrate their security awareness through quantitative indicators;
- Establish an information security red line culture through information security audit;
- Carry out special management of weak passwords from the source of password generation through technical means, build a weak password dictionary, and effectively prevent the generation of weak passwords;
- Establish an internal penetration team and conduct information security protection from the attacker's perspective by means of red-blue confrontation and offense & defense drills.



02

Creating Premium Products

To consolidate product quality in an all-round way, Weichai Power focuses on internal quality management system construction, production quality control and quality-oriented talent cultivation. With a customer-centered approach, we constantly improve customer service capabilities. Besides, the Company actively innovates in R&D and strengthens the protection of intellectual property rights. Taking customer satisfaction as our mission, we also engage all employees in continuous improvement and build “Weichai” into a famous brand.

Product Quality

Weichai Power is keenly aware that the quality and safety of our products is paramount to long-term operations. Besides ensuring that product quality meets internal and external requirements, the Company continuously optimizes the quality management system, strictly controls the whole-process quality management, carries out quality culture activities and enhances the quality and safety awareness of the whole process at the company level.

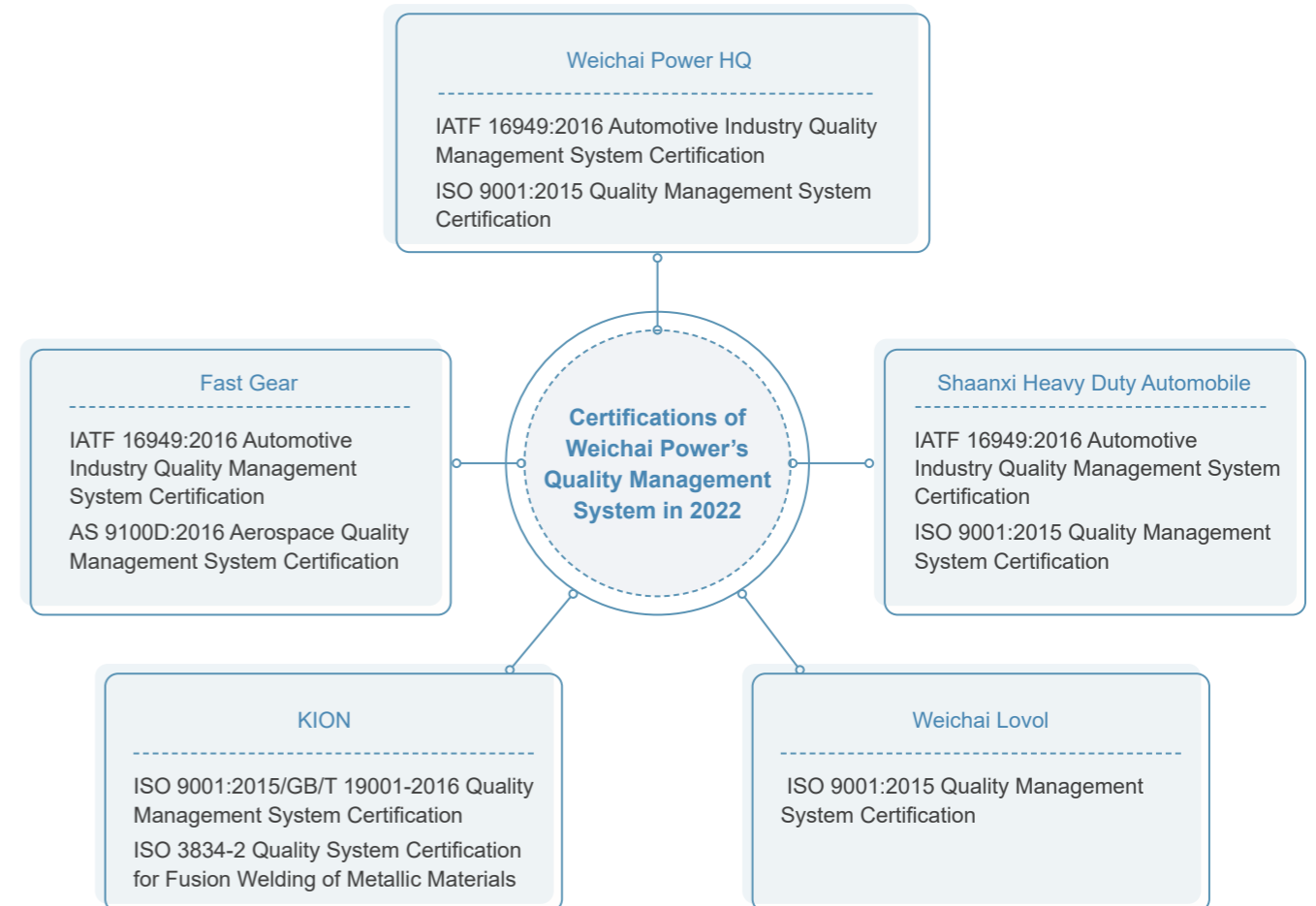


Building Quality System

Weichai Power strictly complies with the *Product Quality Law of the People's Republic of China*, the *Standardization Law of the People's Republic of China*, the *Metrology Law of the People's Republic of China* and other laws and regulations. We have revised internal management documents such as the *Management Process of Quality Improvement Plans of Weichai Power*, the *Management Process of Special Quality Improvement Projects*, and the *Unit Application Development Control Procedure*, so as to clarify production quality requirements, project post-evaluation and acceptance.

We make a point of adopting the Weichai Operating System (WOS) quality management model. To continuously improve quality management, we also adopt the strategic implementation system, indicator management system, standard process system and training support system throughout the whole business of the core value chain focusing on "customer-R&D - delivery". Under the quality management structure, Chief Quality Officer, Quality Director and Chief Quality Engineer are jointly charged with role of managing quality. The Quality Department has been specially set up for the work including quality management, quality inspection, measurement management, quality audit, pollution control and customer quality, with a clear division of the responsibilities of quality staff at all levels.

The Company combines the internal quality audit with the external quality audit to fully guarantee the quality compliance of Weichai Power and subsidiaries. In 2022, we carried out the internal review of the quality management system, including product design, process design and electronic control data development. After issuing an audit report, we also tracked and handled the problems identified. Besides, we conducted the maturity evaluation of the quality management system of each subsidiary and formed the maturity evaluation report. We also pointed out the problems identified in the operations of each subsidiary and proposed suggestions for quality improvement. Weichai Power invited a third-party organization to conduct the certification audit of IATF 16949:2016 and ISO 9001:2015 quality management systems, to ensure that all the problems identified in the audit will be handled properly.



Certifications of Weichai Power's Laboratory Management and Measurement Management System

Weichai Power HQ	<ul style="list-style-type: none"> GB/T 19022-2003 Measurement Management System Certification (AAA) ISO/IEC 17025:2017 Laboratory Management System Certification
Shaanxi Heavy Duty Automobile	<ul style="list-style-type: none"> ISO/IEC 17025:2017 Laboratory Management System Certification
Fast Gear	<ul style="list-style-type: none"> GB/T 19022-2003/ISO 10012:2003 Measurement Management System Certification ISO/IEC 17025:2017 Laboratory Management System Certification



While pursuing efficient and precise quality management, the Company expands the scope of industry standards and quality services and provides one-stop quality infrastructure services for the design, R&D, production and quality supervision of internal combustion engines and related industries in and outside of China, so as to empower the high-quality development of the industry.

Case Weichai Power Approved as the Only National Internal Combustion Engine Industrial Measurement and Testing Center (Preparatory)

On May 19, 2022, the National Internal Combustion Engine Industrial Measurement and Testing Center was officially inaugurated at Weichai Power during the publicity event themed "Metrology Empowers the Development of the Industrial Chain" for 5.20 World Metrology Day 2022.

During the course of two years, Weichai Power ranked first in total scores among all the 14 industry centers across China and was thus approved as the only industrial measurement and testing center for the domestic internal combustion engine industry. While proactively expanding the scope of industry standards and quality services, we also provide one-stop quality infrastructure services for the design, R&D, production and quality supervision of internal combustion engines and related industries in and outside of China and empower the high-quality development of the industry.





Unveiling Ceremony of National Internal Combustion Engine Industry Measurement and Testing Center (Preparatory)

Whole-process Quality Control

Through such means as raw material inspection, product quality inspection and quality management audit, Weichai Power conducts the whole-process production quality control to ensure that our products meet the quality control requirements in every link.

Weichai Power's PDCA¹ Closed-loop Control Mode

 <p>Inspection plan and implementation</p> <p>The Multifunctional Group identifies risk detection items of each type of parts, prepares inspection plans of parts on characteristics, drawings, measuring tools and other features, and inspects parts in the inspection system.</p>	 <p>Inspection execution</p> <p>In the process of inspection execution, the inspection system generates an inspection list based on historical inspection data. The system randomly sends inspection tasks to inspectors, and makes judgments about the batch according to the principle of zero defects.</p>
 <p>Inspection data analysis</p> <p>The incoming inspection data will be analyzed from such aspects as supplier, parts and product classification, with a focus on monitoring key suppliers and key features. Supplier quality performance is also analyzed and monitored regularly with the aid of information technologies.</p>	 <p>Quality issue closed-loop management</p> <p>Any defects identified in incoming inspection will be sent to all suppliers in real time through the integrated supplier platform, so as to facilitate the analysis and rectification of defective materials and form closed-loop solution management.</p>

Under the PDCA closed-loop control model, we carry out incoming inspection of parts delivered by suppliers and inspect defective parts through such means as batch assessment, re-inspections and blacklist assessment so as to realize the rapid rectification and follow-up performance monitoring within 24 hours.

In the process of production, we establish quality standards based on the technical conditions of assembly, pre-delivery inspections, control plans, process instructions and inspection instructions. With reference to the quality problems collected by customers, we also inspect quality issues by means of batch sampling inspection and full inspection of new products.

To standardize the product recall and reduce or avoid the harm caused by unsafe products, we have established a special work group and improved the product recall mechanism in accordance with the *Regulations on the Administration of Recalls of Defective Automotive Products*. The Company requires all departments to immediately stop sales, recall defective products and offer solutions to substandard products that fail to comply with national and industrial standards or entail risks to personal and property safety. In 2022, Weichai Power had no product recalls.

¹ PDCA is a total quality management cycle consisting of Plan, Do, Check and Act.

Building Quality Culture

The Company persists in promoting the cultivation of quality-oriented talents. With the aid of Wei-Learning, our online learning platform, we have launched more than 90 diversified and multi-level quality courses such as quality management concepts, quality management system standards, quality tools and project management. We also continuously improve quality control capabilities through such means as online and offline training programs, practices and competitions. By combining theory with practice, we offer employees training on the application of quality tools to ensure compliance with the requirements of the Company, industry standards and national policies.

In 2022, we conducted the selection of internal auditors. Through various means such as ability assessment, theoretical knowledge training & evaluation and audit practice, we selected 108 internal auditors for training at the company level, in a bid to continuously strengthen the requirements of product audit and the staff's competency for quality control.

Weichai Power's Highlights of Quality Management Training in 2022

Weichai Power HQ



Training

Online training:

Offered quality-related courses with over **135,371** enrollments and a total of more than **83,478.8** training hours;

Offline training:

Provided the management with **6** training sessions on quality tools and standards as well as **6** seminars on the *Quality Regulations of Weichai Power* to emphasize customer satisfaction.



Lecturer team

24 internal trainers for quality modules, namely **4** senior lecturers, **14** lecturers and **6** assistant lecturers.



Fast Gear



Training

In 2022, Fast Gear organized **768** training sessions, with **35,000** enrollments online and offline.

Shaanxi Heavy Duty Automobile



Training

In 2022, Shaanxi Heavy Duty Automobile organized **68** training sessions, with **1,255** enrollments online and offline.

Weichai Lovol



Training

In 2022, Weichai Lovol organized **65** training sessions, with **850** enrollments online and offline.

We regularly organize the "Quality Month" events and actively participate in external quality-related activities to raise the quality management awareness of our employees. In 2022, we held the "Quality Month" event themed "This is Product I Produce and I Reassure Customers of Its Quality". We also offered a variety of activities to encourage employees to pay more attention and also get involved in quality management. In May 2022, the publicity event themed "Metrology Empowers the Development of the Industrial Chain" for 5.20 World Metrology Day was held at Weichai Power. We actively cooperated with well-known domestic academicians and experts to carry out in-depth research on the development of metrology technologies as an important driver of the high-end manufacturing industry, so as to serve high-quality economic development and people's livelihood more accurately.

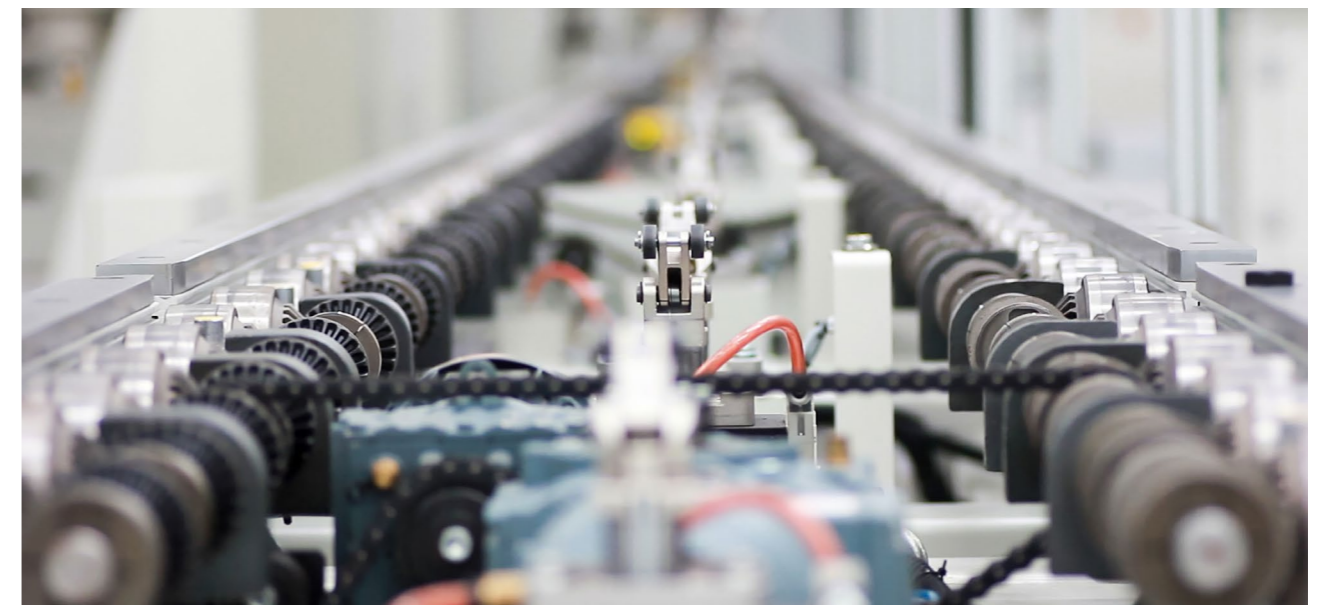
Case

Weichai Power's "Quality Month" Event in 2022

In 2022, Weichai Power organized the "Quality Month" event themed "This is Product I Produce and I Reassure Customers of Its Quality". The event involves achieving quality improvement in the whole process of R&D, procurement, production and service. It features a variety of activities, such as the quality knowledge contest for all employees, the composition and speech contests on quality management improvement and typical quality case demonstration.



Launch Conference of Weichai Power's "Quality Month" in 2022



Service Quality

Weichai Power insists on providing customers with high-quality and safe services, building a high-quality and reliable service system, and collecting and responding to customers' demands promptly. We also constantly improve customer satisfaction and build up a more stable and lasting relationship of mutual trust with our customers.

Customer Service Assurance

Weichai Power strictly abides by the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, the *Civil Code of the People's Republic of China*, the *Advertising Law of the People's Republic of China* and other relevant laws and regulations. We have formulated internal documents such as the *Management Process of Claims and Compensation for After-sales Product Quality* and the *Management Process of Special Maintenance Service Centers* to continuously improve service quality and internal construction.

We have formed service elite, technical support and expert service teams to efficiently solve the technical problems related to maintenance services at all levels, and organized training sessions for service personnel to ensure the quality of after-sales services.

Weichai Power's Service Teams

Service elites

With 120 members from all over China, the team is mainly responsible for handling difficult faults in all regions, reporting typical fault cases, product defects and performance of regional competitors, improving the regional maintenance ability and ensuring the timeliness of maintenance.

Technical supporters

With 24 members, the team is responsible for special technical support, remote diagnostic software, background knowledge maintenance and other work for the latest products with upgraded emission capacity in compliance with the on-road state VI standard and the non-road state IV standard.

Headquarter experts

With 7 experts, the team provides solutions to technical issues for the 400 service hotline, actively tracks the operation of vehicles with multiple repairs recorded by the system, and analyzes the reasons why the service stations cannot accurately identify the problems.

In 2022, we conducted **198** service training sessions, with **74,984** trainees, covering the state VI standard, non-road state IV standard and non-road state III standard.



Case

Weichai Power Offers Training on Non-Road State IV Standard

In December 2022, to improve the engine maintenance ability under the non-road state IV standard, we organized training on the after-sales maintenance of the state IV emissions of engines used in construction machinery and agricultural machinery across China. With the aid of Wei-Learning, 18 technicians carried out centralized training on the difficult faults under the non-road state IV standard at self-operated service outlets, excavator service outlets, agricultural machinery service outlets, as well as construction machinery and social service outlets, more than 50% of whose services are agricultural machinery services. This helps strengthen the after-sales service quality of relevant technical maintenance personnel.



