

**WEICHAI**

# 2017 年度社會責任報告

Corporate Social Responsibility Report 2017



綠色動力  
Green Power

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

## Summary of the Report

### Subject of the report:

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

### Time frame of the report:

1 January to 31 December 2017, with some contents exceeding the aforementioned time frame.

### Scope of the report:

The report primarily covers the performance and practice of social responsibility of Weichai Power for the year 2017. It concerns the disclosures of performance in key responsibilities and focuses on sustainability and continuous improvement of corporate social responsibilities. The report also covers the major controlling subsidiaries of the Company, including KION Group AG (“KION”), Shaanxi Heavy-duty Motor Company Limited (“Shaanxi Heavy-duty Motor”) and Shaanxi Fast Gear Company Limited (“Fast Gear”). We plan to enlarge the scope of disclosure gradually in the future in order to cover more subsidiaries.

### Publication cycle of the report:

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

### Past reports:

As of now, the Company has already issued its corporate social responsibility report for 10 consecutive years.

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

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

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

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

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

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

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

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

### Internal review of the report:

The report complies with the relevant guidelines of HKEx and SZSE and was considered and approved at the seventh meeting of the fourth session of the board of directors of Weichai Power Co., Ltd.

### Access of the report:

The report is available in printed and electronic versions. You may visit the “Investor Relations” section in the Company’s website ([www.weichai.com](http://www.weichai.com)) for accessing the electronic version of the report. Please call 86-0536-2297072 if you need a printed version.

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## Chairman's Statement

2017 was an important year for China in its efforts of fostering the supply-side structural reform and the fortified implementation of the strategy of innovation-driven development, and also an extraordinary and unforgettable year in the course of the development of Weichai. During the year, the global economy continued to resume growth momentum albeit sustained risks. In China, the trend of positive economic development amidst stability became increasingly apparent, as China migrates from a stage of high-speed growth to a stage of high-quality development. Industry competition became more fierce, posing complicated and severe challenges to the operation of industry players. Facing such new trend and new challenges, the Company remained committed to the main theme of "strengthening its base and operations, seizing and capturing markets, speeding up innovation and striving to excel in the Company's development", working strenuously on fostering the dual-drive of product operations and capital operations, expediting reform and innovation, and pushing ahead its strategic adjustment with a view to winning each and every one of the thirteen battles. All cadres and staff remained concerted and cohesive to tackle problems with unwavering support, driving the stable and sound development of the Company. In 2017, the Company continued with its remarkable improvement in both the overall quality of operation and profitability, generating profits in all of its overseas business segments, especially KION which continued to deliver substantial growth and became an important source of profit of the Company. The strategic investment in 40.7% shares of the U.S.-based PSI has made the Company its largest shareholder and provided a solid platform for the Company to enter the United States market. Over the year, the Company made steady progress in a number of aspects, achieving improvement and breakthrough in corporate governance, management of market value, product research and development, market expansion and operation of production, thereby showcasing a satisfactory result to the society, government, shareholders and its staff members.

"The one who eats a fruit thinks about the tree; the one who drinks water thinks about the water source," as the Chinese saying goes in advocacy of gratefulness for sources of benefit. The achievements of the Company over the year could not have been possible without the favorable environment available under China's positive development amidst stability and its macroeconomic policies, the dedication and contribution of all of our staff members, or the strenuous support from our business partners and customers. Care and support from the public are vital elements for the development of the Company as it comes from the society. Hence the Company should give back to the society, shareholders, staff, customers and business partners. These are our responsibilities and obligations, as well as our consistent philosophy and pursuit.

In 2017, the Company continued to uphold the mission of development of "Green Power, International Weichai", and adhered to the strategic target of "becoming a sustainably developing world-leading international industrial equipment manufacturing group with core technologies". We took a market-oriented approach and drew on our utmost strengths in producing competitive products in terms of 3 key aspects: quality, core technology and cost-effectiveness, steadily fostering strategic structural adjustments. Seeking multiple achievements in both traditional markets and emerging markets, our all-rounded competitive strengths in various areas have become more apparent. In particular, the brand-new product WP9H/10H won overwhelmingly positive response from the customers as soon as it was launched. We insisted on moving steadfastly towards high-end development and actively implemented innovation-driven development. While our projects on full-series China-VI products, H-series platform products, WP13/17 and D-series high-end engines etc. made steady progress, we led the transformation and upgrade of the industry, and laid a solid foundation upon which we will achieve the goal of outperforming the global top standards in our traditional businesses by 2020. In view of the future challenges posed by new energy sources, we have conducted systematic examination and survey of the future trend of industrial renovation by closely examining the situations in Europe, United States and Japan. By doing so, we identified our strategic blueprint and action plans on business development in the area of new energy sources, promoted resources integration, business deployment and talents pool building on a global basis, planned for constructing an industrial park for new energy power, and was starting to implement our strategies. In response to the government's call for supply-side structural reform, we underwent

thorough switch from old energy to new energy power, and contributed to establishing a “resources-saving” and “environmentally friendly” enterprise and a beautiful China. Taking on the mission and responsibilities as a key enterprise of a great country, we pushed ahead with international mergers and acquisitions, local manufacturing and general trade and, with a key focus on countries and regions under the “One Belt and One Road” initiative, led the equipment manufacturing industry of China in making breakthroughs and going global. The China-Belarus Industrial Park in Belarus, invested by a joint venture formed by Weichai and the Minsk Automotive Plant (MAZ), laid foundation for the development of another key base for the localized manufacturing of Weichai’s overseas engines and the fostering of international cooperation in production capacity. We built our smart manufacturing base infrastructure at a steady pace, and further fostered the integration of informatization and industrialization. Good progress has been made in projects on smart manufacturing, which will become role-model plants in smart manufacturing in the equipment manufacturing industry in future. On our people-oriented notion, we continually optimized our staff services support system so that our staff members could enjoy more benefits; arranged our management team to visit the front-line and address the concerns of our staff members; and embarked upon the “Happiness in Weichai” (幸福潍柴) cultural activity to engage in practical and good deeds for our staff members so that they can work at Weichai with happiness. We continually optimized our appraisal and incentive mechanisms, broadened the career path of staff, and made ongoing improvements to the platform on which staff members can learn, improve and realize their value, so that they will share our corporate achievements. We actively engaged in charity and philanthropy, and were dedicated to voluntary services, targeted poverty alleviation, education donations and subsidies, thereby contributing a positive spirit as a corporate member of the community at large. We sought a win-win situation of cooperation with both the upstream and downstream enterprises of the industrial chain, to maintain good relationship with the community and actively create a harmonious and healthy business environment.