Weichai Power's Training on Maintenance under Non-Road State IV Standard

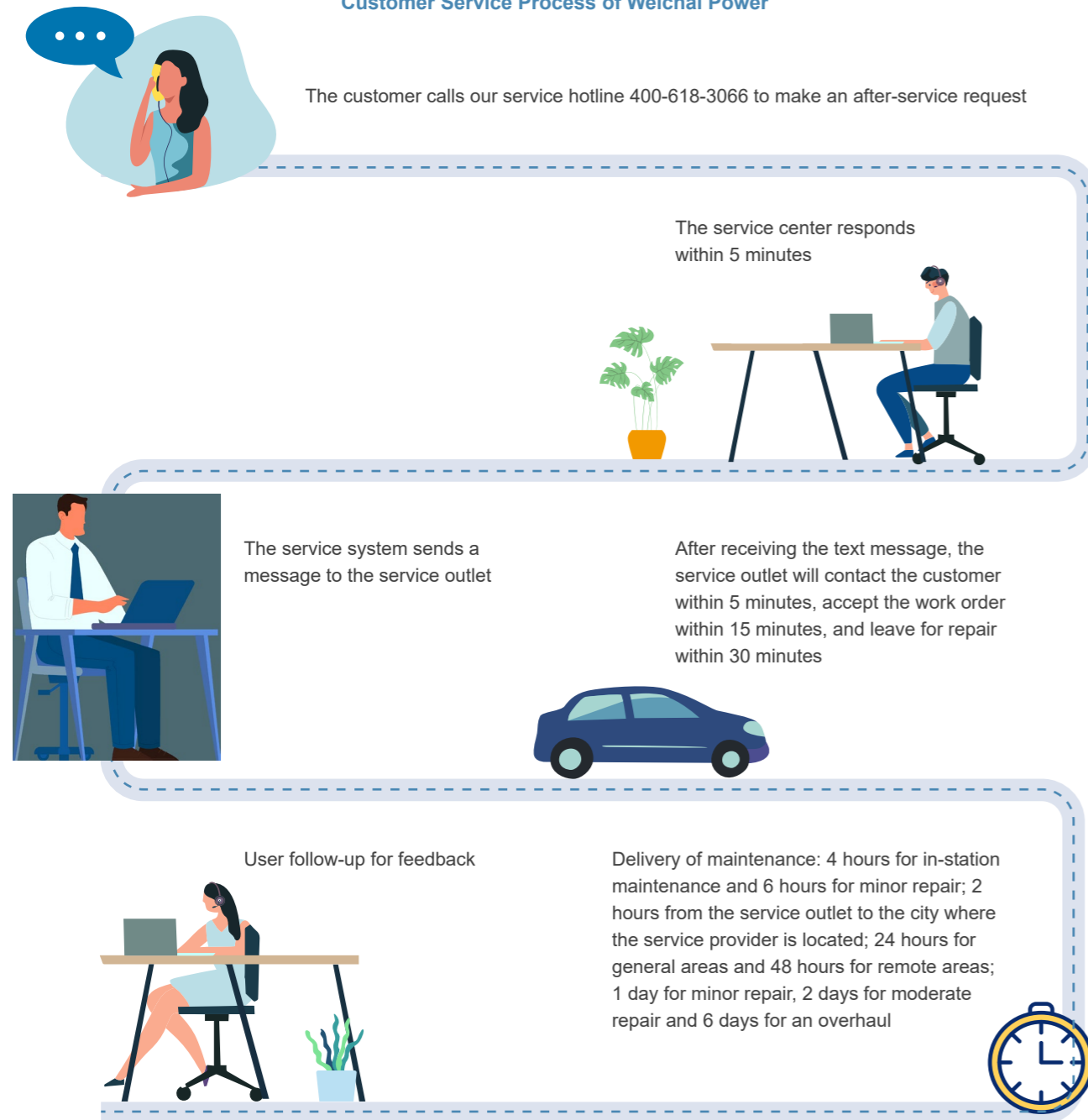
The Company practices responsible marketing through multiple measures such as regulations, material review, information communication and marketing training. We have issued and followed the guidelines such as *Marketing Agreement Management Process* and the *Marketing Policy Management Process* to enhance the review of publicity materials. Besides, We have established various management processes such as the online marketing agreement review, business fulfillment review and marketing content review. Through the Customer Relationship Management System (CRM), we receive information about infringement and infringed marketing, prohibit false promises and descriptions in the sales process, as well as protecting the legitimate rights and interests of consumers to obtain formal and transparent information. In order to ensure compliant marketing, the legal team carries out responsible marketing training for the marketing staff and enhances the awareness of responsible marketing.

Customer Communication & Feedback

Following relevant laws and regulations and upholding the principle of “customer satisfaction as our mission”, we clearly define the customer service and communication process, build a professional technical service team, and understand and track user feedback in time, in a bid to provide premium services for customers.

The Company sorts out and optimizes segment businesses and scenario-based businesses. We also link the efficiency of service process with the performance of related personnel to ensure the standardization and effectiveness of the service process. In 2022, the global call service center had 96 members, aiming to provide customers with a full range of efficient services on a 24/7 basis.

Customer Service Process of Weichai Power



Case

Fast Gear's Commitment to Customer Services

In order to provide customers with high-quality after-sales service and ensure the normal operation of products, Fast Gear makes the following commitments:

- The service hotline is available to call on a 24/7 basis;
- 8 hours to solve general faults, 24 hours to solve serious faults and 72 hours to solve major faults;
- Free replacement of Zhixing AMT that requires repair without opening it for inspection within 4 years, and subsidy for overdue maintenance; trial service of free replacement of retarders that require repair to improve customer satisfaction;
- 40 electrical engineers (17 to be added in 2022) provide services for AMT, AT, FH and EV on a 24/7 basis;
- In 2022, the service network was optimized comprehensively. There were 35 offices and more than 2,090 service outlets nationwide to deliver high-quality services to customers.

By providing premium services, Fast Gear was awarded the Caterpillar certification of Supplier Excellence Recognition (SER) in 2022.

In accordance with the *Customer Complaint Handling Management Process*, we meet customer demands in time and continuously improve products and services. According to the urgency of the complaint, we classify it into three types, namely urgent complaint, major complaint and general complaint. We also require the relevant personnel to propose the solution within prescribed time. For major and above complaints, we integrate the service quality of the complaint into the assessment. To continuously optimize customer service capability, we adopt the third-party customer satisfaction survey as the evaluation standard, and improve projects with poor evaluation results. In 2022, Weichai Power handled 3,575 complaints, with a handling rate of 99.10%¹.

Weichai Power HQ

Customer satisfaction rate of **86.4%**

Fast Gear

Domestic customer satisfaction rate of **92.0%**

International customer satisfaction rate of **98.8%**

Shaanxi Heavy Duty Automobile

Customer satisfaction rate of **81.9%**

Weichai Lovol

Customer satisfaction rate of **89.4%**

¹ The number of complaints and complaints handling rate in 2022 do not include KION.

Innovative Development

Weichai Power gives top priority to “strengthening enterprise with science and technology”. We are devoted to driving development through innovation and also striving for innovation and breakthroughs. We constantly strengthen the construction of scientific and technological innovation systems, pursue technological innovation and process iteration, as well as create the core competitiveness of the long-term development of the Company.

Innovation System & Layout

The Company persists in advancing internal innovation and cooperative R&D. We have built a four-in-one scientific and technological innovation system featuring “independent innovation, open innovation, basic innovation and craftsman innovation”. Weichai Power Science and Technology Research Institute is charged with the overall R&D efforts of its branches dedicated to engines, new energy, electric control, software and other sectors. Embracing the world with an open and innovative attitude, we work together with all sectors to form a collaborative, open and win-win industry-university-research innovation system.

As part of our efforts towards innovation-driven development, we keep increasing the investment in R&D and hardware. In addition to the investment in product development and testing capacity improvement, we also increase investment in advanced technology research and basic research, and improve the research capability of enterprises in generic key technologies.

Case

Weichai Power was approved as the National Key Laboratory of Internal Combustion Engine and Power System

In November 2022, sponsored by Weichai Power, in 2022, the National Key Laboratory of Internal Combustion Engine and Power System was officially approved by the Ministry of Science and Technology among the first batch of national key laboratories to complete the restructuring.

With the National Key Laboratory of Internal Combustion Engine Reliability as the mainstay, the laboratory unites key research forces in related fields. It also aims to provide cutting-edge technical support for the high-quality development of internal combustion engines and the power system industry, with the goal of building a national scientific and technological innovation platform, a high-level talent training base, a hub of cutting-edge technologies and a strategic scientific and technological hub.

In terms of innovation and R&D cooperation, in 2022 the Company signed more than 50 technical cooperation agreements for projects with famous universities, consulting agencies and companies in and outside of China, such as Tsinghua University, Bosch and AVL (AVL List GmbH). Furthermore, we have also signed strategic cooperation agreements with Shanghai Jiao Tong University and the National Institute Corporation of Additive Manufacturing, Xi'an.

Weichai Power had

a total of
13,950 Employees
engaged in R&D

who accounted for
15.93%
of the entire staff

our annual R&D and innovation investment
reached RMB
8,850.90 million

Leading Industry Development

As a domestic leader in automotive and equipment manufacturing, Weichai Power has always adhered to scientific and technological innovation and proactively improved the efficiency and quality of our products. In 2022, we won quality awards and honors for numerous projects, leading the development of the industry with quality and innovation.

The Company actively participates in industry exchanges and joint creation. We also attach great importance to the communication and cooperation with industry associations. So far, we have participated in the compilation and revision of international standards, national standards, industry standards, local standards and group standards. In 2022, Weichai Power HQ joined 6 industry associations and engaged in the formulation of 15 standards, with 2 for Weichai Lovol and 6 for Shaanxi Heavy Duty Automobile.

Quality Related Awards and Honors of Weichai Power in 2022 (Partial)

Weichai Power HQ:

- The Measurement Management Innovation of Large Manufacturers Based on “Four-in-One” project won the second prize of Enterprise Management Modernization Innovation Achievement in the 26th Machinery Industry of China by the China Machinery Enterprise Management Association;
- Excellent projects for Quality Control (QC) were recommended for national industry association presentations for three times in 2022 and ten achievements won national honors.

Fast Gear:

- 12 excellent QC achievements participated in the 2022 Launch Meeting of Excellent Quality Management Group Achievements in Shaanxi and the 44th Launch Meeting and Experience Exchange Meeting of Excellent Quality Management Group Achievements in Xi'an, winning one provincial first prize, four second prizes, one third prize, one municipal first prize and five municipal second prizes respectively.

Shaanxi Heavy Duty Automobile:

- Quality Benchmarking Enterprise in Xi'an;
- China Machine Building Quality Management Association: The commercial vehicle won the Machinery Industry Quality Award;
- One QC achievement was rated at the national professional level.

Case

Weichai Power's Diesel Engine Set New World Records for Base Engine Thermal Efficiency

In November 2022, Weichai Power released the world's first commercial diesel engine with a base engine thermal efficiency of 52.28%. According to the search by Southwest Research Institute, the diesel engine has surpassed 52% globally for the first time by the base engine thermal efficiency.

The application of this technology will comprehensively strengthen the leading position of Weichai Power in the full series of diesel engines, which is of great strategic significance for promoting the energy conservation, emission reduction and green development of China's traditional internal combustion engine industry.

IPR Protection

Weichai Power highly values the management and protection of intellectual property rights (IPR). We strictly abide by relevant laws and regulations, including the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*. We have revised numerous internal systems, such as the *Management Procedures for Intellectual Property Rights*, the *Control Procedures for the Intellectual Property Rights of R&D Projects* and the *Copyright Management Procedures* so as to respect the work of others while protecting our own intellectual property.



Case • Fast Gear Successfully Declared as National Intellectual Property Demonstration Enterprise

In September 2022, Fast Gear, a subsidiary of Weichai Power, was rated as a National Intellectual Property Demonstration Enterprise by virtue of its outstanding advantages in intellectual property. This is the top honor for the creation, application, protection and management of intellectual property rights at the national level.



As for trademark infringement and protection, the Company established the Weichai Intellectual Property Rights Protection Alliance in 2022. We also took the lead in forming the Intellectual Property Rights Think Tank Alliance, so as to build a community of interests involving Weichai Power, lawyers and agents. This alliance aims to fight against illegal acts through civil, administrative and criminal means. In 2022, we initiated more than 230 IPR protection cases.

While actively protecting intellectual property rights, we also seek to create a working environment for scientific and technological innovation, further emphasize R&D and innovation, and unleash the vitality of talent innovation. In 2022, we increased the indicators for IP protection of key core technologies and refined IPR management. Besides, we also published a quarterly journal titled *Newsletter about Intellectual Property* to better understand and share outstanding technologies in the industry and enhance employees' IPR awareness. In addition, we launched the pre-incentive mechanisms and innovation incentive mechanisms, and rewarded the scientific research team according to the progress and quality of the completion of the R&D project, so as to stimulate the enthusiasm for innovation.

Case • Weichai Power Science & Technology Incentive and Commendation Conference

On April 26, 2022, Weichai Power Science & Technology Incentive and Commendation Conference was held in Weifang City, with a total of 6,000 participants online and offline. In recognition of their technological innovation achievements, the Company presented the Special Contribution Award for High-end Talents to three winners, the Weichai Power Science and Technology Project Award to 84 projects, the title of "Outstanding Workers for Scientific and Technological Innovation" to 19 winners, as well as the Workers' Technological Innovation Achievement Award to 63 projects. The Company also offered a total bonus of RMB 64.41 million to the winners of intellectual property achievements.



Weichai Power Science & Technology Incentive and Commendation Conference

the Company presented the Special Contribution Award for High-end Talents to

3 winners

the Weichai Power Science and Technology Project Award to

84 projects

the title of "Outstanding Workers for Scientific and Technological Innovation" to

19 winners

Case • Weichai Power's Employees Win First Prize in Weifang Innovation and Entrepreneurship Competition

In October 2022, the project titled "Research and Application of Dynamic Measurement Technology for High-temperature Moving Parts of Internal Combustion Engines" completed by the craftsman innovation team led by Tang Haiwei won the first prize of the Innovation Achievement Award in the 2022 China - Weichai International Talent Innovation and Entrepreneurship Competition, which showcases the close teamwork and excellent innovation ability of Weichai Power's teams.



Weichai Power's Employees Win First Prize in the Weifang Innovation and Entrepreneurship Competition



03

Protecting Green Home

Adhering to the mission of “Green Power, International Weichai” , Weichai Power proactively identifies and addresses climate-related risks and follows environment-friendly pathways for sustainable development. We have taken concrete actions to carry out green operations, actively explored pathways to transform and upgrade green technologies, and contributed to the realization of national goal of “carbon peaking and carbon neutrality” .



Climate Strategy

As one of the great challenges facing the international community nowadays, climate change is damaging global ecological environment and human health. In 2022, by referring to the framework and recommendations developed by the Task Force on Climate-Related Financial Disclosures (TCFD), which is established by the Financial Stability Board (FSB), we established a sound climate change governance system and strategic plan to identify and address climate change risks from the dimensions of governance, strategy, risk management, indicators and targets, as well as improve our climate resilience.

Climate Risk Governance

Weichai Power actively responds to relevant guidelines and policies, such as the *Opinions of the State Council on Completely, Accurately and Fully Implementing the New Development Concept and Performing Well in Fulfilling Carbon Peaking and Carbon Neutralization Targets* and the *Action Plan for Carbon Dioxide Peaking Before 2030*. To this end, we set up a special team for facilitating the carbon peaking and carbon neutrality targets, tasked with organizing and leading the formulation, implementation and scheduling of carbon peaking and carbon neutrality work plan, strengthening the systematic construction of the climate change management system and actively responding to the "dual carbon" strategy with concrete actions.

Climate Risk Strategy

Weichai Power has incorporated the green and low-carbon concepts into strategic planning. In 2022, the Company focused on the development of new energy and stayed devoted to becoming the world's leading provider of new energy power system solutions with core technologies. Adhering to the goal of "leading the industry across the globe within the new energy business sector by 2030", we issued the *Environmental Plan for Green Power* together with the Chinese Academy of Environmental Planning, actively explored the pathways for product and technology transformation and upgrading, as well as contributed to the green and low-carbon development of the Company and the fulfillment of the national "dual carbon" goals.

Climate Risk Management

We fully consider the impact of climate change on the industry, national policies and industry development trends, systematically identify and analyze the climate risks we face, and formulate appropriate risk management methods and countermeasures in time, so as to lay a solid foundation for us to better mitigate the impact of climate risks.

Climate Change Risks Facing Weichai Power

Risk category	Specific risk	Risk description	Risk response
Transition risk	Policy and legal risk	<p>The low-carbon-related policies and regulations tend to get increasingly stringent. Meanwhile, with the implementation of relevant policies such as carbon trading, carbon tax, and environmental protection tax, the plants of the Company may be subject to requirements and restrictions on the use of traditional energy or more stringent emission standards, and may face situations such as power rationing, resulting in reduced production capacity.</p> <p>Major international and domestic regulators and capital market rating indexes have been enhancing their requirements for the disclosure of information related to the corporate environment. If Weichai Power fails to disclose environmental information as required, the Company may have to face compliance risks.</p>	<ul style="list-style-type: none"> Establish a working group to enhance efforts to peak carbon dioxide emissions and achieve carbon neutrality, strengthen communication with regulatory departments, set environmental goals, and make every effort to disclose more comprehensive and more accurate environmental information. Actively follow the changing trend of energy policies, systematically plan energy supply changes while ensuring compliance, improve the application of new energy, and gradually realize the replacement of traditional energy.
	Technical risk	<p>Given the context that the national “dual carbon” targets require “taking the current R&D and upgrade of technologies and equipment as a way to reduce emissions”, it is difficult to achieve sustained and stable operations, if the Company does not apply more energy-saving and environmentally-friendly technologies in production and operations, and does not increase the efforts to enhance R&D in energy-saving and emission reduction technologies.</p>	<ul style="list-style-type: none"> Increase investment in R&D of emission reduction technologies, comprehensively layout multiple technical routes such as high-efficiency engines, low-carbon fuel engines, fuel cells, hybrid electric vehicles, and pure electric vehicles to further reduce the impact on the environment.
	Market risk	<p>With increasing low-carbon demands in public consumption, if the Company fails to effectively reduce carbon emissions in production and operation and develop more clean energy application products, customers will reduce their demands for related products and services due to low-carbon preference, which will directly lead to the loss of revenue and market share.</p>	<ul style="list-style-type: none"> Promptly identify changes in customer preferences and demands, actively listen to their expectations and demands, and develop more clean energy products to meet the requirements of a green and low-carbon market.

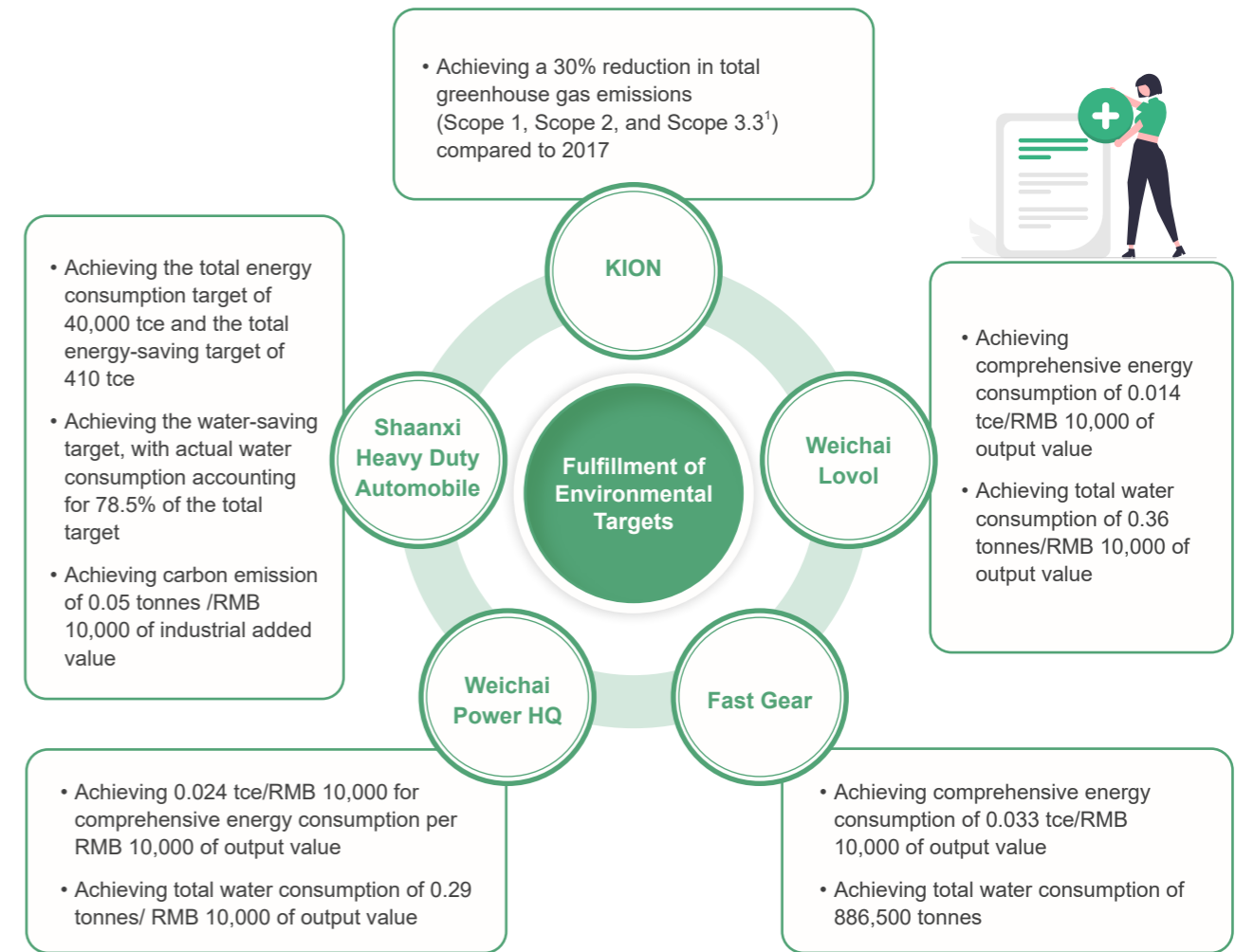
Risk category	Specific risk	Risk description	Risk response
Transition risk	Reputational risk	<p>With the increasing promotion of such issues as climate and sustainable development, major regulatory agencies, investors, customers, and other stakeholders as well as the public are closely watching and expecting the Company’s new energy products and low-carbon transformation. If the Company fails to launch new energy products in a timely manner or takes no substantive counter-measures, it will be widely questioned by stakeholders and the public, which will have an adverse impact on the corporate image.</p>	<ul style="list-style-type: none"> Actively carry out external technical cooperation and exchange, promote the research and development of new energy projects, explore the application and implementation of energy conservation and emission reduction technologies, and support energy conservation and emission reduction across all walks of life through technology.
	Acute risk	<p>The occurrence of extreme weather events such as typhoons, hurricanes or floods may damage plant discharge facilities, destabilize the supply chain and disrupt plant construction and operations. If the continuity and stability of operations in extreme weather cannot be guaranteed, the lower capacity to adapt to extreme weather will undermine Company’s business operations and compromise corporate image, and reduce operating income.</p> <p>Extremely hot and cold weather increases the probability of health and safety risks to employees, and increases the operating costs of temperature control in plants as well the frequency and cost of maintenance of production equipment and facilities.</p>	<ul style="list-style-type: none"> Formulate the <i>Emergency Management Measures for Heavy Pollution Weather</i> and “one plant, one policy” emergency response plan to effectively prevent the risks brought by extreme weather. Organize relevant personnel to make public signs for heavy pollution weather emergency and conduct publicity training for employees.
Physical risk	Chronic risk	<p>Global warming will lead to persistent high temperatures, droughts and fires, increase the frequency of natural disaster risks, cause water shortages, and damage existing plant facilities and equipment, affecting plant productivity.</p>	<ul style="list-style-type: none"> Intensify R&D investment, increase the ability of equipment and facilities for climate risks, improve production efficiency and reduce energy consumption ratios. Special emergency contingency plans for heatstroke are expected to be developed in the future to prevent the occurrence of risks posed by hot weather.

Indicators and Targets

In order to further address the risks presented by climate change, Weichai Power sets environmental targets for different business sectors according to scientific calculation methods, comprehensively carries out green action, reduces resource and energy consumption, and contributes to the realization of the national "dual carbon" goals.

Environmental Targets

Business Sector	Target 1	Target 2
Weichai Power HQ	<ul style="list-style-type: none"> By 2023, maintaining the energy consumption intensity below 0.028 By 2023, maintaining the water consumption intensity below 0.34 	<ul style="list-style-type: none"> By 2025, reducing the energy consumption intensity by 18% compared with 2020 By 2025, reducing the water consumption intensity by 16% compared with 2020
Shaanxi Heavy Duty Automobile	<ul style="list-style-type: none"> By 2025, reducing the energy consumption intensity by 3% compared with 2022 By 2024, reducing carbon emissions per RMB 10,000 of industrial added value to 0.047 tonnes/RMB 10,000 	<ul style="list-style-type: none"> By 2025, reducing the water consumption by 3% compared with 2022
Fast Gear	<ul style="list-style-type: none"> By 2025, reducing comprehensive energy consumption per RMB 10,000 of output value by 3% compared with 2022 	<ul style="list-style-type: none"> By 2025, reducing the water consumption by 30,000 tonnes compared with 2022
Weichai Lovol	<ul style="list-style-type: none"> By 2023, maintaining comprehensive energy consumption per RMB 10,000 of output value below 0.014 tce/RMB 10,000 By 2025, increasing the recycling of reclaimed water to 25% 	<ul style="list-style-type: none"> As of the end of 2023, increasing the recycling of reclaimed water to 20%
KION	<ul style="list-style-type: none"> By 2030, reducing Scope 1 and Scope 2 GHG emissions by 4.2%; and reducing Scope 3 GHG emissions by 2.5% per year compared with 2021 By 2050, achieving 0 carbon emissions 	



GHG Emission Data Sheet²

Category	Unit	Data in 2021	Data in 2022
Scope 1: Direct emissions from GHG	tonnes of carbon dioxide equivalent	207,568.52	178,925.97
Scope 2: Indirect emissions from GHG	tonnes of carbon dioxide equivalent	671,042.73	368,450.64
Total GHG emission	tonnes of carbon dioxide equivalent	878,611.25	547,376.61
Total GHG emission density	tonnes of carbon dioxide equivalent/ RMB billion in revenue	4,316.49	3,125.05

¹ Scope 3.3 greenhouse gas emissions refer to the greenhouse gas emissions generated by fuel and energy related activities that do not include Scope 1 and Scope 2.

² The Scope 1 GHG emissions are calculated according to the *Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions from Other Industrial Enterprises* regarding the conversion of gasoline, diesel and natural gas consumption. The Scope 2 GHG emissions include electricity consumption, purchased heat, and purchased steam. The emission factors of purchased power refer to the Notice of the Ministry of Ecology and Environment of the People's Republic of China on the *Management of Greenhouse Gas Emission Reports of Enterprises in the Power Generation Industry from 2023 to 2025* published on February 7, 2023. Purchased heat and steam are converted according to the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions for Enterprises - Power Generation Facilities (Revised 2022)*. The calculation of KION's GHG emissions refers to the GHG emission factors of many countries (including IPCC, Defra, etc.) and has been included in the data. GHG only includes CO₂.

Low-carbon Product

Weichai Power focuses on green and innovation-driven development, actively explores the pathways for product and technology transformation and upgrading, facilitates the zero-carbon development of the industry with the advantages of the product, technology, cost and industrial chain, as well as advances the transition to a more green, low-carbon and sustainable business model.

Under the general trend of electrified power systems, intelligent industrial production and low-carbon economic development, we actively promote the cleaner and more efficient development of internal combustion engine technology. On November 20, 2022, the Company released the world's first commercial diesel engine with a base engine thermal efficiency of 52.28%. Relying on new systematic engineering concepts, we achieved a series of cutting-edge technological breakthroughs, such as 3D precise supercharging, air insulation, high-efficiency flow and dual main injection.

We comprehensively upgrade and continuously improve the new energy business structure supporting the coordinated development of three technical systems, namely "fuel cell", "hybrid" and "pure electric". We also expand the production capacity of green and low-carbon products, and jointly promote the healthy and green transformation and upgrading of industries and technologies.



"Fuel cell" products

The products include system solutions such as fuel cell engines, fuel cell stacks, key BOP components, vehicle-mounted hydrogen supply systems, meeting various needs of multiple types of commercial vehicles.

In 2022, we developed and optimized **3** types of hydrogen fuel cell engines, as part of our efforts to advance the demonstration and promotion of hydrogen fuel cell vehicles.

"Hybrid" products

The products are mainly parallel hybrid systems for heavy-duty trucks and light trucks, with complete software and after-sales diagnostic tools such as HCU/TCU/MCU and Zhiduoxing provided.

In 2022, we developed the WP2.3N hybrid system for light-duty trucks and the WP12 hybrid system for heavy-duty trucks, reducing fuel consumption by over **15%**.

"Pure electric" products

The products include industrial vehicles, non-road customized battery solutions and electric drive system solutions such as motors, motor controllers and electric drive systems.

In 2022, we made new breakthroughs in the R&D of electric powertrain products, completing the development of electric drive axle assemblies and central drive assemblies, with product performance improved by 3-5%; Focusing on the development of core components, we have developed products such as flat wire motors and all-in-one controllers, leading the industry in power density and integration.

We actively develop a strategic layout for hydrogen, methanol, ammonia and other low-carbon fuels. With the goal of building "one hydrogen energy highway, two hydrogen energy ports, three popular science bases, four hydrogen energy parks and five hydrogen energy communities", we contribute to turning the blueprint of "Hydrogen into Thousands of Households" into a reality. In 2022, the Company continued to promote multi-scenario applications, improved the construction of hydrogen energy infrastructure, and accelerated breakthroughs in key hydrogen energy technologies and industrial development.

Hydrogen Energy Park

- ✓ Developed the first domestic high-power containerized hydrogen fuel cell cogeneration system and the first **30kW** solid oxide fuel cell cogeneration system, and put them into operation;
- ✓ Developed the first **3-tonne** hydrogen forklift in China and created a zero-emission logistics handling environment.

Hydrogen Energy Port

- ✓ Initiated the **first** domestic port hydrogen heavy-duty truck demonstration operation project;
- ✓ Completed the **first** commercial delivery of hydrogen fuel heavy-duty tractor in the industry;
- ✓ Promoted the launch of China's **first** demonstration project of using hydrogen fuel cell heavy trucks for port operations at Qingdao Port.

Hydrogen Energy Highway

- ✓ Demonstration operation of the **49-tonne** fuel cell heavy trucks equipped with Weichai Power's power products was started along the Jiqing Expressway, with a driving distance of over 240,000 kilometers;
- ✓ Put China's **first** highway hydrogen refueling station in Zibo into operation.

Green Operation

Adhering to the scientific idea of "lucid waters and lush mountains are invaluable assets", Weichai Power actively responds to the national call for energy conservation and emission reduction, continuously improves the environmental management system, and enhances environmental management and ecological conservation. We have improved the efficiency of resource and energy use, vigorously promoted waste management and pollution control, as well as honored our commitment to sustainable development with concrete actions.

Environmental Management System

The Company strictly complies with the laws and regulations in the jurisdictions where operations are conducted, including the *Environmental Protection Law of the People's Republic of China*, and continuously improves the environmental management system. In 2022, we updated and revised a series of internal systems and procedures, including the *Procedures for Identification, Evaluation and Control of Environmental Factors* and the *Environmental Protection Inspection and Control Procedures*, to further promote the development of the environmental management system and conduct the environmental impact assessment of construction projects in accordance with the law. We signed the *Responsibility Letter for Environmental/Occupational Health and Safety Management System Targets* with managers at all levels and set the indicator of "environmental compliance rate", which is linked to the annual performance appraisal of management and employees to ensure the compliance and effectiveness of environmental management.



We establish the online monitoring mechanism of "daily supervision, weekly summary and monthly report", monitor and manage the sources of environmental pollution, as well as strictly control and manage our emissions and discharge to land, water and air. In 2022, Weichai Power entrusted a qualified third-party testing company to carry out environmental monitoring on more than 500 locations in various parks, where wastewater, waste gas and noises are discharged over 1,000 times, and more than 200 test reports have been delivered. All test results met the requirements of emission indicators.

In accordance with the *Technical Guidelines for Preparing Emergency Emission Reduction Measures for Key Industries during Heavy Pollution Weather* issued by the Department of Ecological Environment of Shandong Province, we conduct regular inspections to ensure that all kinds of systems and emission data meet the requirements of A-level enterprises. We have also carried out the mandatory cleaner production audit, and successfully passed the cleaner production audit and acceptance of relevant authorities.



¹ The data exclude KION.

In 2022, besides the *Contingency Management and Control Procedures for Environmental Emergencies* and other relevant policies, we updated the *Contingency Plan for Environmental Incidents*, the *Emergency Resources Investigation Report* and the *Risk Assessment Report* to standardize the contingency management and response procedures for environmental emergencies. We have classified environmental emergencies into four levels, namely extremely serious (Level I), very serious (Level II), serious (Level III) and ordinary (Level IV). The Company continuously carries out environmental risk assessments, identifies the risk objectives and risk factors that may cause environmental pollution emergencies, and formulates preventive measures, in a bid to avoid environmental emergencies as much as possible.

Division of Responsibilities of Environmental Emergency Rescue Departments

Safety and Environmental Protection Department:

- Emergency management

It is responsible for the management of environmental emergency response systems and the preparation and filing of the Company's environmental emergency response plans. It urges all relevant units to carry out emergency plan exercises on a regular basis, and to investigate, analyze, handle and report sudden environmental accidents.

- Potential risk identification

As the centralized management department for the investigation and management of potential risks of environmental emergencies, it is responsible for organizing and supervising the implementation of the investigation and management of environmental hazards in relevant units, and conducting assessments on a regular basis.

Production units and related functional departments:

- Emergency management

Each unit establishes a preparation team of emergency plan for environmental emergencies, carries out the environmental risk assessment and emergency resource investigation, comprehensively identifies existing environmental hazards, and determines environmental risk levels.

- Potential risk identification

The production units and related functional departments are responsible for carrying out the governance of environmental risks investigation, and the person in charge is responsible for the investigation and governance efforts of the unit.

Case Emergency Drill of Sudden Hazardous Waste Leakage

On December 10, 2022, Weichai Lovol carried out emergency rescue drills for sudden leakage and fire accidents at the temporary storage for hazardous waste. Upon receiving the call from the storage manager, the evacuation team immediately activated the rescue warning and rushed to the site for emergency evacuation. The drill comprehensively improved the company's ability to cope with environmental incidents, thus effectively avoiding accident casualties and environmental pollution.



In terms of environmental protection publicity and training, the Company has formulated the *Environmental Protection Publicity and Training Management Control Procedures*. We also offer online and offline education and training on energy conservation and emission reduction, so as to vigorously promote green and low-carbon production and lifestyle. In 2022, we organized a variety of training events, such as the environmental management assessment training for hazardous waste during the “14th Five-Year Plan” period, typical cases for environmental protection, knowledge about related pollutant emission control, as well as the standardization of environmental protection management business. In addition, we carried out a series of publicity activities, such as the essay and painting collection themed “water conservation”, the publicity event themed “building a water-saving city, promoting green and low-carbon development”, the “National Energy Conservation Publicity Week” and the “National Low Carbon Day”, in an attempt to further enhance our employees’ awareness of energy conservation, efficiency improvement and low-carbon production.



Essay and Painting Collection Themed “Water Conservation”

Publicity Event Themed “Building Water-saving City, Promoting Green and Low-carbon Development”

Case “National Energy Conservation Publicity Week” and “National Low Carbon Day”

To celebrate the “National Energy Conservation Publicity Week” and the “National Low Carbon Day”, the Company carried out a series of environmental protection activities from May 30 to June 19, 2022. We actively organized the solicitation of reasonable suggestions on “energy conservation and low carbon”. In cooperation with Weichai Vocational University, we developed the animation course themed “Green Initiative for Energy Conservation”. With the aid of the Wei Learning platform, we organized the knowledge contest to popularize the knowledge about energy conservation. Besides, the green cycling themed “Beautiful China, Youth Action” was also held. The Company carried out a series of training programs on the promotion of low-carbon and energy-saving technologies, so as to comprehensively enhance employees’ awareness of energy conservation and environmental protection, and improve the overall energy efficiency and management.



Green Cycling Themed “Beautiful China, Youth Action”



Animation Course and Knowledge Contest for Energy Conservation

Energy Resource Management

Adhering to the energy management policy of “energy conservation and emission reduction, improvement in quality and efficiency, and green development” and complying with the *Energy Conservation Law of the People’s Republic of China* as well as other relevant laws and regulations, Weichai Power takes multiple measures to realize efficient use of resources and energy, and facilitate the realization of our own goals of energy conservation and emission reduction. Having put into use of the energy management system, we passed the ISO 50001 Energy Management System certification in 2022.



ISO 50001 Energy Management System Certificate

Energy Management Measures

Strengthening policy research on energy conservation and consumption reduction

Following the national policies and arrangements on carbon neutrality, including the *Comprehensive Work Plan for Energy Conservation and Emission Reduction for the 14th “Five-Year Plan” Period by the State Council* and the *14th Five-Year Plan for Scientific and Technological Innovation in the Energy Sector*, improving the Company’s energy structure, expanding the pathways for energy development, and minimizing energy costs.

Standardizing the construction of relevant systems and processes

Establishing four distinctive mechanisms of energy conservation compliance mechanism, whole-process management & control mechanism, energy conservation technology progress mechanism and energy conservation culture promotion mechanism, and continuously improving energy management via energy review, internal audit, management review and third-party audit.

Building a normalized mode of control and supervision

Building a normalized energy conservation supervision and performance management mechanism; establishing the “comprehensive budget +KPI+PPC” assessment and incentive policy, the “four-level” supervision system and the “bi-weekly notification” mechanism to improve the management of energy use and stimulate the employees’ awareness of energy conservation.

Developing a normalized energy management personnel training mechanism; building a team of internal trainers for energy management, developing the course system for energy management training, and improving the skills of internal trainers.

Case Improving the Function of Energy Management System and Refining the Granularity of Energy Use Measurement

In 2022, the Company further improved the energy management system, refined the granularity of energy data collection, as well as optimized the refined management of energy consumption and cost analysis in such processes as production, R&D and management. We also provided real-time and accurate data for energy consumption prediction, energy consumption control, load allocation and energy planning, thus realizing real-time and unified information sharing of energy consumption data. With the aid of the energy management system, we realized real-time energy consumption control and monitoring.



Energy Management Platform

In 2022, Weichai Power continued to build the Company into a model of green manufacturing. Besides winning the honors such as the "National Green Factory" and the "Energy-saving Advanced Unit in Weifang", the research project "Energy-saving and Low-carbon Management Based on Energy Management System of Large State-owned Machinery Manufacturing Enterprises" won the first prize of the Enterprise Management Modernization Innovation Achievement in the 27th Machinery Industry of China Award. We lead the industry in the fields of green manufacturing system construction, energy conservation, low carbon and clean production.

We facilitate the use of clean energy and vigorously promote alternative energy sources such as PV power generation and waste energy. By carrying out a series of energy-saving and cost-reducing projects, including surplus energy utilization, clean energy and complementary energy, we have continuously reduced energy use costs and actively built up green and energy-saving advantages.

Energy-reducing Transformation Projects of Weichai Power

Waste heat recovery project

- The pilot transformation project of waste heat and steam point supply was applied at Plant No. 1. Through flue gas tests, circulating water tests, waste heat recovery of air compressors and steam point supply, the steam produced by Plant No.1 was put into self-use, saving **2,800 tonnes** of steam and RMB 550,000 of production cost annually.

The Phase II project of furnace kiln waste heat recovery and utilization was carried out at the Material Molding Park. The waste heat from the annealing furnace and welding repair furnace was used to heat bath water, effectively reducing energy consumption and saving about **40,000 cubic meters** of natural gas and RMB 120,000 of total cost annually.

Exhaust gas treatment equipment optimization project

- Through the linkage of main equipment and accessory equipment, frequency transformation and automatic control operation of the main control parameters on the flue gas treatment and spray-paint exhaust treatment equipment, this project has avoided energy waste while ensuring the treatment effect. In doing so, we saved **2.25 million kWh** of electricity and RMB 1.8 million of total cost annually.