The publication of this corporate social responsibility report has summarized the efforts made by the Company in performing its social responsibilities in 2017. We wish to further reinforce our social responsibility, promote the sharing of benefits among the Company and the community especially the stakeholders, and improve mutual understanding and recognition. By performing corporate social responsibilities in a better way, we will be able to contribute more to the development of economy and society.

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

## Company Overview

Weichai Power Co., Ltd. (HK2338, SZ000338) was established in 2002 by Weichai Group Holdings Limited (as the lead promoter) together with both the onshore and offshore investors. We are the first company in Chinese internal combustion engine industry to be listed in the H shares market of Hong Kong, and also the first Chinese company to return to mainland from overseas for the re-listing in A share market. The Company has total assets of RMB189.64 billion, and the total number of staff in the world is 74,500. In 2017, the Company recorded revenue totaling RMB151.57 billion, and total profit amounted to RMB10.52 billion.

The Company is dedicated to the operational strategy of driving the operations of both products and capital, developing competitive products in terms of 3 key aspects: quality, core technology and cost-effectiveness, developing a new pattern of synergetic development among four major business segments including powertrains (including engines, gear boxes and axles), complete vehicles, hydraulic control and automobile components and forming the most comprehensive and competitive industrial chain across China's automobile industry. With the core technologies and products in the construction machinery industry, the Company has become one of the vehicle and equipment manufacturing conglomerates in China with the best comprehensive strengths.

Currently, the Company has established a production base of all power series in Weifang, a production base of heavy-duty vehicles and transmission systems in Xi'an, a production base of high-power engines and light-duty vehicles in Chongqing, a production base of automotive electronics, parts and components in Zhuzhou, and a production base of power of light-duty and super light-duty vehicles in Yangzhou. In particular, brands like "Weichai Power Motor", "Fast Gear Transmissions", "Hande Axle", "SHAC" are in the leading and dominant position in China and hence giving rise to a brand-based conglomeration effect. On 3 September 2012, the Company entered into a strategic cooperation agreement with the Germany-based KION Group, the leading manufacturer of industrial forklift trucks and hydraulic technology in the world, symbolizing that our core technology has reached the world-class level, and thoroughly remedying the long-term reliance on imported high-end hydraulic products in China.

The Company has the only national key laboratory in China to focus on researches on reliability; a modern national corporate technological centre; and a top-class product testing centre in China. The Company has established a "post-doctoral program" and set up research and development centres in the United States, Europe, and Weifang, Shanghai, Chongqing, Yangzhou, Xi'an and Zhuzhou in China, to ensure that our technological attainment always maintains at level close to the forefront in the world. Relying on the global research and development platform, the Company has undertaken and participated in 22 national key projects, technology support programs, international co-operation programs, scientific experimental projects and 7 major projects at provincial level, awarded 2,489 licences and patents of products and technologies, and held and participated in the formulation of 65 national and industrial standards. In 2016, WP9H and WP10H engines, which had been researched and developed internally by the Company, were launched to the market successfully, setting a high standard at "1.8 million kilometres/30,000 hours" for the useful life of a high-speed heavy-duty engine, interpreting the core user needs of "reliability and durability", and making the Company a key power in driving the structural adjustments of the industry and the high-end development of technology.

The Company received numerous national-level major awards. In 2007, the Company was awarded the National Quality Award (全國質量獎). Our "WP10/WP12 series heavy-duty high speed engines and key technologies" was awarded the grand prize of scientific and technological progress of China Machinery Industry (中國機械工業科技進步特等獎), which has changed the history that no Chinese internal combustion machine enterprise has ever won such award before. In 2013, our "Key technology of heavy-haul high-speed diesel engine and industrialization" project was awarded the Second Class Award of National Science and Technology Progress Award (國家科技進步二等獎), breaking the technology monopolies of heavy-duty high-speed diesel engines from overseas.

The Company is the first company among its peers in China to become qualified under the IATF16949 Quality Management System. It has established a service network consisting of over 5,000 special repair service centres in China and has set up 243 overseas repair stations. Products are sold to more than 110 countries and regions, including Russia, Saudi Arabia, Vietnam, Indonesia and Brazil.

Tan Xuguang, the Chairman of the Company, was consecutively appointed as a representative of the Tenth, Eleventh, Twelfth and Thirteenth National People's Congress of the PRC and was honored the "National 1st May Labor Medal" (全國五一勞動獎章), "National Labor Model" (全國勞動模範), "National Outstanding Entrepreneur in Innovation" (全國優秀創業企業家), "Top 10 Financial Leaders" (十大財富領袖), "the Gold Award of the 4th Yuan Baohua Enterprise Management" (第四屆袁寶華企業管理金獎), the "Meritorious Entrepreneurs of Equipment China" (裝備中國功勳企業家) and "2011 Top Ten Innovative People in China" (2011年中國十大創新人物). He currently serves as President of Chairmen Board of the China Federation of Industrial Economics (中國工業經濟聯合會), the vice chairman of the China Enterprise Confederation/China Enterprise Directors Association (中國企業聯合會/中國企業家協會) and the vice chairman of China Machinery Industry Federation (中國機械工業聯合會).

Weichai Power takes "Green Power, International Weichai" as mission and "Customers' Satisfaction" as principle to form the corporate culture of "responsibilities, communication and acceptance". By virtue of our complete vehicles, machineries and power system, the Company has a corporate vision of becoming a leading international industrial equipment enterprise group with core technologies and sustainable development.

### 🌀 Social organizations joined by the Company

This includes the status of vice chairman of China Enterprise Confederation, status of vice chairman of China Machinery Industry Federation, status of chairman of China Internal Combustion Engine Industry Association, status of vice chairman of China Association of Automobile Manufacturers, and the status of vice chairman of the China Machinery Enterprise Management Association.

### 🌀 Honours received in 2017

In 2017, by virtue of excellent management and outstanding results, the Company has won numerous awards. The major awards are as follows:

Time	Award
Jan	The Company successfully passed the national intellectual property rights management system certification
21 Feb	At the 2nd "Discovering Trust – China Truck Users Survey and Appraisal" (發現信賴－中國卡車用戶調查暨評選活動) organized by chinatruck.org (中國卡車網), WP3N of the Company was granted the award of "2017 China Truck Users' Most Trusted High-efficiency Light-duty Engines" (2017年度中國卡車用戶最信賴的高效輕型發動機)
Apr	At the 12th China (Shandong) International Equipment Manufacturing Industry Expo (第十二屆中國(山東)國際裝備製造業博覽會), the Company was invited to participate in the expo as the representative of China's first batch of smart manufacturing role-model enterprises, being granted the "Gold Award"(金獎) and the "Best Image Demonstration Award" (最佳形象展示獎)

Time	Award
Jun	Fast Gear under Weichai Power was listed on the China Industry High-ranking Enterprises (中國工業行業排頭兵企業). In particular, Weichai Power topped the list of “Internal Combustion Engines and Accessories Manufacturing” (內燃機及配件製造), and Fast Gear was put on the list of “Automotive Parts and Components and Accessories Manufacturing”(汽車零部件及配件製造)
30 Jun	The Company was granted “China Trademark Gold Award – Trademark Innovation Award” (中國商標金獎•商標創新獎) and was No. 1 on the awardee list, being an equipment manufacturing enterprise from Shandong Province to be granted the award and also the first enterprise in the internal combustion engine industry of China to be granted the award
Sep	At the sixth session of Trustworthiness Summit Forum of Listed Companies in China (第六屆中國上市公司誠信高峰論壇), the Company was honored “2017 Top 100 Trustworthy Enterprises of Chinese Listed Companies” (2017中國上市公司誠信企業百佳) and “2017 Best Investment Value Award for Listed Companies” (2017最具投資價值上市公司)
26 Sep	At the 2017 China Machinery Industry Quality Brands Enhancement Conference (2017年全國機械工業質量品牌提升大會) convened by China Machinery Industry Federation (中國機械工業聯合會) in Beijing, both Weichai Power and Fast Gear were named as “China Machinery Industry Quality Trustworthiness Enterprises” (中國機械工業質量誠信企業)
30 Oct	In the survey “I am KOL – China Truck Major Customers Operations Survey” (我是意見領袖－中國卡車大客戶運營調查) hosted by ecv360.com (卡車之友網), Weichai Power and Shaanxi Heavy-duty Motor and Fast Gear were recognized as “China Truck KOL Recommended Brands” (中國卡車意見領袖推薦品牌)
Nov	The project of “Commercial Vehicles Powertrain Key Technologies and Construction” (商用車動力總成關鍵技術及工程化) reported under the lead of the Company was granted a grand prize under the 2017 Science and Technology Award of China Machinery Industry (2017年度中國機械工業科學技術獎特等獎). The reported projects, namely “High Density – Low Temperature Combustion Theory and Technology and Its Application in Energy-saving China VI Diesel Engines Development” (高密度-低溫燃燒理論和技術及其在節能國六柴油機開發中的應用) and “Weichai Self-developed Diesel Engine Electric-controlled System Development and Industrialization” (濰柴自主柴油機電控系統開發及產業化), were granted Class I Prize (一等獎) and Class II Prize (二等獎) respectively
23 Dec	The Company was granted the “Charming Brand of the Year” (年度魅力品牌) under the 2017 “Glory of Quality” (質量之光). The award was organized by China Quality Inspection Journal (中國質檢報刊社) under the guidance of the General Administration of Quality Supervision, Inspection and Quarantine of China (國家質檢總局), and the final list of awardees were confirmed after widely-held public voting and stringent assessment by experts



## Overview of Corporate Social Responsibility

In 2017, in the face of the complicated and severe global macroeconomic landscape, the Company steadfastly upheld the objective of “We aim at customers’ satisfaction” and adhered to its mission of “Green Power, International Weichai”, shouldering the responsibilities of revitalizing the equipment manufacture industry in China, providing green power and fabricating high-end products, striving to become the best in the world, integrating social responsibilities into the operations development of the Company, actively creating an enterprise characterized as “resources-saving” and “environmentally friendly”, and seeking growth and development of the enterprise in harmony with its staff members, society and the environment.

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

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

### II. System construction

#### 1. Stringent quality control for delivering outstanding products

Products are the foundation of an enterprise and quality is the critical element in an enterprise’s life. Genuinely seeing the creation of high-quality products as the top duty that it owes to its customers, the Company stressed quality management and strictly implemented the quality requirements under IATF16949 and GJB9001B, continued to improve its quality management system and processes, formulated a quality duty tracking system for the entire lifecycle of products and all-process quality and safety and risk control system based on advanced methods including APQP, FMEA and SPC, thereby gradually forming a unique WQS quality management system, continually uplifting the level of quality management. In 2017, the Company attained 100% passing rate in all provincial-level sample inspections and commissioned inspections, and had no material incidents on quality or safety. The Company’s quality control was fully endorsed by the community and had won a number of accolades including “China Quality Award-Nomination Award” (中國質量獎提名獎), “China Outstanding Quality People” (中國杰出質量人), “Quality Benchmarking Enterprises in China” (中國質量標杆企業), “China Export Quality & Safety Model Enterprises” (中國出口質量安全示範企業) and “Benchmarking Enterprise with Outstanding Quality and Integrity in China” (全國質量誠信標杆典型企業). In 2017, as the highest scorer, the Company was enrolled on the list of the “3rd China Quality Award Public List” (第三屆中國質量獎公示名單).