Cold-core making process project

- In the progress of cylinder head casting, the hot core-making process is gradually replaced by the cold core-making process, thus reducing the energy consumption for heating and the cost of auxiliary materials. This measure has saved **310,000 kWh** of electricity and RMB 248,000 of total cost annually.

Welding repair furnace efficiency improvement project

- By transforming the conveying guide rail, optimizing the cooperation mode and shortening two shifts into one shift, the project has reduced the energy waste in the process and saves **230,000 cubic meters** of natural gas and RMB 853,700 of total cost annually.

Distributed PV power generation project

- The power generation project was carried out and the **1MWp** PV power generation system on the factory roof was built, saving **611,000 kWh** of electricity and RMB 92,500 of total cost annually.

Energy Consumption Data Sheet

Type	Unit	Data in 2021	Data in 2022
Direct energy consumption			
Purchased natural gas	1,000 kWh	511,198.49	344,816.01
Gasoline	1,000 kWh	25,171.95	2,975.07
Diesel ¹	1,000 kWh	382,105.07	121,956.96
Indirect energy consumption			
Purchased electricity	1,000 kWh	753,782.32	388,290.34
Purchased steam	1,000 kWh	132,951.40	72,230.54
Purchased heat	1,000 kWh	89,496.64	99,762.96
Total comprehensive energy consumption ²	1,000 kWh	1,894,705.86	991,489.58
Comprehensive energy consumption intensity	1,000 kWh/RMB billion in revenue	9,308.41	5,660.56
PV power consumption	1,000 kWh	10,283.64	11,565.80
PV power generation	1,000 kWh	29,283.64	30,688.34



¹ During the test run, the Company consumes diesel oil and connects the engine to the electric dynamometer, so the energy emitted by the tested machine can return in the form of electric power which will be used by other equipment, thereby achieving energy recovery and low-carbon production.

² Comprehensive energy consumption is calculated according to GB/T 2589-2020 General Principles for Calculation of the Comprehensive Energy Consumption. The comprehensive energy consumption of KION is calculated according to the Energy Statistics Manual (Annex 3: Units and Conversion Equivalents) issued by the International Energy Agency.

Water Management

Weichai Power strictly abides by the *Water Law of the People's Republic of China* and other relevant laws and regulations. We comprehensively carry out water-saving management, improve the recycling rate of water resources, and realize the effective use of water resources. Our main source of water is municipal water. The Company does not engage in any malpractices in seeking applicable water sources.

Carrying out the circulating water quality improvement project, installing variable frequency induction water processors in each circulating water system, improving the activity of water molecules and removing old scale in the system, so as to achieve the purpose of descaling.



Improving water treatment techniques, adding ozone treatment and other treatment facilities, promoting condensate recycling and renovation projects, using reclaimed water for garage car wash, conducting water reuse for stations, and recycling the wastewater that meets the reuse standard for toiling flushing and greening to improve the recycling rate of water resources.

Conducting inspections on water leaking or dripping to prevent water waste.

Water Consumption Data Sheet

Type	Unit	Data in 2021	Data in 2022
Total water consumption ¹	Tonnes	3,098,085.22	2,745,903.20
Water consumption intensity	Tonnes/RMB billion in revenue	15,220.44	15,676.76
Recycled amount of water	Tonnes	1,118,847.00	584,937.00

Packaging Materials Consumption

The main source for packaging material consumption is auxiliary packaging materials and boxes. Besides continuously improving the *Product Packaging Materials and Service Management Procedures*, we standardize the management of disposable and recyclable packaging materials and also replace disposable wood packaging with recyclable packaging. When signing contracts with users, we state clearly that it is the responsibility of the contractor of packaging services to recycle the turnover equipment, so as to realize the reduction, lightweight, and recycling of packaging materials.

¹ Only including municipal water.

Packaging Materials Consumption Data Sheet

Type	Unit	Data in 2021	Data in 2022
Packaging materials consumed	Tonne(s)	146,675.00	70,230.00
Amount of packaging materials recycled	Tonne(s)	130,889.00	59,860.00

Green Office

Weichai Power incorporates low-carbon concept into business operations and has taken a series of measures to implement green office and practice green low-carbon life. In 2022, we improved the office area lighting by replacing the grille lamps with the LED flat lamps, aiming to create a good atmosphere of caring for the environment and saving energy and resources.

Green Office Initiatives

Promoting paperless office

- ✓ We issued *Proposal on Improving Efficiency, Reducing Costs, and Building Paperless Offices* to promote the concept of paperless office, and encourage employees to go digital to improve work efficiency and avoid printing documents out unless it is necessary;
- ✓ We call on everyone in the office to save paper, print on both sides, and reuse paper.

Standardizing electricity management

- ✓ The air conditioners shall be set not lower than 26°C in summer and not higher than 20°C in winter in strict accordance with the standards. Doors and windows shall be closed when air conditioners are on. Air conditioners shall be turned off before the room is unoccupied;
- ✓ Reduce the standby time of office equipment such as computers and printers, turn off the power when they are not in use for a long time or after employees get off work, and pull out the power plug to reduce standby energy consumption;
- ✓ Both turning on lights during daytime and keeping lights on when the room is not occupied are prohibited. Turn off lights when leaving is required.

Promoting water conservation

- ✓ Calling on employees to consciously develop the habit of saving water, and turn off the faucet in time after using to prevent any waste of water resulted from leaking or dripping.



Pollutant Discharge Management

Weichai Power implements low consumption and emission reduction and strictly controls emission management. We actively reduce the discharge of wastewater, waste gas, solid waste and noise during daily construction and operation, and maintain the compliance rate of wastewater, waste gas, and solid waste discharge at 100%, avoiding environmental pollution caused by pollutant discharge with our utmost efforts.

Waste Gas Emissions

The main source of waste gas discharged by Weichai Power is mainly nitrogen oxides, and some volatile organic compounds (VOCs) from organic exhaust gas produced in coating, and welding fumes. In 2022, we revised some waste gas management systems such as the *Air Pollution Prevention and Control Management Procedures*, and formulated *Emergency Plan for Emission Reduction in Heavily Polluted Weather*. We conduct real-time monitoring of exhaust gas emitted during production and operations, and ensure that all the waste gas emissions are satisfying the relevant standards. Meanwhile, we have taken special measures to control and treat waste gas emissions, actively reducing the set emission targets for exhaust emissions. We will continue to implement pollutant emissions reduction and replacement in 2023, in a bid to gradually eliminate the emissions of BTEX, and reduce the proportion of solvent-based industrial coatings by 20% to help achieve emission reduction.

Waste Gas Management Initiatives

Reducing waste gas emissions from the sources

- Prioritizing the consumption of low-polluting raw and auxiliary materials in production and operation, implementing the water-based hard film wax substitution project in the paint refinishing and wax spraying rooms of the assembly, and replacing solvent-based wax with water-based wax to reduce the emissions of volatile organic pollutants.

Deploying waste gas collection devices

- Installing volatile gas collection and treatment equipment in the industrial hazardous waste storage room to avoid fugitive emission of waste gas.

Improving waste gas treatment facilities and technologies

- The VOCs treatment facilities are added to the casting and core-making process to convert the fugitive emissions into organized emissions and reduce the VOCs emissions;
- Deploying equipment to achieve ventilation and dust removal, so as to effectively remove welding fumes;
- Adopting the “zeolite runner + RTO” process and the “catalytic combustion + activated carbon treatment” process to effectively treat organic waste gases generated during cab coating and painting make-up;
- Renovating the dry spray booth, sewage station and test-run exhaust gas treatment facilities, replacing the water cyclone and water curtain with the carton filter in the paint mist treatment device, and using the “biological deodorization” facility to collect and treat the exhaust gas from the sewage station, so as to reduce gas emissions on different fronts.



Renovating the dry spray booth to improve the adsorption and removal efficiency of spraying exhaust gas, reducing the concentration of emitted exhaust gases



Collection and treatment of foul gas from the sewage station in the High-tech Park to ensure that no odorous gas escapes from the sewage station



The facilities for treating waste gas emitted during trial run being put into use



Waste Gas Emissions Data Sheet¹

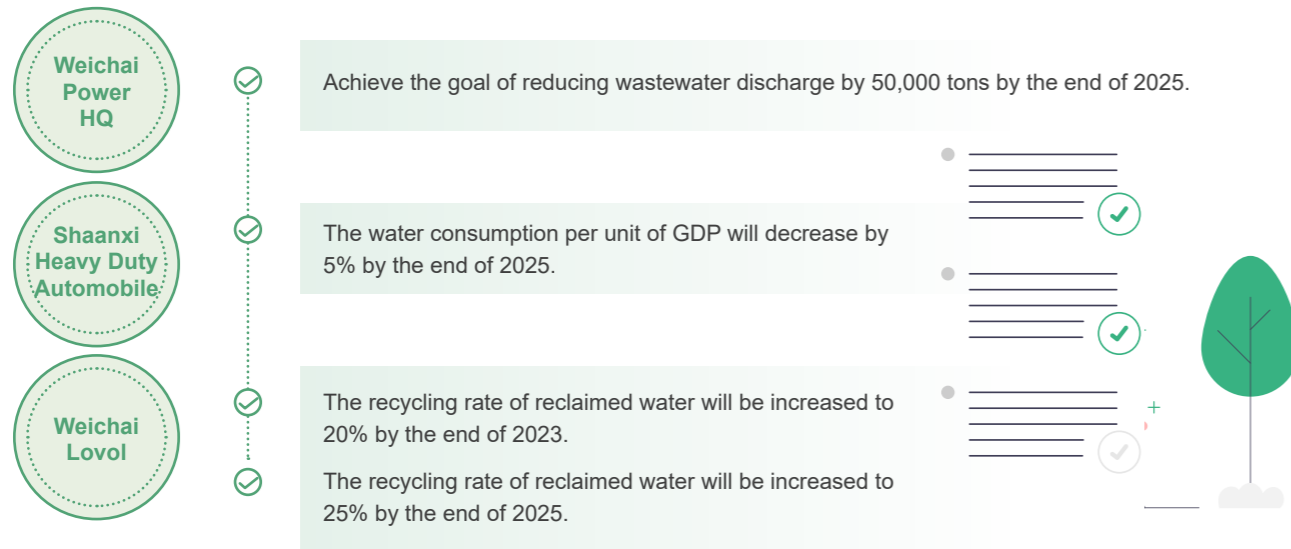
Type	Unit	Data in 2021	Data in 2022
VOCs	Tonnes	201.14	287.58
Particulate matters	Tonnes	25.47	26.96
Sulfur oxides	Tonnes	55.23	54.33
Nitrogen oxides	Tonnes	62.18	51.99

¹ The data of the Company's waste gas emissions disclosed in this Report are calculated based on relevant licensing requirements on waste discharge, such as emission concentration and emission rate. Inconsistencies between these data and the data available from other open channels of the Company may be due to different accounting methods and statistical calibers.

Wastewater Discharge

The wastewater of Weichai Power is mainly composed of industrial wastewater and domestic sewage produced in the factories. In 2022, we revised *Water Pollution Prevention and Control Procedures* and developed the *Management and Control Procedures for High Concentration Wastewater Discharge* to strengthen wastewater discharge management. We set up sewage treatment stations in the plants and regularly maintain the equipment. The treated wastewater is reused for greening irrigation or discharged into the municipal pipe network to ensure the stable and compliant discharge of wastewater.

Wastewater Reduction Targets



Wastewater Management Initiatives

- ✓ We select manufacturing processes and technologies involving less water consumption, no pollution or less pollution to water, so as to reduce the amount of wastewater generated from the sources;
- ✓ The wastewater is firstly pretreated by the industrial wastewater treatment station and the further treated at the comprehensive wastewater treatment station. The wastewater with a high concentration of pollutants generated in the manufacturing process is collected separately in the high-concentration wastewater collection tank, so as to ensure the discharge of wastewater up to the standard;
- ✓ In accordance with the *Environmental Protection Inspection and Control Procedures*, we regularly carry out water pollution prevention and control inspections, set up standardized sewage discharge outlets and install sewage online monitoring equipment to monitor the quality of sewage in real time, and resolutely avoid the occurrence of water pollution incidents;
- ✓ We constantly increase the reuse of reclaimed of water for firefighting emergency and toilet flushing, to increase the recycling of water.

Wastewater Discharge Data Sheet¹

Type	Unit	Data in 2021	Data in 2022
Total wastewater discharge	Tonnes	1,164,537.40	1,269,574.60
COD	Tonnes	71.35	26.78
Ammonia nitrogen	Tonnes	6.66	3.74
Total phosphorus	Tonnes	0.20	0.21

Waste Management

At Weichai Power, we divide waste into three categories, namely hazardous waste, recyclable solid waste and non-recyclable solid waste. In 2022, we revised and improved the *Management and Control Procedures for the Prevention and Control of Solid Waste Pollution*, the *Management and Control Procedures for the Prevention and Control of Pollution by Hazardous Wastes*, the *Management Measures for Materials Disposal* and other systems and procedures, in a bid to standardize the waste disposal throughout the production process. Based on waste reduction targets, we strive to implement hazard-free treatment of the waste, reduce waste, and reclaim the waste, so as to minimize or avoid the environmental pollution caused by waste emissions.

Waste Reduction Targets

Weichai Power HQ	Shaanxi Heavy Duty Automobile	Fast Gear	Weichai Lovol
<ul style="list-style-type: none"> ✓ The rate of disposing hazardous waste in full compliance with laws and regulations remains 100% by 2023. 	<ul style="list-style-type: none"> ✓ The rate of disposing hazardous waste in full compliance with laws and regulations remains 100% by 2023; ✓ The recovery of waste steel and leftovers reaches 100% by 2024; The comprehensive utilization rate of industrial solid waste reaches 92.5% or above. 	<ul style="list-style-type: none"> ✓ The rate of disposing hazardous waste in full compliance with laws and regulations remains 100% by 2023. 	<ul style="list-style-type: none"> ✓ The rate of disposing hazardous waste in full compliance with laws and regulations remains 100% by 2023; ✓ The discharge of sludge and paint residue is reduced by 10%, and the discharge of other hazardous wastes is reduced by 3% by 2023.

In 2022, we carried out the “Updating Sludge Filter Press at Sewage Treatment Station Project” and the “Automatic Paint Residue Scraper for the Coating Line of Tractor Factory Project” to reduce the amount of sludge and paint residue with high water content. We try to use technical means to carry out emission reduction and reduce waste generation from the source. For the waste that has been generated, we entrust different types of qualified agencies for special disposal to ensure that the wastes are discharged satisfying relevant laws and regulations and the resources are recycled properly.

¹ The Company’s wastewater discharge data disclosed in this Report are calculated based on relevant licensing requirements on waste discharge, such as emission concentration and emission rate. Inconsistencies between these data and the data available from other open channels of the Company may be due to different accounting methods and statistical calibers.

Solid Waste Management and Control Measures

Hazardous waste

- Regularly organize the investigation and assessment of hazardous waste pollution risk sources to achieve strict prevention and control of hazardous waste;
- Establish a ledger for hazardous waste disposal and compliant transfer. Pack the waste safely before sending it to the warehouse, ensuring that it is not scattered, lost, or leaked during transit, and select qualified agencies for final treatment;
- Set up protective layers and dangerous warning signs restricting access to hazardous waste storage warehouses, prevent waste from being blown to surrounding areas due to bad weather, and avoid the occurrence of leaching and soil pollution during heavy rain;
- Carry out anti-seepage treatment transformation on the ground of hazardous waste storage and sludge storage to prevent hazardous waste from being discharged.

Non-hazardous waste

- Provide different colour-coded bins to sort and collect recyclable solid waste such as scrap metal, waste plastic and wastepaper, as well as non-recyclable solid waste such as domestic waste and construction waste;
- Develop disposal records for non-hazardous waste and regularly report relevant disposal agreements and monthly disposal volumes;
- Improve briquetting treatment technology for non-hazardous waste, effectively reduce moisture content of non-hazardous solid waste, and ensure no on-site dripping;
- Renovate the storage sites of non-hazardous waste, improve on-site signs, and ensure that the storage site meets the environmental protection requirements for non-hazardous solid waste storage;
- Keep carrying out the waste recycling program, classify waste paper boxes, waste wooden boxes, waste plastics and other renewable resources in a fine way, and efficiently implement recycling of resources.

Solid Waste Discharge Data Sheet

Type	Unit	Data in 2021	Data in 2022
Total amount of hazardous waste	Tonnes	22,107.72	20,267.53
Hazardous waste discharge density	Tonnes/RMB billion in revenue	108.61	115.71
Total amount of non-hazardous waste	Tonnes	140,203.57	143,572.08
Non-hazardous waste discharge density	Tonnes/RMB billion in revenue	688.80	819.67

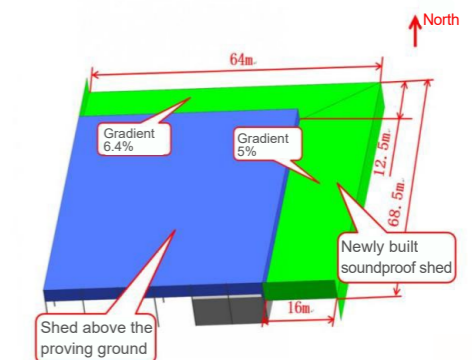
Noise Management

The noise we produced is mainly from stamping, welding, and grinding workshops and air compressor stations. In 2022, we have updated and improved the internal systems and management control procedures such as the *Noise and Vibration Pollution Prevention and Control Procedures*. We have optimized the production time at night, actively eliminated noise and vibration pollution, and strengthened the Company's noise management to ensure that the noise generated meets the requirements of the environmental noise emission standards of factories.

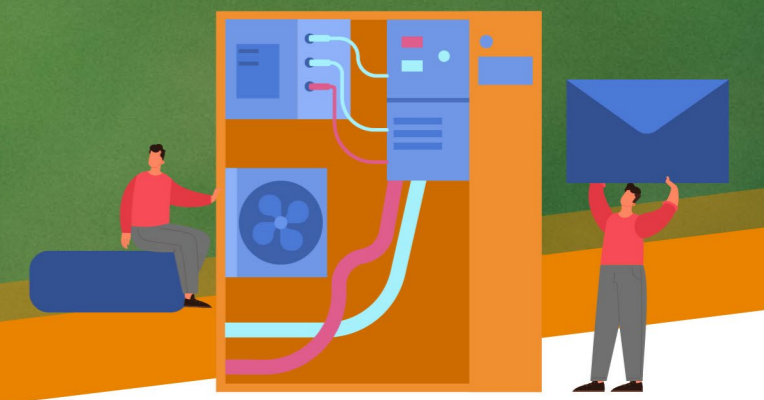


Case Set up Soundproof Shed by the Proving Ground

The proving ground of the assembly line 1 of Weichai Lovol Wheeled Machinery Factory is close to the staff dormitory, and there was excessive noise during production and operation. In order to reduce the noise, we closed the driving test road on the east side, the commissioning and running-in station on the north, and the road on the north side, and built soundproof sheds, which has reduced the noise from the proving ground from 80-87dB to about 55dB in the daytime, which meets the requirements for noise control at the factories.



Plan of soundproof shed



04

Safeguarding a Harmonious Society

Weichai Power greatly values talents. Always adhering to the people-oriented talent concept, we have been creating a harmonious, safe, and healthy working environment, and insist on sharing the development results with society by actively participating in public welfare services and charitable undertakings to contribute to building a harmonious community.