**First, to enhance the system of quality management.** We adopted a down-to-earth approach in optimizing and enhancing the internal indicators system and systematical processes continuously, and established an all-process quality control system covering the entire lifecycle of a product including procurement, research and development, manufacturing and sales. We worked on forming quality foundation through monitoring and reviewing our management system and reviewing certificate renewal, thereby ensuring the effective operation of system. **Second, to strengthen quality management and control.** From the CEO of the Company to a frontline production staff member, our duties have been specified. The “one-vote veto” mechanism was in place for the purpose of quality safety, whereby we can provide strong support to product quality by creating such a system. For typical quality issues, we arranged specified examinations so that we can go back to square one in both technological and management sense. We conducted quality control at the supplier level, uplifting their quality and management synergistically; further enhanced the implementation of error-proof technology from the stage of design, thereby optimizing quality and cost. **Third, to support quality enhancement by using big data.** Leveraging on quality data management system, we monitored and analyzed post-sale data on products, and provided strong data support for achieving quality. **Fourth, to implement quality enhancement projects.** From the perspective of the whole value chain, we started to formulate and implement quality enhancement projects according to market feedbacks and customers’ demands, and implemented fully closed-loop management, thereby significantly enhancing the quality of products. **Fifth, to strengthen the formation of a quality-focused culture.** Under the theme of “promoting quality and maintaining high production”, we embarked upon relevant activities such as activities for the quality month, quality contests and quality benchmarks assessment, thereby creating strong atmosphere for quality; we also continued to provide specialized training on quality for staff members at different grades, in line with our actual business needs. **Sixth, full-team participation in quality enhancement activities.** We strengthened the instillation of philosophy of quality and implemented incentive policies, introduced mechanisms such as wages for innovations and special bonuses for lean improvement, through which we sought to encourage and guide our staff members to engage in all-rounded enhancements by working around the enhancement of management processes, uplifting of working efficiency, uplifting of craftsmanship level and reduction of costs of design.

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

Upholding the notion of “energy saving, emission reduction and green production”, the Company, guided by the philosophy of lean management, continued to uplift the level of energy usage and management of the enterprise by leveraging upon means such as technological innovations and energy-saving on technical front, and thus gained sound economic and social benefits. **First, we optimized and enhanced energy management system.** Energy management system that is in compliance with the national standards has been completed and is in full operation, through which we formed a long term energy saving mechanism which integrates the energy saving, law compliance and standard implementation mechanism, all-process energy management mechanism, energy saving technology improvement mechanism and energy saving culture construction mechanism. **Second, we solidified the basic energy management level.** In response to the pre-existing problems with energy management, we built a mechanism for awarding energy-saving and implementing dynamic management and control. Letters of duties of achieving energy-saving goals were signed with staff members at different grades, to tighten supervision and assessment of the use of energy; The supervision and assessment of energy-saving were linked up with energy-saving improvements and whistle-blowing by supervisors for better effect of such energy-saving supervision; A long-standing management model was devised to cover backward electrical and mechanical equipment which consumed more energy, whereby backward electrical and mechanical equipment would be managed in a precautionary way, ensuring that backward equipment which consumed more energy would be put under control. **Third, we continuously deepened energy-saving innovations.** We insisted on promoting energy saving through technology innovations, implementing projects for technological renovation for energy saving, including industrial park free cooling project, water circulation pump super smooth energy-saving ceramic coating renovation and promotion project, and the project on enhancing and renovating the cool-drying and cooling system of air compression engine system in

key production areas, thereby reducing the energy consumption for gas, electricity and heat and uplifted the environmental protection level. **Fourth, we completed the construction of smart energy management platform in industrial park.** Leveraging on information technology, a smart control platform was put in trial run, incorporating measurement, smart control of power system and on-site examination and supervision, thereby gradually achieving the goal of having smart and automated systems.

In 2017, we posted consolidated energy wastage of 0.030 tons standard coal per 10 thousand Renminbi of production value. Each energy wastage benchmark remained stable at industry-leading position in the PRC market. Over the years, we have been recognized as a “Shandong Low Carbon Industry Leader” (低碳山東行業領軍單位) and an “Advanced Enterprise in Energy Saving” (節能先進企業), “Advanced Enterprise in Water Saving Promotion” (節水宣傳先進企業) and “Circular Economy Demonstration Education Base”(循環經濟示範教育基地) and so forth in Weifang City. In 2017, “Development and Application Project of Revitalization Techniques for Casting Hybrid Old Sand” (鑄造混合舊砂再生技術開發及應用項目) of the Company was awarded a “class II prize for results of innovation and technology under the circular economy of Shandong 2017” (2017年度山東省循環經濟創新科技成果二等獎).

### **3. Regulated management to implement safe production**

It is of paramount importance to ensure safety. Adhering to the safety notion of “caring for people”, the Company solidified the development concept of safety development and earnestly complied with relevant provisions of the Safe Production Law (安全生產法) of the People’s Republic of China. It firmly executed the responsibility system for safety in production and various regulations of safe production and actively constructed a long-term safe production system, thereby securing safe production throughout the year.

**First, we strengthened the red-line consciousness and solidified safety foundation.** Documents specifying safe production responsibilities are signed at each hierarchical level to delegate safety responsibility to staff of different hierarchical levels and departments. Indicators for safe production were included within the scope of appraisals, and the “one-vote veto” mechanism was firmly implemented, further strengthened the red-line consciousness and solidified the management foundation of base level staff. **Second, we stepped up our supervision and inspection to eliminate hidden threats to safety.** We established a long-lasting mechanism for screening, identifying and rectifying work safety accident hazards, and organized safety inspections such as seasonal safety inspection, specialized safety inspection, safety inspection before festivals and holidays, inspection of implementation of safety accountability. We identified and inspected more than 380 items of hidden threats to safety and immediately carried out remedial measures to a satisfactory level, thereby securing stable safe production throughout the year. **Third, we continued to improve our level-specific control over safety risks and the construction of a system for identifying and handling hidden risks.** In line with the requirements on the operation of occupational, health and safety management system, we formulated a guide on the level-specific control over risks and the identification and handling of hidden risks, compiled operation guide book, to direct and guide entities in our group to identify risks, identify and assess sources of danger, devise reasonable measures of management and control, and continually push ahead the effective implementation of the construction of the “Dual Systems” (兩個體系). **Fourth, we commenced themed education to raise safety awareness.** Centered on the annual safety theme of “Safety Responsibilities, I Implement” (安全責任、由我落實), we organized and commenced various activities such as education training, competition and exchange, and emergency drills, thereby raising our staffs’ awareness of safe production and skills.

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

Adhering to the notion of “Developing the economy and serving the community” (發展經濟、服務社會), the Company goes beyond its own development to actively perform its social responsibilities to give back to the society, spread its positive energy as a corporation and strives to achieve win-win development vis-a-vis the society, gaining recognition from different sectors of the society. **First, we cared about the development of people and fostered employment in society.** The Company insists on employing various outstanding graduates from secondary schools, colleges and technical schools, thus greatly alleviating the employment pressure of the society. In 2017, the Company hired 590 fresh graduates in Weifang. At the same time, the cluster effect brought by the corporate’s development has driven the development in surrounding industries and service industry, and created numerous employment opportunities. In addition, the Company actively cooperated with higher education institutes such as Tsinghua University to set up education grants for helping outstanding students who live in poverty, thereby vastly contributing to the incubation of talents from those institutes. **Second, we participated in the charity and spread positive energy.** We have always cared for and supported education. We donated towards building a number of hope primary schools, actively commenced the “Golden Autumn Grants” (金秋助學) and made the college dreams of our staff’s children who are in difficulties come true; actively participated in disaster relief work and helped the poor and needy; provided free medical consultations for the elderly and health consulting throughout the year; actively commenced voluntary services through youth volunteer association, building the “Weichai” volunteer service brand. In 2017, young volunteers from the Company served for a total of more than 28,000 hours. **Third, we protected our staffs’ interests and built a harmonious enterprise.** We shared the fruit of corporate development with our staff by broadening the career path of staff and offering noticeably competitive wage and benefits in the locality; insist on delivering warmth and health to its staff through visits; care about the development of our staff, organized activities such as cultural lectures and thematic reading schemes in order to satisfy the individualized development needs of its staff; strengthened the cultural construction and participation, actively organized various interesting cultural activities, including “Happiness Dream, Work Beauty” (幸福夢•勞動美) staff singing contest, “Realizing Dreams with Youthhood” (為夢想奉獻青春) youngsters’ event and so forth, thereby greatly enriching the cultural life of our staff.

## Corporate Governance

### I. Structure of corporate governance

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

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

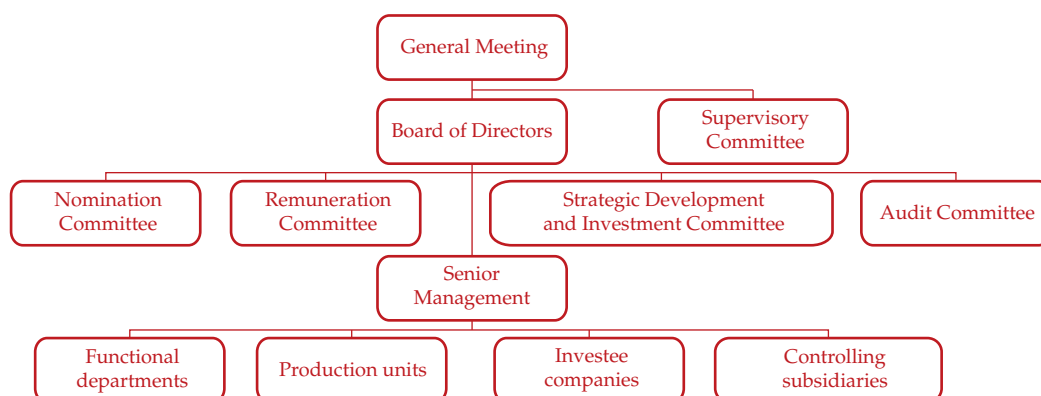
The Board, which is accountable to the General Meeting, comprises of fourteen directors, of which, no less than half of the members are external directors. External directors include the independent directors of not less than one-third of the total number of the Directors. The Directors are diligent and responsible, exercising decision-making powers within their scope of functions and duties in accordance with regulations such as the Articles of Association and Rules of Procedure for Board Meetings, and are responsible for establishing and implementing an effective internal control system, as well as defending the overall interest of the Company.

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

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

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

## II. Organizational structure



For details of corporate governance, please refer to the 2017 annual report of the Company.

## Customers

### I. Quality of products

As a benchmarking enterprise in the manufacturing industry, the Company always adheres to the quality policy of “aiming at customers’ satisfaction, full team participation for continuous improvement, and building the famous ‘Weichai’ brand”, and to the quality philosophy of “quality is in our hands”, strictly complying with laws and regulations of product quality and relevant laws and regulations of the PRC, and established the quality control system covering the entire lifecycle of a product. **No material incidents on quality or safety occurred in 2017.**

#### **(I) Improve the all-process quality management system and ascertain quality responsibility**

A sound quality management and control mechanism was established, whereby duties have been specified, from the CEO of the Company to a frontline production staff member. The Quality Incentives Administrative Measures were revised and enhanced, and the “one-vote veto” mechanism was put in place for the purpose of quality safety, whereby we can provide strong support to product quality by creating such a system.

A sound quality defect recall system was established, which included the Procedures for Managing and Handling Customer Complaints (客戶投訴事件處理管理流程), Administrative Measures for After-sale Services (三包服務管理辦法), Procedures for Controlling Returned Products (返廠產品控制程序), Processes for Managing Quality Claim and Reimbursement (質量索賠、追償管理流程) and so forth. We relied on our dense national network of repair services and our strong information technology system to track product usage in a timely manner and recall the defective products at any time.

#### **(II) Solidify quality foundation and encourage quality development**

Since the issue of IATF16949:2016, the Company responded actively by forming a taskforce for handling certificate renewal, streamlining its quality management systems and processes, and was among the first in the industry to pass certificate renewal review under IATF16949:2016 (the requirements under the quality management system relating to automobile production parts and related service parts), and obtained IATF16949:2016 Quality Management System Certification.

The Company also passed the supervisory review under GJB9001B-2009 (National Military Standard – quality management system requirement), and armed equipment production permit undertaking qualification renewal review, as part of its efforts on infrastructure management. For typical quality issues, we arranged specified examinations so as to go back to square one in both technological and management sense.