People First

Weichai Power insists that talents hold the source and driving force of corporate development. We attach importance to the ability improvement and career development of employees, constantly improve the salary and welfare system, and make every effort to guarantee the safety and health of employees. We take practical actions to care for employees, in a bid to enhance their sense of happiness, identity, and cohesion, and we are committed to growing together with employees.

Talent Attraction and Retention

Following the basic principle of legal employment, in accordance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on Labor dispute Mediation and Arbitration* and other relevant laws and regulations, Weichai Power has formulated such management systems as the *Social Talent Recruitment and Employment Period Management Procedures*, the *Campus Recruitment Management Procedures*, and the *Intern Management Procedures* to regulate the employment, dismissal, remuneration, promotion, benefits, working hours and holidays of employees, ensure the fairness and justice of the recruitment and promotion, and protect the rights and interests that the employees are entitled to.

During the recruitment and retention of employees, we strictly abide by the relevant laws and regulations such as the *Regulations Banning Child Labor*, and the *Law of the People's Republic of China on the Protection of Minors*, and resolutely avoid forced labor and child labor. During the signing of the *Labor Contract*, we strictly check the identity of employees to ensure that no child labor is employed. There was no child labor or forced labor malpractice in 2022.

During employment, we implement equal and non-discriminatory employment policies, adopt a zero-tolerance attitude towards any form of discrimination and unfair competition, and treat all employees fairly and justly regardless of nationality, gender, age, educational background, region, religious belief, or cultural background, in a bid to create a diverse and inclusive workplace environment. At the same time, we continue to optimize the workforce structure and promote the reasonable distribution of employees in gender, age, and geography.

During the reporting period, the Company had a total of 87,591 employees globally under labor contracts, including 46,442 employees of the headquarters in China. Among all the employees, there are 89 employees with disabilities and 458 employees from ethnic minorities, and 910 overseas employees.¹

The total number of Weichai Power's labour contract employees worldwide was	The total number of labour contract employees at the headquarters of China was	Disabled employees totaling	Minority employees totaling	Overseas employees totalling
87,591	46,442	89	458	910

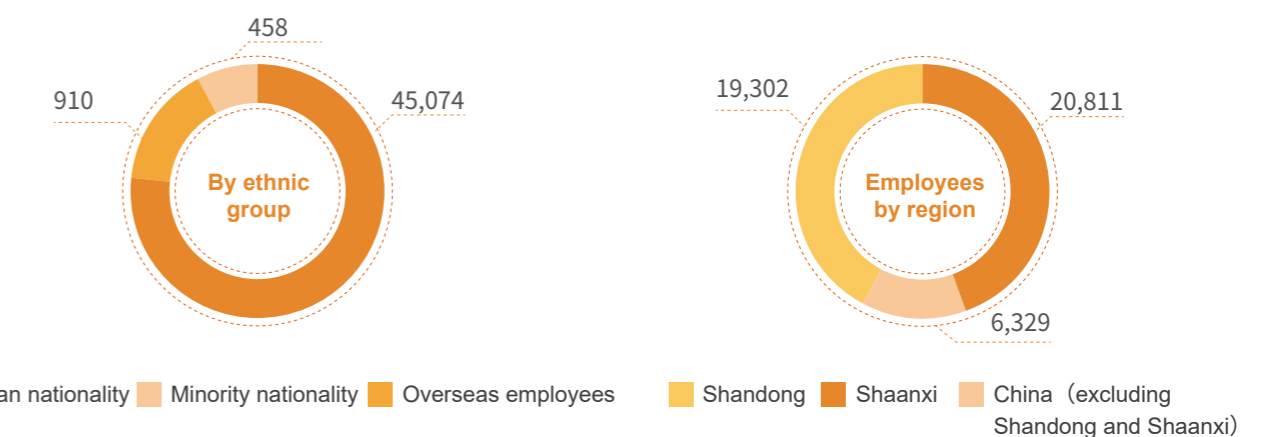
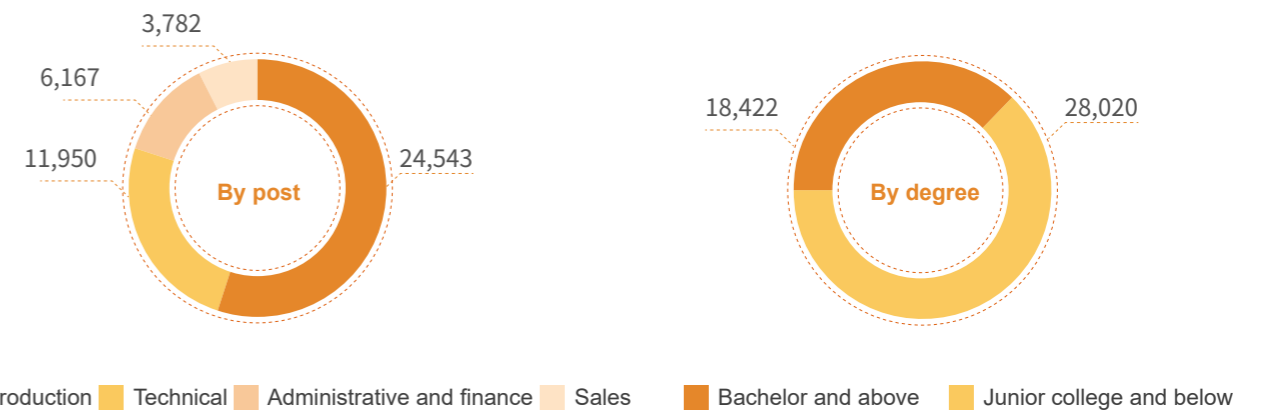
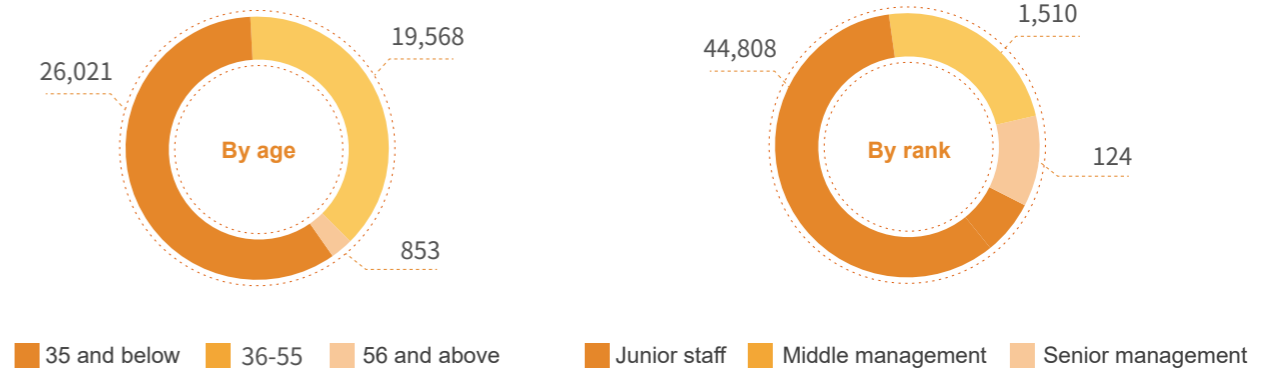
• Number of Employees² of Weichai Power by Category in 2022

Employees by gender



¹ The indicator data exclude KION.

² The employees involved are categorized with the total number of labor contract-based employees as the baseline.



Weichai Power employee turnover rate¹ in 2022

Employee turnover rate² in 2022 was **9.77%**

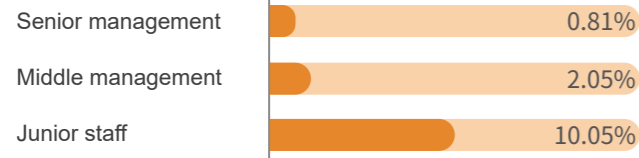
By gender



By age



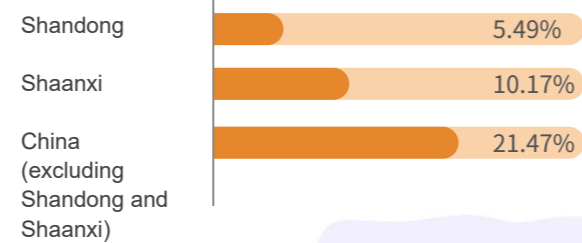
By rank



By post



By region



¹ The indicator data exclude KION.

² Employee turnover rate = Number of employees leaving by category/ Number of employees by category *100%.

Weichai Power is committed to building a sustainable talent development team and widely absorbing excellent talents through multiple channels and ways. In 2022, we continued to improve the recruitment management mechanism, and carried out diversified campus recruitment activities to attract excellent students and graduates. And we constantly explore the experienced multi-skilled talents in the society, and hire talents through the recommendation of our employees and other ways to enrich the talent reserve of the Company.

Featured Recruitment Events

Weichai Power HQ

- Campus Recruitment** → In 2022, Weichai Power carried out school-enterprise seminars, doctoral seminars, campus recruitment seminars, and other school-enterprise activities, covering more than 30 colleges and universities in the 985 Project, to enhance school-enterprise interaction and branding promotion.
- Pilot Internship Program** → In 2022, Weichai Power launched the Fourth "Pilot Internship Program", and recruited 303 interns, hitting a record. During the program, we arranged engineering training, cultural experience, academic reports, young staff exchanges, on-the-job internships, and other activities to help students understand the Company better and attract as many talents as possible.
- Doctoral Open Day** → In December 2022, Weichai Power successfully held the sixth "Doctoral Open Day" event. It is the first time that we have had the event held online. A total of 86 Ph.D. candidates agreed to enter into a contract.
- Weichai Day** → In 2022, Weichai Power carried out the "Weichai Day" brand activities, which included a doctoral symposium, intern recruitment, competition, and other theme activities.
- Online Summer Internship** → In 2022, cooperating with several key universities in the 985 Project, Weichai Power launched Online Summer Internship program and recruited about 2,000 interns.

Fast Gear

- "Stable Employment" Special Campaign** → In 2022, Fast Gear actively responded to the call of Chinese government and launched the "Stable Employment" campaign. During the reporting period, Fast Gear released a total of 13 jobs through the national recruitment platform "IGUOPIN" and the provincial recruitment platform "Qinyunjiuye", and collected more than 900 resumes.

Shaanxi Heavy Duty Automobile

- Job Fair** → In 2022, Shaanxi Heavy Duty Automobile carried out 63 offline job fairs and organized 37 Air Briefings (online job fairs). A total of 545 graduates were recruited throughout the year.

Weichai Lovol

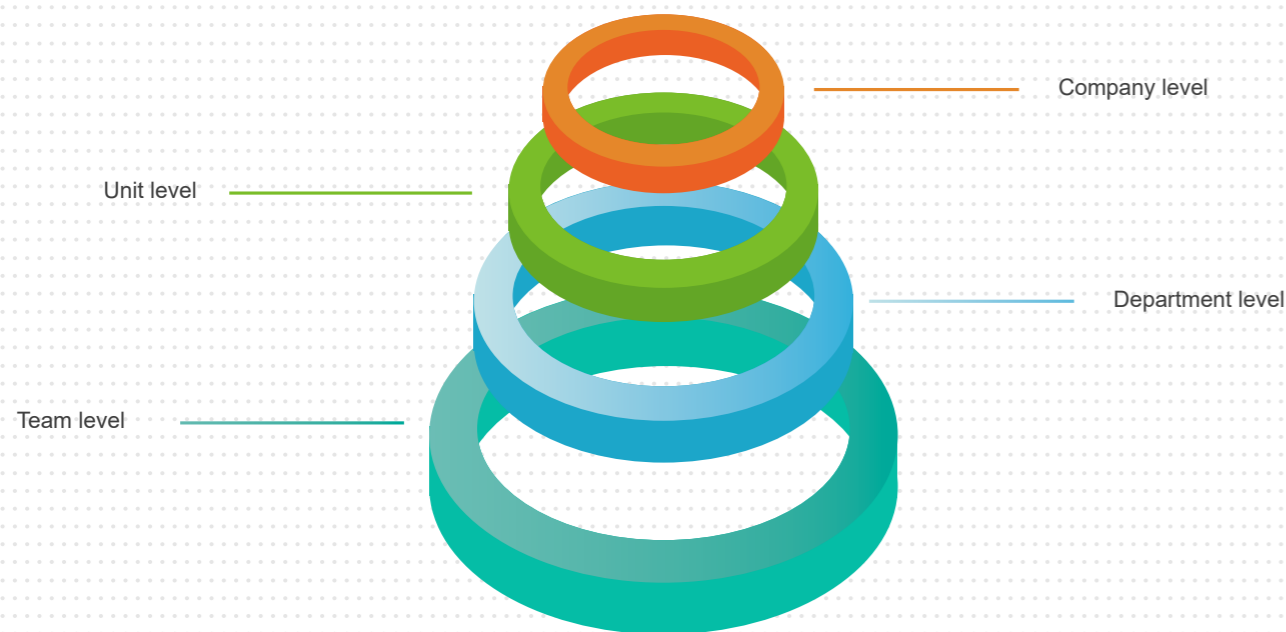
- Order Class** → In 2022, Weichai Lovol promoted the 231+N school-enterprise cooperation mode and established order classes with many vocational and technical colleges and schools.

Talent Training and Development

Talent Training

Weichai Power attaches great importance to the growth of employees and makes every effort to improve the talent training system to help them realize their self-value. We have established a complete system of training management, learning development, and training resources, and built a four-level training framework at company level, unit level, department level, and team level, underpinned by the systems such as *Internal Trainer Management Process*, *External Training Resource Management Process*, *Outside Training Management Process*, and *Administrative Measures for On-the-job Education of Employees*. We have realized a training process that covers all employees of all positions in the sequence from management to front-line employees.

Weichai Power's Four-level Training Framework



We design and customize personalized training courses based on the profile of the potential trainees and the training needs of different employee groups to improve their skills and meet their development needs. During the reporting period, we carried out diversified training programs based on the combination of the Wei Learning online platform and offline training courses for employees of different ranks and positions in the sequence. Meanwhile, we select excellent external lecturers and employ them as part-time trainers to provide training for our employees.

During the reporting period, the number of Weichai Power employees under labor contracts who participated in the training programs¹

The total number of people reached
40,917

Total training hours up to
3,965,637

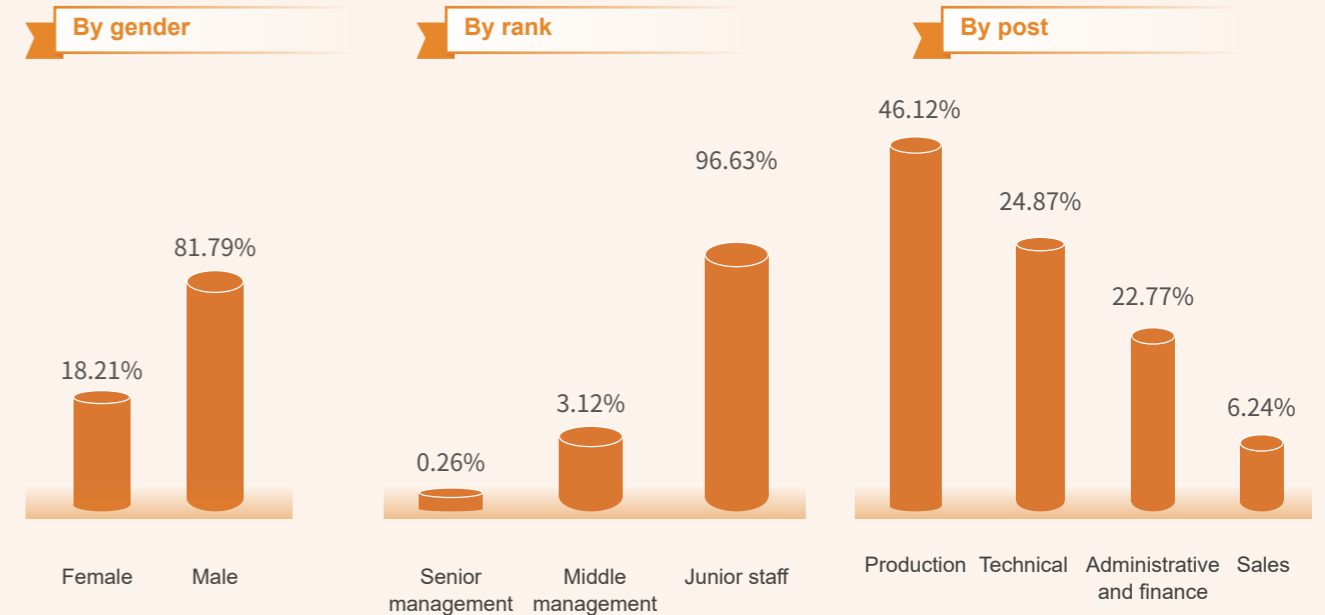
Training hours² per capita up to
85.39

¹ The indicator data exclude KION.

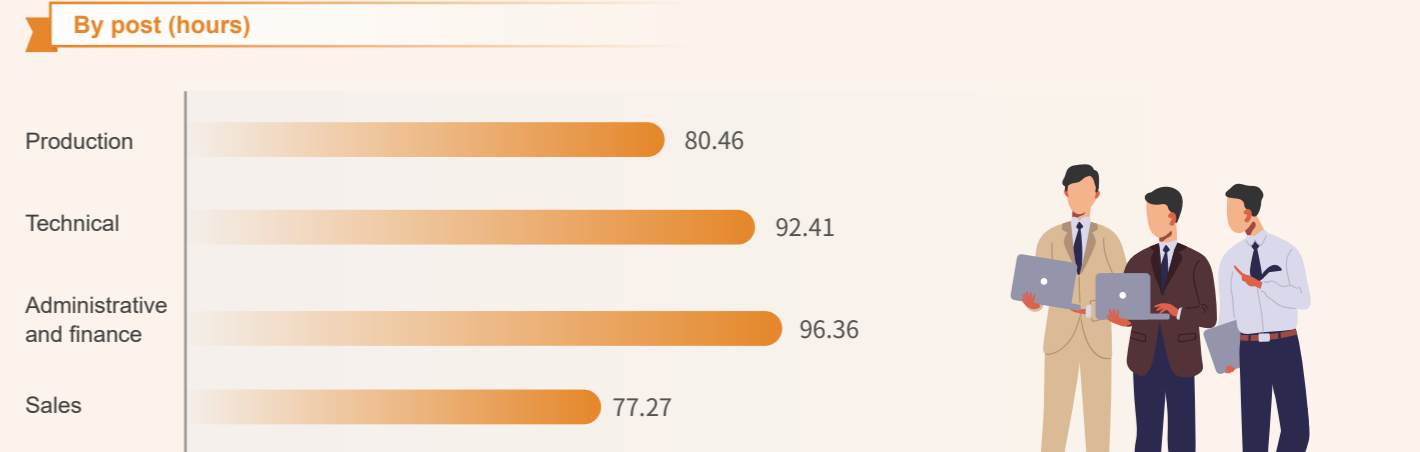
² Number of training hours per employee = Total training hours of employees/ Total number of employees.

Employee Training¹

Percentage of trained employees by category² in 2022 was **88.10%**



Average hours of training received per employee in 2022 were **85.39** hours



¹ The indicator data exclude KION.

² Percentage of trained employees by category = Number of trained employees by category/ Total number of trained employees*100%.

Leadership Training

During the reporting period, the Company provided training for all the senior managers, as well as newly promoted department-level and office-level leaders, to improve the leadership and professional knowledge of the management.