#### **(III) Continually uplift quality level by means of information technology**

A quality data management system has been established, whereby intuitive supervision and analysis of after-sale data can be conducted in 8 dimensions including platform, industry, usage, main factory etc., covering three aspects namely defective rate perceived by customers, defective rate for a manufacturing period of N months, and defective rate for N months after sales, thereby comparison and analysis can be conducted on the defective rate perceived by customers from different dimensions. Meanwhile, strong data support can be available for quality improvement and quality attainment.

The management of incoming materials examination was optimized with the establishment of the WQM system. This system uses digitized quantitative tools to achieve automatic collation and transmission of data, thereby achieving automatic judgement of examination characteristics and batch-based conclusions.

#### **(IV) Enhance the construction of quality-oriented culture and boost quality awareness among all staff members**

We organized activities for the quality month under the theme of “promoting quality and maintaining high production” (促質量•保高產), commencing promotional activities with clear theme and outstanding focus. By means of bulletins, banners and videos, we sought to create a positive atmosphere of perseverance with the participation of all members of the Company. We organized contests on quality-related knowledge, through which we promoted learning and in turn promoted the importance of quality. We also organized activities for quality enhancement, with specialized training for staff members at different grades. The election of “Quality Stars” (質量明星), “Groups with Quality Satisfaction” (質量信得過班組) and “Quality Benchmarking Units” (質量標杆單位) is meant to create role models in order to reinforce the awareness enshrined under philosophy of “quality is in our hands”.

#### **(V) Reporting for the 3rd China Quality Award**

China Quality Award (中國質量獎) is granted to entities which have had outstanding contributions for building a quality country and are role models in leading the industry by quality management innovation and quality supply enhancement, as well as to individuals with outstanding contributions for uplifting the industrial and local quality attainments in China. Having gone through processes including voluntary reporting, format examination, materials assessment, expert review, statements and defence, on-site evaluation etc, the Company was ranked number one under the manufacturing enterprise category in the list proposed for the award. In 2017, on the basis of “due prevention, effective system, proper duties and stringent penalty”, the Company achieved the goal of reducing after-sale defective rate by 20%, winning customer satisfaction with product quality.

#### **(VI) Customer information security and privacy policy**

In order to protect the confidential information of our customers and ownership from being abused, the Company formulated the “Procedures of Protecting Customer Confidential Information and Ownership” to protect and monitor customers’ information and ownership during the whole process. The Company carries out daily monitoring and inspection, where the monitoring and inspection result should be reported to the management review meeting as a topical report. The management review meeting should apply policy adjustments and effective corrective measures in respect of the confidential policy and implementation.

## **II. Responsibility fulfillment of the major subsidiaries in product quality**

### **(I) KION**

At KION, all processes that affect the quality of products are documented, audited and certified in accordance with DIN ISO 9001. KION also complies with other relevant standards. Its products have longer life cycle and are effective logistics solutions.

#### *1. Quality and service management*

At KION, product safety is always top priority. The technical maintenance teams provide on-site servicing. KION offers customers and dealers professional advice and support on matters such as technical conversions and modifications. The service teams are quick to respond and flexible, providing services to meet customers’ needs, aiming to provide satisfactory products to customers. At the same time KION is committed to doing everything it can to ensure that products are safe and reliable. KION complies with all legal and technical requirements and standards.



## *2. Anti-commercial bribery*

KION formulated strict internal compliance standards and restrictions for commercial behavior, outlined detailed internal regulations for anti-corruption and excluded any possibility of corruption. Staff received clear guidance to ensure they will not make use of their power to obtain improper interest for other parties or themselves. In general, payment in cash is prohibited in commercial deals, especially when large amount is involved. In order to prevent fraud and money laundering, detailed regulations are listed out, for example, payments should always be cashless, unless in exceptional cases like spare parts, smaller sums are involved, but would always require consent of local executive board to an upper limit amount, informing the local Compliance Representative and the Compliance Department immediately if any unusual payment pattern has been identified.

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

### *1. Quality control system*

Shaanxi Heavy-duty Motor introduced and compiled with diversified international quality management standards. In 1996, it introduced the ISO 9001 standard, which was officially executed on 1 July 2007. Under certificate renewal arrangements (ISO9001:2008, GJB9001B-2009, ISO/TS16949:2009), it was further revised in 2011 and issued and became effective on 1 July in the same year. In December 2016, renewal arrangements in respect of the management system commenced. The revised system documentations were duly issued on 15 September 2017.

### *2. Procurement of parts and components*

Product components were procured according to the List of Qualified Suppliers and List of Military Vehicle Qualified Suppliers. Procured and outsourced parts and accessories were subject to acceptance check and testing according to Management regulations on incoming goods' inspection and testing. The whole production and product generation process is subject to comprehensive standards covering design and drawing, production process, separate assembly processes and overall assembly processes. Control pints are created in production and assembly process of key and important parts so as to control products' critical properties. Before departure from factories, all complete vehicles have to undergo road test and wear test as well as overall vehicle technical performance test.

### *3. Key benchmarks*

In 2017, centered at "paying attention to the full life cycle of products and to the full process of customers' operations", we solidly embarked upon the activity of "Three Inspections of and Three No's to Defective Products" (三檢三不), thereby strengthening process control over quality. Both product appearance and assembly quality were uplifted. At year end, initial defective rate was 2.58%, market quality issue closing rate was 92.4%, and user satisfaction rate went up by 2 percentage points compared to the previous year.

### *4. Intellectual property rights management*

For the maintenance and protection of intellectual property rights, a series of rules and systems have been formulated, including "Rules for Patent Management", "Measures for Intellectual Property Rights (Transference) Management", "Rules for Product Naming and Trademark Registration Management", "Rules for Special Vehicle Subsidiaries Trademark Management", "Rules for Trademark Rights Protection (Anti-counterfeit Goods) Work Management", "Rules for Trademark Management", "Knowledge Management Control Procedures" and so forth.

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

#### *1. Establishment of regulated service management system and service strategy*

A four-tier service management system has been established: First tier being a technology service centre; second tier being the Group's overseas sales service stations and offices; third tier being the Group's service staff members stationed overseas; and fourth tier being authorized service stations. This four-tier service system covers pre-sales, in-sales and after-sales technical support and technology services.