Leadership Training Programs of Weichai Power in 2022



Training for New Recruits

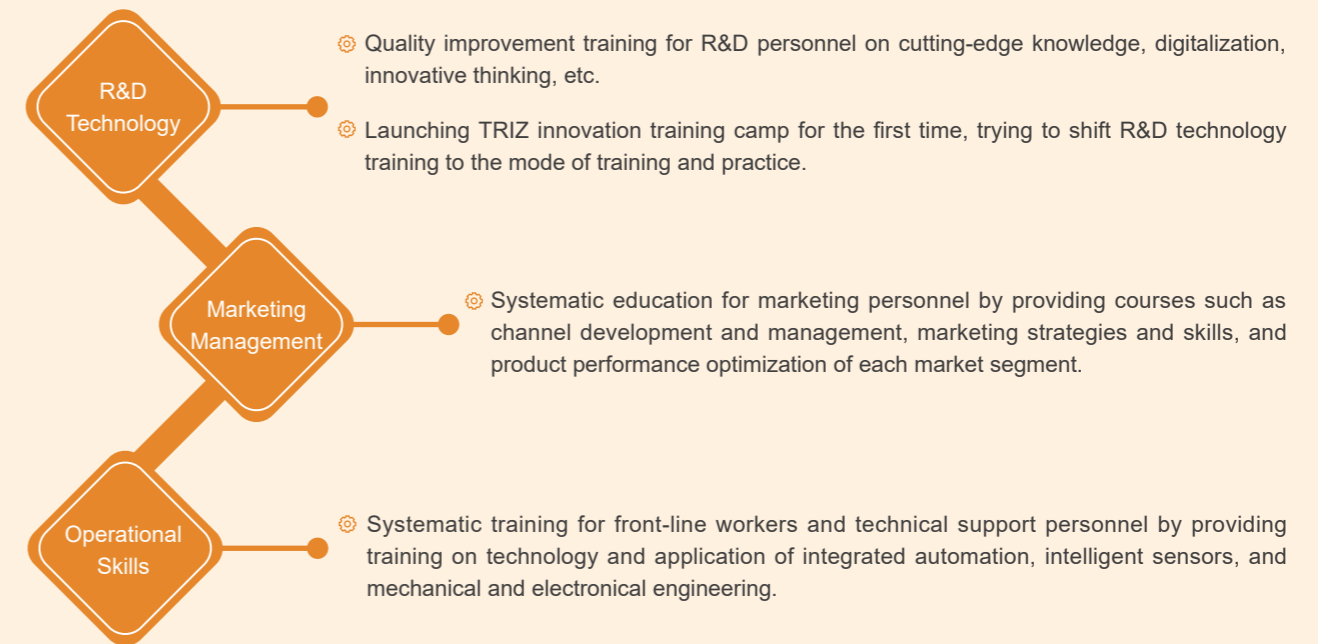
According to different training needs of different new employee groups, Weichai Power provides induction programs to enable employees to quickly integrate into the team, adapt to corporate culture, understand position requirements, and improve workplace skills, making them reserves of the Company.

Training Programs for New Recruits of Weichai Power in 2022



Professional Training

In 2022, Weichai Power carried out systematic professional training schemes for all employees, including R&D technology, marketing management, and operational skills to improve the professional ability of employees. We plan the training programs for different departments on the professional knowledge and skills of relevant posts according to the business characteristics and job responsibilities of the department, and provide a series of online and offline education and training activities for employees to promote their comprehensive development.



In addition, Weichai Power supports and encourages employees to continue professional improvement, such as going to professional universities and colleges for further education, applying for external academic certification, and taking external qualification and ability assessments. We subsidize the employees who have passed the professional qualification certification for the development and growth of employees. In 2022, we provide employees with customized training on electrical control, kinetic energy, software engineering and some other interdisciplinary by leveraging academic resources, nurturing 87 masters and 33 doctors.

Craftsman Training

In 2022, Weichai Power continued to improve the craftsman training system, with increasing improvement in quality of craftsman training projects. In the five aspects of new energy, large cylinder diameter, numerical control technology, equipment maintenance and quality inspection, Weichai Power has achieved the goal of training 1,000 craftsmen, with a total of 583 seeded craftsmen and youth craftsmen.



Case TRIZ Innovation Training Camp

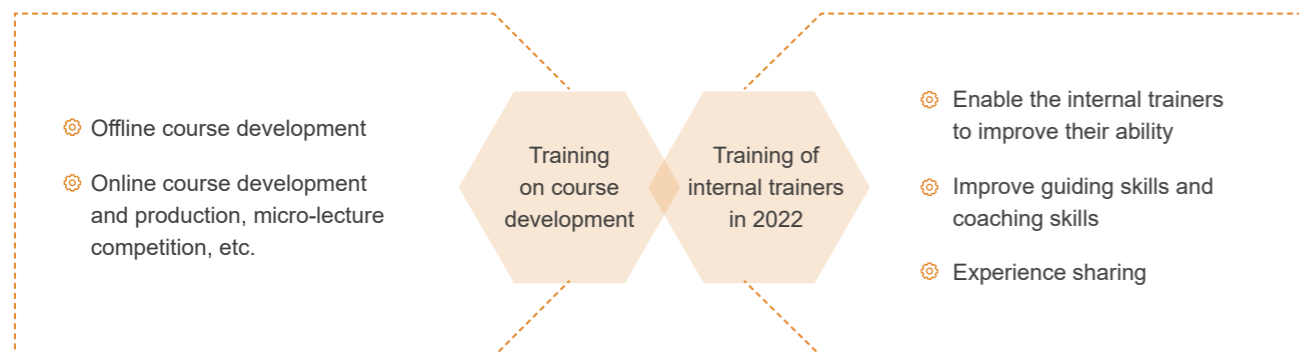
In 2022, Weichai Power launched the TRIZ innovation training camp, trying to adopt the mode combining training and practice for R&D technology training. It has produced 58 creative solutions and 15 patents for six technical problems, effectively cultivating key talents and improving the Company's business efficiency.



Internal Trainer Programs

Tapping our internal talent resources, Weichai Power launched more internal trainer programs. Internal trainers share management and business experience through their lectures based on their own positions, which can effectively achieve a looped circle of learning resources utilization. In 2022, the number of internal trainers increased by 148 compared with 2021, and 259 courses have been developed.

Internal Trainer Programs in 2022



Talent Development

Weichai Power greatly values the career development of employees, and has planned career development pathways for employees in line with the actual situation of their posts. In terms of performance appraisal, Weichai Power has established a complete evaluation system. We have formulated the *Staff Appraisal Management Process* to specify the criteria for points-based promotion of employees, linking the promotion of employees with their performance, so as to improve their enthusiasm for work.

We implement classified management according to the work nature of different positions, encourage employees to choose their own development pathway from both horizontal and vertical aspects, and help employees improve their professional ability and competitiveness.

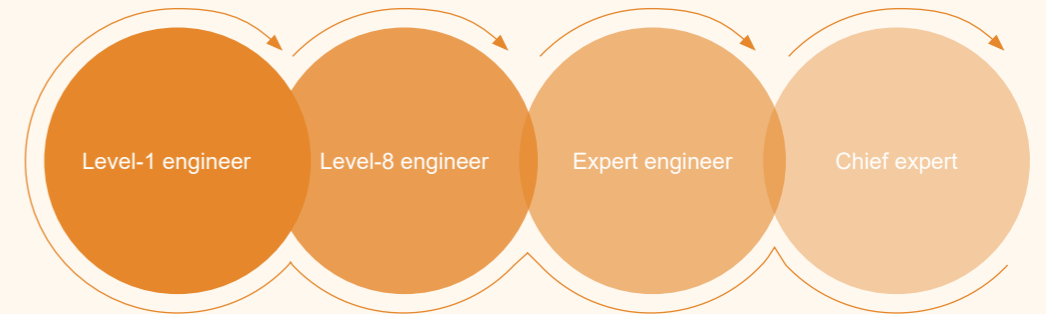
Vertical Development Channels

Weichai Power has built vertical development and promotion channels according to the actual conditions of the Company and the career development needs of employees. The Company has built multi-level promotion channels in the directions of R&D and technology, marketing and management, and operational skills according to job types.

R&D and Technology

We have created a professional development system for R&D and technical employees to get promoted to technical expert or level-8 engineer. And the top levels for R&D and technical employees are expert engineer and chief expert.

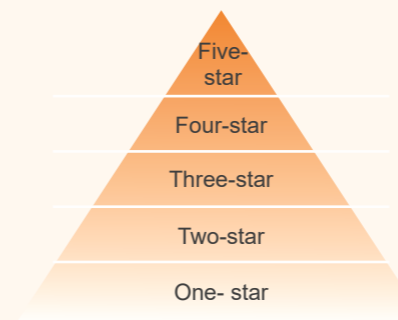
Professional Development System for R&D and Technical Employees



Marketing and Management

We have built a five-star employee promotion system for marketing and management posts, based on which dynamic promotion management is implemented according to star rating results to encourage the rapid growth of excellent employees.

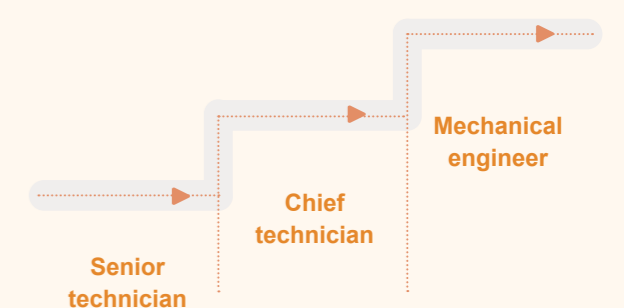
Five-star Employee Promotion System



Skill and Operation

The Company has also established a comprehensive recruitment and promotion system for skilled talents, providing them with smooth career development path from senior technician to chief technician, and then to mechanical engineer to promote the development of skilled talents.

Recruitment and Promotion System for Skilled Talent



In addition, in order to encourage excellent craftsmen to participate in national competitions, we give generous rewards and opportunity to have an exceptional promotion to employees who have won awards in the competitions. During the reporting period, employees of Weichai Power won major awards in several national vocational and technical competitions.

The Vocational and Technical Competition Awards Won by Weichai Power in 2022



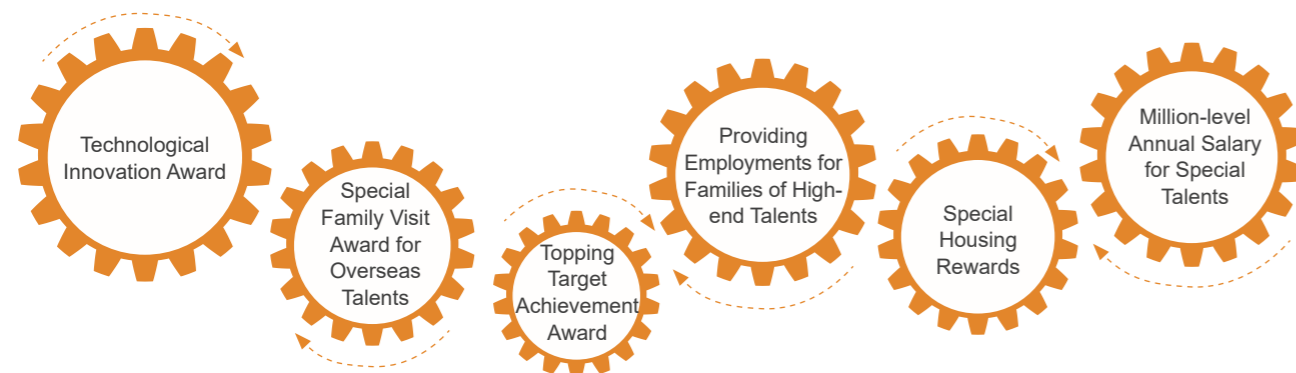
- 1 special award, 2 first prizes, 6 second prizes, 11 third prizes, and 29 excellence awards in the "Red Flag Cup" Third National Machinery Industry Management Skills Competition for Team Leaders.
- 1 special award, 1 second prize, 3 third prizes, and 1 excellence award in the Fourth National Electronic Information Service Industry Vocational Skills Competition "Zhongce Cup" (Intelligent Testing) Competition for Non-destructive Tester.
- 1 third prize, and 3 excellence awards in the Fourth National Vocational Skills Competition for Automobile Engine Assembly and Adjustment Workers.
- 1 second prize, 1 third prize, and 2 excellence awards in the Third National Information Industry New Technology Vocational Skills Competition "Creative Cup" Competition for Equipment Operators of Additive Manufacturing (3D Printing).
- 4 excellence awards in the First Vocational Skills Competition in the Machinery Industry for Industrial Robot System Operator (Intelligent Manufacturing).

Horizontal Development Channels

In accordance with the *Management Measures for Internal Talent Market*, Weichai Power has designed three talent management models, namely "posts for candidates", "candidates selecting posts" and "candidates for posts" to encourage employees to develop horizontally in different functional directions as they wish, in a bid to promote internal personnel flow, and realize employees' independent development and progress.

In addition, Weichai Power continues to improve the comprehensive incentive system and invests heavily in rewarding employees every year to motivate employees.

Comprehensive incentive system



Employee Communication and Care

Weichai Power respects the democratic rights and interests of employees, actively communicates with employees and pays attention to their demands. We regularly hold employees' congresses, improve the democratic management system, and establish an effective staff consultation and communication mechanism to guarantee the rights of employees to be informed about, to be involved in, and to supervise the corporate management. Meanwhile, we have established a variety of communication and feedback channels, including online and offline channels such as the employee mailbox, and the "Employee Voices" on the mobile App of Wei Talk, to maintain open, frank, and effective communication with employees, listen to their opinions and suggestions, and effectively protect their rights and interests.

We conduct employee satisfaction surveys to collect and listen to employees' feedback and expectations on the Company's vision, organizational identity, work environment, work report and organizational atmosphere. In 2022, there were 28,765 employees who participated in the satisfaction survey, with the overall satisfaction of 93.76%¹.

Overall satisfaction was
93.76%

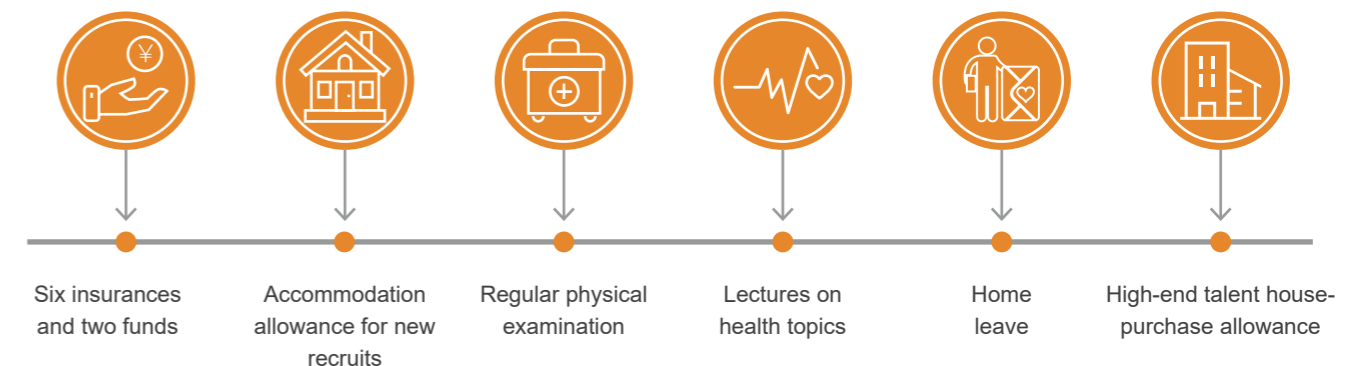
Case Visits and Surveys

In 2022, Weichai Power paid a series of visits to the frontline and conducted on-site surveys, during which nine symposiums were held successively with 13 production and R&D units. There were over 230 employees who participated in the symposiums and 176 pieces of opinions and demands were received, which were promptly fed back to relevant functional departments for processing.

We provide employees with a competitive compensation and benefits system, and have been establishing a performance-oriented incentive system. In 2022, we have updated such management systems as the *High-end Talent Management Measures*, the *Management Measures for Housing Provident Fund*, and the *Management Measures for Field Staff*. We provide employees with special benefits such as enterprise annuity, supplementary medical insurance, and house purchase incentive program to reward employees' efforts and improve their sense of gain and happiness. During the reporting period, Weichai Power's social insurance coverage for employees reached 100%.

Weichai Power's social insurance coverage for employees reached
100%

Benefits at Weichai Power



¹ The data exclude Shaanxi Heavy Duty Automobile and KION.

We are committed to building a warm working environment for employees and creating a healthy and happy working atmosphere. So, we actively carry out diversified cultural and sports activities to fully stimulate the enthusiasm and vitality of employees, and effectively improve the health of all employees.

In 2022, we successively organized the theatrical performance *The Road*, the New Year concert *Go Forward, China Power*, the concert of *A Thousand Miles of the River and Mountains*, the *Tongxin Cup* badminton match, the *Dream Cup* basketball match for new employees, the *Dream Cup* debate competition, the Mid-Autumn Festival party, the performance of patriotic songs, the competition of network songs and other cultural and sports activities, demonstrating the vigorous and enterprising spirits of our employees.



Performance of Patriotic Songs



Dream Cup Basketball Match



Tongxin Cup Badminton Match

We attach importance to providing care for our employees, and focus especially on caring female employees, disadvantaged groups, and employees in difficulty. We regularly hold cultural activities for female employees, set up a "Charity Fund for Employees in Difficulties" to help the ones in need, and visit employees in difficulties during the Spring Festival to show our care and support for them.

Weichai Power helped more than **110** employees in difficulties, with more than RMB **400,000** granted.

Case Activities Held on Women's Day

On March 8, 2022, Weichai Power carried out a series of activities, such as the International Women's Day Commendation Conference, the Healthy Women • Happy Rope Skipping Competition, the "Dream Chasing Female Employees in the New Era" featured picture show of working females, the "Scholarly Weichai • Reading Wonderful Works" collection of female employees' creative works, and a series of wonderful courses on the Wei Learning Platform specially offered for female employees on International Women's Day, to enhance their sense of participation and satisfaction.



International Women's Day Commendation Conference



"Dream Chasing Female Employees in the New Era" Featured Picture Show of Working Females



Special Courses on the Wei Learning Platform for Female Employees

Case Culture Lecture Hall for Female Employees

In 2022, Weichai Power organized the "Culture Lecture Hall for Female Employees", inviting experts to provide women employees with special training sessions on health knowledge.



Case Happy Mom Cottage

In 2022, in order to solve the practical difficulties of working mothers, Weichai Power regularly maintained the Happy Mom Cottages established in the frontline units, for female employees in "four periods (menstrual period, pregnancy preparation, pregnancy and lactation)" to provide support to working mothers and fully safeguard the basic rights and interests of female employees.



Case Golden Autumn Education Fund

In 2022, Weichai Power carried out the "Golden Autumn Education Fund" activity and offered student grants to the children of needy employees to support their children's growth.



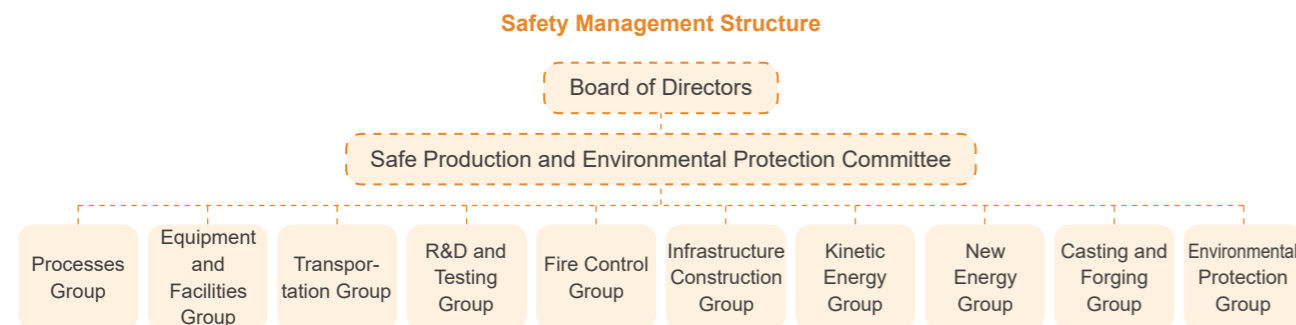
Health and Safety

Upholding the concept of safe development, “people-centered development, and the supremacy of the life”, and adhering to the principle of “safety first, focusing on prevention and integrated control”, Weichai Power continues to improve the safety management system, regulates the safety production behaviors, and makes every effort to safeguard the occupational health and safety of employees by promoting safety awareness and improving the safety quality of all employees, in a bid to prevent production accidents.

Safety Management System

Weichai Power prioritizes system construction. Following the laws and regulations such as the *Production Safety Law of the People's Republic of China*, the *Law on Safety of Special Equipment of the People's Republic of China*, and the *Shandong Province Production Safety Regulations*, we have revised some safety management systems such as the *Management and Control Procedures on System of Responsibility in Safe Production*, the *Control Procedures on Production Safety Inspection and the Inspection and Treatment of Potential Incidents*, and the *Control Procedures for Safety Management of Hazardous Operations* to define the safety management responsibilities of all departments and personnel, and standardize the safety production inspection and hazardous operation process to prevent and reduce the occurrence of accidents, and ensure production safety.

We continue to improve the production safety management system covering “company-branch-workshop-team”, and establish a sound work safety responsibility system of all personnel in the unit, and clarify the work safety responsibilities of leaders at all levels. In order to coordinate the work of safety management, we have set up a Safe Production and Environmental Protection Committee led by the senior management sitting on the board of directors and having the heads of all departments as its members in accordance with the Company's organizational structure and division of responsibilities. Under the committee, we have set up 10 professional groups dedicated to processes, equipment and facilities, transportation, R&D and testing, fire control, infrastructure construction, kinetic energy, new energy, casting, and forging, as well as environmental protection. The groups are composed of heads of relevant functional departments and production units. And they are tasked with reviewing the major issues regarding production safety and supervising the business units to implement relevant measures.



In 2022, relying on the occupational health and safety management system, we integrated dual prevention systems, safety production standardization, and other systems, and improved the comprehensive safety management system covering all relevant functional departments and production units of the Company, which received the safety certification audits that are conducted by the relevant government department and third-party certification center every three years for GB/T 45001 Occupational Health and Safety Management Systems(OHSMS) certification. The audit scope covers all production units of the Company. During the reporting period, Weichai Power has achieved 100% coverage of GB/T 45001 or ISO 45001 occupational health and safety management system certification.

KION adheres to the requirements of HSE-related policies and regards expanding HSE certification as a key goal of the Company's sustainable development strategy. It is expected to achieve ISO 45001, OHSAS 18001, or equivalent system certification for all production bases and sales and service locations by 2024. In 2022, the number of HSE certifications witnessed increase compared to 2021. KION creates a safe working environment for employees by taking comprehensive preventive measures, such as identifying, eliminating, or reducing the impact of safety hazards. Meanwhile, KION regularly summarizes safety management issues and issues monthly health and safety progress reports, which has been regarded as the basis for setting up safety management objectives and HSE risk assessment to further improve the construction of the safety management system.

Safety in Production Process

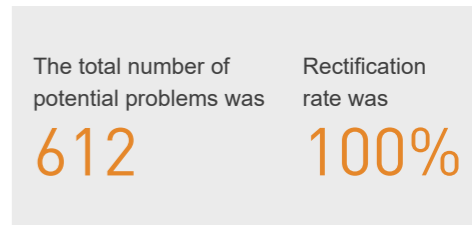
Based on the safety management system, Weichai Power integrates safe production awareness into daily production and operations. We have carried out in-depth investigations and handling of hidden hazards, implemented safety accident handling regulations, regulated safety management of special equipment, and conducted comprehensive safety production management for emerging businesses. In addition, we have improved the construction of emergency response management mechanism for production safety accidents, and have been continuously consolidating the foundation of safety production.

Hidden Hazards Inspection

We actively explore the dual drive model of “hierarchical risk management and control” and “hidden hazards inspection and governance”, continuously improve the construction of the hidden hazards inspection and governance system, and integrate the dual prevention system with the safety management system to promote effective dynamic risk control, and accurate and efficient hidden hazards governance, so that safe production can be ensured. We have formulated such documents as the *Implementation Guidelines for the Construction of a Hierarchical Safety Risk Management and Control System*, the *Implementation Guidelines for the Construction of a Hidden Hazards Inspection and Governance System*, and the *Procedures for Hazard Source Identification, Assessment and Control* to identify, evaluate, grade, and control safety risks, identify important hazard sources, and update the *List of Major Hazard Sources* in real time, so that hazard sources and hidden hazards that may cause accidents can be dynamically managed, and risk control measures can be developed timely to effectively prevent the occurrence of various accidents at the work sites.

In order to regulate the fire safety inspection, prevent and reduce the occurrence of fire accidents, we have formulated the *Procedures for Fire Safety Inspection and Control*, and established a fire accident hidden hazards inspection and governance mechanism. We organize and supervise all relevant units to carry out fire safety inspections, including monthly, quarterly, holiday and daily inspections, as well as special inspections for places prone to fire accidents. At the same time, we analyze fire hazards through statistical results of fire safety inspections, and promptly rectify hidden hazards that may cause accidents.

In 2022, we conducted more than 60 independent safety inspections, hidden hazards inspections, and special evaluations for key control issues such as hazardous operation, relevant parties, special equipment, new energy, and gas, as well as for relevant production units. We comprehensively inspected hidden hazards through special inspections of the kinetic energy systems, fire safety management systems, and emergency response drills. In 2022, we identified 612 potential problems, 100% of which have been rectified timely¹.



Production Safety Incident Handling

The Safety and Environmental Protection Department of Weichai Power is responsible for the investigation, analysis, handling, and reporting of production safety accidents, strictly implementing the principle of "Four No's" and supervising and inspecting the implementation of preventive measures.

We have prepared and implemented the *Procedures for Management and Control of Production Safety Accidents*. Starting from the four links of “accident investigation - accident notification - accident assessment - rectification verification”, we effectively conduct daily safety work. For the production safety accidents, we investigate and analyze them, identify the causes of the production safety accidents, and propose effective prevention and rectification measures.



¹ The data only include Weichai Power HQ.

Special Equipment Management

In order to regulate the safety management of special equipment and ensure the safety of people and property, Weichai Power has formulated the *Procedures for Safety Management and Control of Special Equipment*. We organize safety inspections of special equipment such as hoisting machines, pressure vessels, boilers, elevators, and forklifts on a regular basis. Meanwhile, according to the uses to which the special equipment is put, we deactivate, cancel, and scrap the special equipment that has serious hidden hazards, that there is no need to transform or repair, or that has reached the scrap time limit specified in the safety technical specifications in a timely manner. In addition, we supervise the registration, inspection, and license issuance of special equipment, and keep and improve special equipment management records. Weichai Power HQ completed the annual inspection of over 400 sets of special equipment, and deactivated, canceled, and scrapped over 20 sets of special equipment in 2022. In addition, 134 employees obtained the certification for special equipment operation for the first time, and 96 employees completed the review of the certification.

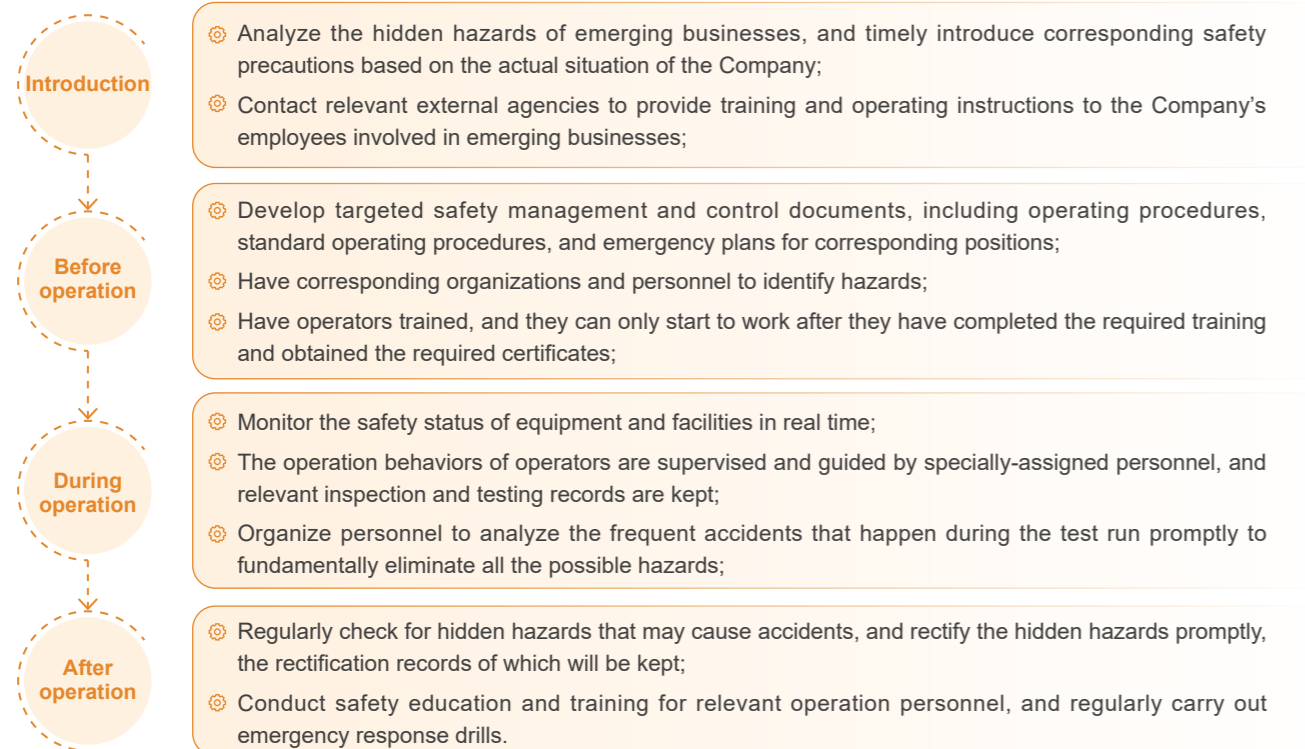
Case

Ensuring Safety in Using Special Equipment and in Key Areas

In 2022, Weichai Power carried out activities for safety technology improvement, and promoted the excellent safety technology upgrade projects of all relevant units. Meanwhile, we adopted the “CCTV + automatic monitoring” method in key areas such as hydrogen refueling stations, gas engine test stands, and limited space to achieve digitalized management and control.

Safety Management of Emerging Businesses

As the business newly introduced by the Company, and involving business with risks such as poisoning, flammability, high pressure, and explosion, Weichai Power regards emerging businesses as the key focus of safe production management. We have formulated the *Procedures for Safety Management and Control of Emerging Businesses* applicable to emerging businesses, and safety management is carried out at the introduction and operation stages of emerging businesses to effectively control the hazards that may be brought by emerging businesses, and ensure safe operations.



Safety Management of Relevant Parties

Weichai Power has developed and implemented the *Procedures on Managing and Controlling Safety and Environmental Protection of Relevant Parties* to strengthen the review and supervision of the work safety of contractors, suppliers, and other related parties carried out in each link before, during and after the operation.



Emergency Preparedness for Production Safety

Weichai Power has prepared the *Control Procedures for Emergency Preparedness and Response* and actively gets prepared in case of emergencies of production safety accidents to improve the Company's emergency response capabilities, so that we can safeguard safe production and operations and avoid or minimize possible accident consequences. We have developed multiple emergency plans for potential accidents or possible emergencies, and each functional department and production unit is required to establish emergency leading groups and emergency rescue teams to fully ensure safe production. In addition, we have established a *Ledger of Emergency Suppliers* to ensure that emergency facilities and equipment are in good condition and the emergency supplies can be used efficiently.

Safeguards for Occupational Health

Strictly complying with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and always adhering to the concept of "people-oriented, safety first", Weichai Power continuously improves the occupational health and safety management system, in a bid to effectively ensure the safety and health of employees.

In order to improve the working environment of employees, we regularly identify, evaluate, monitor, and control occupational disease hazards on the working sites to effectively eliminate occupational disease hazards. In 2022, we identified the occupational disease hazards at the 22 production units of the Company, and prepared documents such as the *Ledger of Detection Points for Occupational Disease Hazards in Operating Environment*, and the *Summary of Detection Points for Occupational Disease Hazards in 2022*, to further regulate the identification, control, testing, evaluation, and management of occupational disease hazards in the workplace. In 2022, we commissioned a qualified company to detect occupational disease hazards such as dust, noise, BTEX, and high temperature in the workplace, and implemented targeted special measures based on the monitoring report.

Based on the assessment of occupational hazards, we provide targeted occupational health training to employees and provide them with adequate and proper occupational hazard information. Meanwhile, for positions with potential occupational health hazards, we take special protective measures by providing various types of personal protective equipment that have undergone quality supervision and inspection, regularly arranging occupational health examinations, and establishing personal health records for employees, in a bid to comprehensively guarantee the health and safety of employees.

Case • Carrying Out Regular Physical Examinations

In order to help staff to understand their overall health status and achieve the purpose of early detection, early prevention, and early treatment of some occupational diseases, Weichai Power regularly organized employees to conduct health examinations before they take up their posts, during their services, and when they resign from the posts. In 2022, we completed various physical examinations and re-examinations for employees exposed to occupational hazards, temporary workers, newly-appointed workers, and retired personnel, and compiled and filed the *Occupational Health Examination Form of Personnel Exposed to Hazards in 2022*, maintaining and updating over 2,000 electronic records of occupational health examinations.

Work-related Injuries of Weichai Power in the Past Three Years¹

	2020	2021	2022
Work-related fatalities (person)	0	0	1
Death rate from work-related injuries (%)	0	0	0.002



The number of working days lost due to work-related injuries in 2022 was

349 days².

¹ The work-related injury data exclude KION.

² The number of working days lost due to work-related injuries exclude KION.

Safety Production Awareness Promotion

To enhance employees' awareness and safe production abilities, Weichai Power actively promotes the construction of Weichai's featured safety culture to deepen employees' understanding of safe production, in a bid to reduce the probability of production safety accidents. In 2022, we organized training activities such as safety education and training, "Publicity and Consultation Day of Production Safety", and emergency response drills to strengthen the employees' learning of safety knowledge and comprehensively improve their safety skills and emergency response capabilities.

Weichai Power HQ's Safety Training Activities

- Company-level safety education and training were conducted for **1,225** new recruits and **184** workers who switched their positions;
- A total of **777** sessions of "First Safety Class" training, with **37,600** trainees, realizing a coverage rate of **100%**;
- A total of **281** safety management personnel and **244** special operation personnel were organized to participate in the education and training of safety certification qualifications.
- Organized **22** CPR training sessions, and **2** training sessions for the new *Regulations of Shandong Province on Safe Production*;
- Carried out various emergency drills for **217** times with **6,700** participants;
- A total of **23,000** training enrollments, with average training hours per capita up to **12.5** hours.

In addition, in order to further improve the Company's safety management, we carry out safety education and training for contractors and urge them to regularly carry out internal training based on their own industry characteristics to enhance their safety awareness and avoid the occurrence of production safety accidents.

Case • Fire Emergency Evacuation Drill

On November 8, 2022, Weichai Power conducted a fire emergency evacuation drill at the General Institute of Science and Technology. The drill aimed mainly to examine the emergency response ability of employees. When the simulation equipment caught fire, we immediately organized some employees to carry out initial firefighting, and facilitated the orderly evacuation of other employees. In only 2 minutes and 26 seconds, 1,576 employees were all successfully evacuated to a safe area. The drill has enhanced the awareness of collaboration among employees and has improved the employees', as well as the Company's, emergency response abilities.



Case The Activity of "Publicity and Consultation Day of Production Safety"

On June 16, 2022, Weichai Power carried out the activity of "Publicity and Consultation Day of Production Safety", focusing on the theme of "Abiding by the Work Safety Law and Being the Principal Accountable Person for Work Safety", demonstrating excellent safety management experience and typical punishment cases of production safety accidents within the Company.

During the activity, we provided safety knowledge consulting services for employees, invited them to experience a series of fire-fighting systems on site such as fire alarm system, fire broadcasting, and smoke extraction fan, and guided them to learn the working principles of the fire-fighting systems, and master fire safety knowledge, which improved the safety awareness of all employees, and created a safety atmosphere of always paying attention to fire safety.



Case Weichai Lovol Launched 2022 "Ankang Cup" Safety Knowledge Competition

In September 2022, Weichai Lovol launched the "Ankang Cup" safety knowledge competition, which stimulated employees' enthusiasm for learning production safety laws and regulations, enhanced the exchange of safety experience among employees, and comprehensively improved their safe production qualities and work safety awareness.

Community Contribution

In pursuit of growth, Weichai Power shares development achievements with the society by proactively fulfilling corporate social responsibilities, actively engaging in public services and charitable undertakings, supporting the construction and development of the community, and delivering warmth and beauty to the society. In 2022, Weichai Power contributed RMB12,331,000 to charitable undertakings.

Philanthropy

Taking helping vulnerable groups in society as our own responsibility, we participate in different types of public-interest projects, and actively carry out charitable donation activities. We cared about the development of children's education and launched the charitable project named "Five-year Plan of Caring for Left-behind Children".

Case Weichai Power Launched "One-day Salary Donation"

In 2022, Weichai Power launched the activity of "One-day Salary Donation", calling on all employees to actively participate in the activity, with a total of over RMB590,000 raised, which was donated to the Shandong Charity Federation, in a bid to contribute to the building of a loving community.

Case The Young Volunteers Team of Fast Gear Cares about the Development of Children's Education

On May 13, 2022, the young volunteers team of Fast Gear donated learning supplies to Mingri Primary School, Jingyang County to contribute to the development of children's education.

Case Weichai Lovol Launched the Charitable Project Named "Five-year Plan of Caring for Left-behind Children"

In 2022, Weichai Lovol continued to carry out the public service of "Five-year Plan of Caring for Left-behind Children", distributing grants to left-behind children in Longtian Township, Yongxin County, Ji'an City, Jiangxi Province. The total amount of money donated during the five phases of the activity reached RMB448,000, of which RMB100,000 was for the construction of the left-behind children's centers.



Community Building

Weichai Power has always been committed to community building, actively carrying out voluntary activities such as sanitary and cleaning, planting trees for greening, water conservation-related activities, and traffic guidance volunteers, and organizing activities during festivals, such as delivering happiness and warmth in the Spring Festival, and delivering health in the Dragon Boat Festival and Mid-Autumn Festival, to fulfill corporate social responsibility and contribute to community building with our actions. In addition, we organized employees to carry out activities in nursing homes within the community to show our respect and care for the elderly. During the reporting period, there were 21,000 person-times of employees at Weichai Power HQ participated in those activities as volunteers, totaling more than 31,000 hours of service.