#### *2. Full-swing delivery of passionate services with 24-hour emergency support services*

While 24-hour toll free service hotlines 800 and 400 have been made available, 24-hour mobile phone access to overseas sales service stations and key staff members have also been made available. Weichai is the first among its industry peers in China to offer, under two-year warranty or 100,000-kilometres warranty, 1-hour response time in handling service messages; 1-hour response time to in-station service requests; 3-hour response time to outbound service within 50 kilometres (8 hours for 300 kilometres or less; 24 hours for more than 300 kilometres); and 72-hour response time to distant regions. We solve general disruptions on the same day, severe disruptions in two days, and material disruptions in three days. Products of Fast Gear enjoy lifelong services from us. We will re-visit users that we previously serve so that we are able to provide products and services that outperform customers' expectations, in line with the motto of Fast Gear in delivering sincere promises and actual actions in adherence to the "customer first" principle.

For after-sale services, various post-sale data are collated and analyzed. We compare statistics in 2016 and categorize components with higher defective rate, attend to the change of defective rate and analyze reasons in a timely manner. Meanwhile, we also foster the improvement of the duration of after-sale services for regular products and new products, and conduct study on the feasibility of extending warranty for gear boxes. The timeliness and effectiveness of product information feedback are also enhanced.

#### *3. Enhancement of product quality management system*

In 2010, we successfully completed the certificate renewal arrangements for the TS16949 quality management system and obtained the ISO/TS16949:2009 certification. The laboratory centre obtained its ISO/IEC laboratory certification on 19 February 2014 and the CMA quantitative certification on 11 January 2014. To go further towards high quality standard, in 2017, we started to prepare for the aeronautical AS9100D/EN9100:2016 quality management system standard and plan to pass the certification in May 2018.

## Shareholders

Major financial indicators	2017	2016	Variation
Operating revenue (in ten thousand RMB)	15,156,939.22	9,318,352.14	62.66%
Net profits attributable to the shareholders of listed Company (in ten thousand RMB)	680,834.25	244,118.86	178.89%
Net cash flow from operating activities (in ten thousand RMB)	1,625,833.22	825,043.35	97.06%
Basic earnings per share (RMB/share)	0.85	0.31	178.89%
Diluted earnings per share (RMB/share)	0.85	0.31	178.89%
Weighted average return on net assets	20.25%	7.65%	12.60%
	<b>End of 2017</b>	<b>End of 2016</b>	<b>Variation</b>
Total assets (in ten thousand RMB)	18,963,816.66	16,353,619.03	15.96%
Net assets attributable to the shareholders of listed Company (in ten thousand RMB)	3,523,952.29	3,161,379.88	11.47%

### I. Corporate governance and information disclosure

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

In 2017, based on the Company's strategic deployment and regulatory requirements, General Meetings, Board of Directors meetings and Supervisory Committee meetings were held 25 times. We continually standardized the listed Company's corporate governance and enhanced its corporate governance level, safeguarding completion of its strategic targets.

#### (II) Corporate governance

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

- ⊕ In accordance with relevant requirements including the Guidelines on the Articles of Association of Listed Companies (上市公司章程指引), Rules for General Meetings of Listed Companies (上市公司股東大會規則) and Rules for Implementation of Online Voting for General Meetings of Companies Listed on the Stock Exchange of Shenzhen (深圳證券交易所上市公司股東大會網絡投票實施細則), the Company has arranged to revise the Articles of Association and the Rules of Procedure for General Meetings, to further regulate relevant matters including online voting arrangements for general meetings of shareholders and the separate vote counting for minority investors, with a view to make ongoing improvements to the systems and mechanisms of the Company;

- ④ The Company regulated the operation of General Meetings, Board of Directors and Supervisory Committee and actively harnessed the function of independent directors and different professional board committees. Concurrently, in accordance with the arrangements of China Securities Regulatory Commission, Shenzhen Stock Exchange and Shandong Securities Regulatory Bureau, we organized different training activities for directors, supervisors and senior management so as to enhance their ability to perform their duties in accordance with the law;
- ④ The Company strictly followed Rules Governing the Listing of Securities on Shenzhen Stock Exchange and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the “Articles of Association of Weichai Power Co., Ltd.” and Administrative Measures on Information Disclosure and strengthened information disclosure management. We disclose information in an authentic, accurate, complete, timely and fair manner and ensure that all investors acquire information on the Company under a fair environment.

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

In 2017, the Company disclosed a total of 235 announcements, including 84 announcements on A shares and 151 announcements on H shares. We successfully completed the approval and information disclosure of significant matters including periodic reports, profit distribution, external guarantees, connected transactions, election of directors, amendments to articles of association and so forth.

### **(IV) Awards**

In 2017, as a result of our regulated corporate governance, outstanding business performance and smooth investor communication channel, we further enhanced the reputation of the Company in capital markets and was awarded the following: Best Investment Value Listed Companies 2017 (2017 最具投資價值上市公司), 2017 Top 100 Trustworthy Listed Companies in China (2017 中國上市公司誠信企業百佳), Industry Champion among A-Share Listed Companies 2017 (2017 A股上市公司行業冠軍), Star Enterprise of China (中國明星企業獎), Top 100 Enterprise of China (中國百強企業獎), Outstanding Corporate Governance Practice by Listed Companies in China 2017 (2017 年度中國上市公司杰出公司治理實踐獎), Listed Company with the Best Creativity 2017 (2017 年度最具創新力上市公司), awardee under SynTaoGF-Caixin ESG-50 Index 2017 (2017 年度融綠-財新ESG美好50指數獲選企業) and so forth.

## **II. Investor relations management**

In 2017, under the principles of being proactive, efficient and interactive, the Company created the IRM service model of “One main line, all-rounded advance”. Through multi-faceted, multi-level communication channels such as research reception, investor hotline, response on the interactive e-platform, results announcement, analyst exchange session, we strengthened our communication with investors on regular and irregular basis to enable them to understand the Company more thoroughly.

### **(I) Daily communication and exchange**

In 2017, the Company provided reception for 45 investor visits, conducted 103 telephone conferences of more than 1 hour each, and answered 265 questions from investors on the Shenzhen Stock Exchange interaction platform. Our work in investor relations was highly recognized by organizations and individual investors.