Case Fast Gear Launched the Cool Summer Activity

In July 2022, during the period of extreme heat, Fast Gear launched the Cool Summer activity, sending 700 boxes of water, 200 gift packages including green beans, white sugar, tea, and other sunstroke prevention and cooling suppliers totaling RMB32,800 to traffic police brigades, road administration offices, and transportation management units in Xi'an and Baoji to express our gratitude and care for them.



Sanitary and Cleaning



Planting trees



Care for the employees in winter



Celebrating the Dragon Boat Festival



Volunteers at the nursing home



Care for the employees in summer

Future Outlook

2023 is the first year to fully implement the spirit of the 20th CPC National Congress and also a crucial year for implementing the "14th Five-Year Plan". Weichai Power will remain devoted to main business, continuously deepen internal reform, proactively expand market segments, increase investment in R&D, and strive to build a respectable world-class enterprise.

The underlying principle of our work for 2023 is in-depth reform, scientific and technological leadership, collaborative sharing, streamlining administration & delegating power, clear reward & punishment, and profit orientation.

We will strengthen the leading position in the industry and penetrate high-end market segments. Unremitting efforts will be made to expand the core market advantage, deepen the penetration into the strategic market and increase the share of market segments. As to the power system, we should consolidate the global leading advantage of traditional energy, rapidly improve the competitiveness of new energy, and provide technical support for the vehicles and machinery. As to commercial vehicles, we will speed up efforts to build leading advantages for the whole series, and develop heavy-duty trucks with global leading competitiveness. We will also maintain the leading position in the high-end agricultural machinery and the new intelligent agricultural ecosystem, emerging as an important pole of growth in the global industry. Our intelligent logistics products will continue to lead the development of the global industry.

We will advance scientific and technological leadership and unswervingly improve the competitiveness of our products. In terms of traditional power, we will accelerate the commercialization of the R&D achievements with high thermal efficiency and remain a leader in science and technology. Focusing on the state VII emission stand, we will develop a number of new products such as low-carbon internal combustion engines and proactively explore feasible technological routes to be prepared for future challenges. When it comes to new energy, we will stay market-oriented, accelerate the R&D of pure electric powertrain products, as well as comprehensively improve the core competitiveness of power batteries, motors, motor controllers and electric powertrain products. By tapping into the advantages of the vehicle, we will improve the product chain of the hydraulic system and develop a full series of excavator hydraulic products of all sizes for batch applications.

We will deepen market-oriented reform and stimulate the internal driving force of enterprises. We will further deepen internal distribution reform to ensure that value creators will be rewarded properly. We will deepen the flat reform of our organization and integrate the process data, in a bid to greatly streamline management and improve operation quality. Further efforts will be made to continuously enrich and improve the WOS management model, apply the model on a larger scale and boost the operational efficiency of the industrial chain. We will further refine the subsidiary management mechanism, strengthen resource support and service, and facilitate significant breakthroughs in new businesses.

Looking further ahead, Weichai Power will actively fulfill our social responsibilities, spread positive energy and contribute to the construction of a harmonious society.



Appendix

Key Performance Indicators

Environmental			
Indicator	Unit	2021	2022
Coverage of ISO 14001 Environmental Management System Certification	%	100	100
Environmental investment	RMB10,000	/	3,436.70
Major environmental pollution incidents	/	0	0
Atmospheric Pollutants			
Volatile organic compounds	Tonnes	201.14	287.58
Particulate matters	Tonnes	25.47	26.96
Sulfur oxides	Tonnes	55.23	54.33
Nitrogen oxides	Tonnes	62.18	51.99
Water Pollutants			
Total wastewater discharge	Tonnes	1,164,537.40	1,269,574.60
COD	Tonnes	71.35	26.78
Ammonia nitrogen	Tonnes	6.66	3.74
Total phosphorus	Tonnes	0.20	0.21
Waste			
Total amount of hazardous waste	Tonnes	22,107.72	20,267.53
Hazardous waste discharge density	Tonnes/RMB billion in revenue	108.61	115.71
Total amount of non-hazardous waste	Tonnes	140,203.57	143,572.08
Non-hazardous waste discharge density	Tonnes/RMB billion in revenue	688.80	819.67
Energy/Resource Consumption			
Purchased electricity	1,000 kWh	753,782.32	388,290.34
Purchased steam	1,000 kWh	132,951.40	72,230.54
Purchased natural gas	1,000 kWh	511,198.49	344,816.01
Purchased heat	1,000 kWh	89,496.64	99,762.96
Gasoline	1,000 kWh	25,171.95	2,975.07
Diesel	1,000 kWh	382,105.07	121,956.96
Total comprehensive energy consumption	1,000 kWh	1,894,705.86	991,489.58
Comprehensive energy intensity	1,000 kWh/RMB billion in revenue	9,308.41	5,660.56
Total water consumption	Tonnes	3,098,085.22	2,745,903.20
Water consumption intensity	Tonnes/RMB billion in revenue	15,220.44	15,676.76
Recycled amount of water	Tonnes	1,118,847.00	584,937.00
PV consumption	1,000 kWh	10,283.64	11,565.80
Power generated from PV	1,000 kWh	29,283.64	30,688.34

Environmental			
Indicator	Unit	2021	2022
GHG Emissions			
Scope 1: Direct emissions from GHG	Tonnes of carbon dioxide equivalent	207,568.52	178,925.97
Scope 2: Indirect emissions from GHG	Tonnes of carbon dioxide equivalent	671,042.73	368,450.64
Total GHG emission	Tonnes of carbon dioxide equivalent	878,611.25	547,376.61
Total GHG emission density	Tonnes of carbon dioxide equivalent/RMB billion in revenue	4,316.49	3,125.05
Packaging materials consumed	Tonnes	146,675.00	70,230.00
Amount of packaging materials recycled	Tonnes	130,889.00	59,860.00
Packaging materials consumption intensity	Tonnes/RMB billion in revenue	702.59	400.95

Social			
Indicator	Unit	2021	2022
Employees (Excluding KION)			
Total number of employees	Person	46,459	50,092
Number of employees by type of employment			
Labor contract-based employees ¹	Person	42,953	46,442
Interns	Person	446	549
Outsourced personnel	Person	3,060	3,101
New recruits	Person	2,379	4,282
Employee with disabilities	Person	14	89
Number of employees by gender			
Male	Person	34,838	38,158
Female	Person	8,115	8,284
Number of employees by age			
35 and below	Person	25,333	26,021
36-55	Person	16,393	19,568
56 and above	Person	1,227	853
Number of employees by rank			
Senior management	Person	/	124
Middle management	Person	/	1,510
Junior staff	Person	/	44,808
Number of employees by post			
Production staff	Person	25,283	24,543
Technical staff	Person	10,060	11,950
Administrative and finance staff	Person	4,856	6,167
Sales staff	Person	2,754	3,782

¹ The employees involved are categorized with the total number of labor contract-based employees as the baseline.

Social			
Indicator	Unit	2021	2022
Number of employees by degree			
Bachelor and above	Person	15,995	18,422
Junior college and below	Person	26,958	28,020
Number of employees by region			
Shandong	Person	15,242	19,302
Shaanxi	Person	22,661	20,811
China (excluding Shandong and Shaanxi)	Person	5,050	6,329
Number of employees by ethnic group			
Han nationality	Person	40,301	45,074
Minority nationality	Person	418	458
Overseas	Person	2,234	910
New Recruits and Separated Employees (Excluding KION)			
Employee turnover rate	%	8.90	9.77
Employee turnover rate by gender			
Male	%	9.68	9.91
Female	%	5.64	9.10
Employee turnover rate by age			
35 and below	%	13.14	14.35
36-55	%	2.62	3.66
56 and above	%	5.95	10.08
Employee turnover rate by rank			
Senior management	%	/	0.81
Middle management	%	/	2.05
Junior staff	%	/	10.05
Employee turnover rate by post			
Production staff	%	8.68	9.82
Technical staff	%	11.77	13.97
Administrative and finance staff	%	6.03	5.63
Sales staff	%	5.81	2.88
Employee turnover rate by region			
Shandong	%	10.70	5.49
Shaanxi	%	7.80	10.17
China (excluding Shandong and Shaanxi)	%	8.67	21.47
Development and Training (Excluding KION)			
Total number of employees trained	Person	28,403	40,917
Percentage of employees trained	%	66.13	88.10
Percentage of employees trained by gender			
Male	%	81.18	81.79
Female	%	18.82	18.21
Percentage of employees trained by rank			
Senior management	%	/	0.26
Middle management	%	/	3.12
Junior staff	%	/	96.63

Social			
Indicator	Unit	2021	2022
Percentage of employees trained by post			
Production staff	%	52.60	46.12
Technical staff	%	27.60	24.87
Administrative and finance staff	%	11.86	22.77
Sales staff	%	7.93	6.24
Total training hours	Hours	3,792,617	3,965,637
Average training hours of training per employee	Hours	88.3	85.39
Average training hours per employee by gender			
Male	Hours	91.07	85.42
Female	Hours	76.40	85.26
Average training hours per employee by rank			
Senior management	Hours	/	88.94
Middle management	Hours	/	99.99
Junior staff	Hours	/	84.89
Average training hours per employee by post			
Production staff	Hours	91.18	80.46
Technical staff	Hours	78.41	92.41
Administrative and finance staff	Hours	81.19	96.36
Sales staff	Hours	110.49	77.27
Health and Safety (Excluding KION)			
Work-related fatalities	Person	0	1
Work-related death rate	%	0	0.002
Working days lost due to work-related injuries	Days	220	349
Democracy and Satisfaction			
Social insurance coverage	%	100	100
Percentage of employees who sign collective bargaining agreements ¹	%	100	100
Employee satisfaction rate ²	%	93.30	93.76
Supply Chain Management (Excluding KION)			
Total number of suppliers by region			
Shandong	/	/	918
Chinese Mainland (excluding Shandong, Chinese-foreign joint)	/	1,424	1,616
Chinese-foreign joint	/	/	187
China's Hong Kong, Macau, Taiwan as well as overseas	/	30	128
Proportion of suppliers passing the ISO 14001 System Certification	%	29.20	59.29
Proportion of suppliers passed the IATF 16949 System Certification	%	73.20	67.08
Proportion of the suppliers signing a transparent procurement / integrity and honesty agreement	%	92.00	96.49
Proportion of the suppliers using green materials and recycling packaging ³	%	78.20	78.20

¹ The data exclude KION.

² The data exclude Shaanxi Heavy Duty Automobile and KION.

³ The data include only Weichai Power HQ.

Social			
Indicator	Unit	2021	2022
Conduct supplier training sessions	Times	792	143
Conduct supplier exchange events	Times	15	108
R&D Innovation			
Investment in R&D and innovation	RMB10,000	856,870.73	885,090.02
Cumulative patent grants	/	9,739	16,669
Patent applications in 2022	/	2,259	3,300
Patent grants in 2022	/	1,965	2,888
Customers Services			
Customer satisfaction (Weichai Power HQ)	Points	85.8	86.4
Customer satisfaction (Shaanxi Heavy Duty Automobile)	Points	85.7	81.9
Customer satisfaction (Fast Gear)	Points	95.0	92.0
Customer satisfaction (Weichai Lovol)	Points	/	89.4
Customer satisfaction (KION)	Points	94.4	/
Number of customer complaint ¹	Cases	1,490	3,575
Number of customer complaint			
Investment	RMB10,000	/	1,233.10
Number of employee volunteers (Weichai Power HQ)	Person-times	15,000	21,000
Volunteer time contributed (Weichai Power HQ)	Hours	26,000	31,000

Governance			
Indicator	Unit	2021	2022
Anti-corruption related cases concluded	/	0	0
Time for anti-corruption education training	Hours	2,000	64,827.00
Anti-corruption education training per person by rank ²			
Management employees	Hours	/	3.30
Non-management employees	Hours	/	1.33
Revenue	RMB billion	203.548	175.160
Net income attributable to shareholder	RMB billion	9.254	4.910
Number of shareholder meetings	/	4	4
Number of board meetings	/	16	17
Number of supervisory board meetings	/	9	10

¹ The data not include KION.

² The data not include KION.

HKEX ESG Reporting Guide

Disclosure Indicator	Location
Subject area: Environmental	
A1 Emissions	
General Disclosure	
	P61-66
A1.1	The types of emissions and respective emissions data.
	P61-66
A1.2	Total greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	P50
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	P65
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	P65
A1.5	Description of measures to mitigate emissions and results achieved.
	P49-50, P61-66
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.
	P61-66
A2 Use of Resources	
General Disclosure	
	P56-60
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (1,000 kWh) and intensity (e.g. per unit of production volume, per facility).
	P58
A2.2	Total water consumption and intensity (e.g. per unit of production volume, per facility).
	P59
A2.3	Description of energy use efficiency initiatives and results achieved.
	P49-50, P56-60
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.
	P59
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.
	P59-60
A3 The Environment and Natural Resources	
General Disclosure	
	P61-66
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.
	P61-66
A4 Climate Change	
General Disclosure	
	P45-48
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.
	P45-48
Subject area: Social	
Employment and Labour Standards	
B1 Employment	
General Disclosure	
	P69, P73, P77, P79-80
B1.1	Total workforce by gender, employment type, age group and geographical region.
	P69-70
B1.2	Employee turnover rate by gender, age group and geographical region.
	P71
B2 Health and Safety	
General Disclosure	
	P83-87
B2.1	Number and rate of work-related fatalities.
	P87
B2.2	Lost days due to work injury.
	P87
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.
	P83-88

Disclosure Indicator		Location
B3 Development and Training		
General Disclosure		P73-79
B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	P73-74
B3.2	The average training hours completed per employee by gender and employee category.	P73-74
B4 Labour Standards		
General Disclosure		P69
B4.1	Description of measures to review employment practices to avoid child and forced labour.	P69
B4.2	Description of steps taken to eliminate such practices when discovered.	P69
Operation Practice		
B5 Supply Chain Management		
General Disclosure		P23-24
B5.1	Number of suppliers by geographical region.	P23
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.	P23-24
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P23-25
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P23-24
B6 Product Responsibility		
General Disclosure		P29, P35-36, P38
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P32
B6.2	Number of products and service-related complaints received and how they are dealt with.	P37-38
B6.3	Description of practices relating to observing and protecting intellectual property rights.	P41-42
B6.4	Description of quality assurance process and recall procedures.	P32, P37-38
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P26
B7 Anti-corruption		
General Disclosure		P21
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.	P21
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P21
B7.3	Description of anti-corruption training provided to directors and staff.	P22
Community		
B8 Community Investment		
General Disclosure		P90-91
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P90-91
B8.2	Resources contributed (e.g. money or time) to the focus area.	P90-91

GRI Index

Statement of use	Weichai Power has reported in accordance with the GRI Standards for the period from January 1, 2022 to December 31, 2022.		
GRI 1 used	GRI 1: Foundation 2021		
GRI Standard	Disclosure	Location	
GRI 2: General Disclosures 2021	2-1 Organizational details	P06-10	
	2-2 Entities included in the organization's sustainability reporting	P01-02	
	2-3 Reporting period, frequency and contact point	P01-02	
	2-6 Activities, value chain and other business relationships	P06, P23-25	
	2-7 Employees	P69-70	
	2-8 Workers who are not employees	P94	
	2-9 Governance structure and composition	P15	
	2-10 Nomination and selection of the highest governance body	P15	
	2-11 Chair of the highest governance body	P15	
	2-12 Role of the highest governance body in overseeing the management of impacts	P05	
	2-13 Delegation of responsibility for managing impacts	P05	
	2-14 Role of the highest governance body in sustainability reporting	P05, P18	
	2-15 Conflicts of interest	P15	
	2-16 Communication of critical concerns	P05	
	2-17 Collective knowledge of the highest governance body	P05	
	2-23 Policy commitments	P21	
	2-24 Embedding policy commitments	P18, P21	
	2-26 Mechanisms for seeking advice and raising concerns	P19	
	2-27 Compliance with laws and regulations	P15-17	
	GRI 2: Material Topics 2021	2-28 Membership associations	P40
		2-29 Approach to stakeholder engagement	P19
		2-30 Collective bargaining agreements	P96
	GRI 3: Material Topics 2021	3-1 Process to determine material topics	P20
		3-2 List of material topics	P20
		3-3 Management of material topics	P20
	GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	P06
		201-2 Financial implications and other risks and opportunities due to climate change	P47-48

GRI 205: Anti-corruption 201	205-2 Communication and training about anti-corruption policies and procedures	P21-22
	205-3 Confirmed incidents of corruption and actions taken	P21
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	P21
GRI 301: Materials 2016	301-1 Materials used by weight or volume	P60
	301-2 Recycled input materials used	P60
GRI 302: Energy 2016	302-1 Energy consumption within the organization	P58
	302-3 Energy intensity	P58
	302-4 Reduction of energy consumption	P56-58
	302-5 Reductions in energy requirements of products and services	P51-52
	303-2 Management of water discharge-related impacts	P59
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	P59
	303-4 Water discharge	P64
	303-5 Water consumption	P59, P64
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	P50
	305-2 Energy indirect (Scope 2) GHG emissions	P50
	305-3 Other indirect (Scope 3) GHG emissions	P50
	305-4 GHG emissions intensity	P50
	305-5 Reduction of GHG emissions	P50
GRI 306: Waste 2020	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	P62
	306-1 Waste generation and significant waste-related impacts	P64
	306-2 Management of significant waste-related impacts	P64-65
GRI 308: Supplier Environmental Assessment 2016	306-3 Waste generated	P65
	308-1 New suppliers that were screened using environmental criteria	P23-24
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	P69-71
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	P80

GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	P83
	403-2 Hazard identification, risk assessment, and incident investigation	P84-86
	403-3 Occupational health services	P84-87
	403-4 Worker participation, consultation, and communication on occupational health and safety	P83
	403-5 Worker training on occupational health and safety	P88-89
	403-6 Promotion of worker health	P80-81
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P84-87
	403-8 Workers covered by an occupational health and safety management system	P83
	403-9 Work-related injuries	P87
	403-10 Work-related health issues	P87
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	P73-74
	404-2 Programs for upgrading employee skills and transition assistance programs	P73-77
	404-3 Percentage of employees receiving regular performance and career development reviews	P77-78
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	P15, P69
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	P69
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P80
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	P24, P69
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	P24, P69
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	P90-91
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	P23-24
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	P32
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	P26

Readers Feedback Form

Dear readers,

Thank you for reading *Weichai Power's Environmental, Social and Governance (ESG) Report 2022*. We would welcome any feedback or suggestions you might have about this report. You can send the completed questionnaire to us by mail, email, or fax (scanned), or you can give us a call to offer your valuable comments. Thank you!

1. Which category of stakeholder of Weichai Power do you work for:

Shareholders Employees Suppliers Users Government Communities Academic institutions

Others (please specify)

2. Have you ever read Weichai Power's ESG Report (If no, please skip questions 3, 4 and 5):

Yes No

3. If yes, was it available in a hard copy or in the electronic form?

Hard copy Electronic form

4. Would you prefer a hard copy or an electronic version?

Hard copy Electronic form

5. Your general comment on the ESG Report 2022:

·Readability (Easy to understand, beautifully designed, engaging, and easy to find the information you need)

3 (good) 2 (fair) 1 (poor)

·Credibility (Information contained is accurate and credible)

3 (good) 2 (fair) 1 (poor)

·Information integrity (Reflect both positive and negative performance, and meet your needs for information)

3 (good) 2 (fair) 1 (poor)

6. Besides what has been disclosed in the report, what other information would you like to know?

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