## **(II) Results announcement**

In 2017, we organized press conferences on the 2016 annual results and 2017 interim results. More than 200 domestic and foreign organizations joined the conference and the total number of people exceeded 500. We produced and published Chinese and English PPT on the 2016 annual results and 2017 interim results so that investors were informed of the Company's operation condition in a timely and objective manner. In 2017, we joined 20 strategy conferences held by securities firms such as BoA Merrill Lynch and China International Capital Corporation Limited. Through face-to-face interaction with investors, we attained satisfactory effect of promotion.

## **(III) Profit distribution**

In 2017, the Company paid attention to the needs of secondary markets. Through questionnaire investigation and reverse research we explored market requests. We insisted on yearly execution of profit distribution proposal to safeguard investors' interest with determination.

The Company implemented the 2016 annual profit distribution scheme as follows: Based on the 3,998,619,278 shares as of 31 December 2016, representing the total share capital of the Company, the Company distributed to all shareholders a cash dividend of RMB2.50 (including tax) for every 10 shares held and issued 10 bonus shares (including tax) for every 10 shares held, out of undistributed profit. Implementation of the scheme was completed on 21 July 2017.

The Company also implemented the 2017 interim profit distribution scheme as follows: Based on the 7,997,238,556 shares, representing the total share capital of the Company, the Company distributed to all shareholders a cash dividend of RMB1.50 (including tax) for every 10 shares held. Implementation of the scheme was completed on 20 October 2017.

## Employees

As regards human resources management, in 2017, in accordance with the Company's strategic planning, and in strict compliance with national and local labour laws and regulations, the Company conducted its human resources management in a creative way, by following the guidance about retaining high-end talents and forming an ecosystem stressing excellence and innovation.

### I. Overview of human resources management

Upholding the mission of "forming order with management, setting image with services, and taking care of hardworking and competent people" regarding human resources, the Company, on the one hand, stressed the proper order in management, built a standardized position management system, and solidified basic ground work including labour relations, personnel data, personnel archives etc. On the other hand, catering to strategic requirements, the Company stressed the introduction of high-end talents and cultivation of talents by multiple means.

#### (I) Building a standardized position management system

Position management covers both positions and people who are in such positions, and represents the foundation of human resources management. In 2017, the Company established rules, methods and standards, from the perspective system formation in respect of position category planning, identification of key position and core talents, assessment of position values, and qualifications, thereby forming a position management system which is standardized, clear and organized.

#### (II) Recruiting high-end talents

In 2017, the recruitment in Weifang was commenced based on the strategy of "going high-end". In recruiting high-end talents, we stepped up our efforts in visiting school campuses to fully promote the employer brand. We visited the campuses of 45 tertiary institutions and recruited 590 fresh graduates. We also recruited 67 people who had working experience. We also organized recruitment activities both at home and abroad for hiring high-end talents, with recruitment fairs being held in the United States and Europe. For school-enterprise cooperation, in addition to the five existing partners namely Tsinghua University, Tianjin University, Jilin University, Tongji University and Zhejiang University, we also added numerous prestigious tertiary institutions including Harbin Institute of Technology.

#### (III) Incubating teams of high-end talents

In 2017, guided under our corporate strategies and business development plan, aiming to solve practical problems and directed by our four-tier training management system, we commenced training programs in an orderly manner, covering cadres, research and development, technology, sales and procurement, management and frontline workers etc., providing comprehensive trainings for our talents at different areas. **A total of 1.483 million training hours were provided for the full year to 123,900 participants, which translated to 102.7 training hours per participant.**

#### (IV) Holistic command of ground work

In 2017, we focused on uplifting ground work in human resources, with a stress on personnel data, labour relations, file management and so forth, which effectively supported our human resources management system. Personnel information standards were established, e-HR system benchmarks were optimized, standard HR statements and analytical reports were established, to ensure more holistic and accurate data. We paid much attention to the admission of new staff members and termination of existing staff members, to ensure zero loophole in the key areas of labour relations management, and

that employment is in compliance with national and local labour laws and regulations. Further, we enhanced file management to the extent that we specified HR materials which must be put on archive, and created the Detailed List of Filing Categorization for HR Records (員工人事檔案分類歸檔明細表), thereby protecting the basic interests of staff members. Meanwhile, we strengthened management of corporate annuity and supplemental medical insurance to reap better benefits for staff members.

## II. Staff statistics

As at 31 December 2017, the total headcount of the Company reached 74,474, including 31,608 hired by KION.

### (I) Staff number by function (excluding KION)

Function	Production worker	Technical staff	Operation and management staff	Others	Total
Number	23,021	9,475	4,704	5,666	42,866
Percentage	53.70%	22.11%	10.97%	13.22%	100%

### (II) Staff number by age group (excluding KION)

Age Group	Below 35	35-55	56 or above	Total
Number	24,111	17,841	914	42,866
Percentage	56.25%	41.62%	2.13%	100%

### (III) Staff number by region (excluding KION)

Region	Weifang	Shaanxi	Others	Total
Number	11,337	22,703	8,826	42,866
Percentage	26.45%	52.96%	20.59%	100%

## III. Employees' rights protection

In 2017, we further enhanced the formation of the management system for a modern enterprise, strictly complied with national laws and regulations relating to labour protection, strictly enforced the Labour Law and the Labour Contract Law, aiming to regulate the management of labour employment. **In the course of employment, there had never been any employment of child labour or forced or compulsory labour. Rate of signing labour contracts reached 100%.** By doing so, we developed harmonious relations with employees and gave rise to favorable human environment.

Adhering to a people-oriented management concept, we strictly follow the Labour Law and the Labour Contract Law and internal labour rules in our recruitment process. **We remained committed to "same post, same wage" principle regardless of gender. We also prohibited the hiring and engagement of child labour, nor had there been any forced or compulsory labour usage.**

## IV. Staff training

Our training depends on the qualifications required for the position and corporate strategies and business development needs. Taking into account the staff member's needs for career development, and benchmarked against the qualifications required for the position, trainings for skills enhancement are provided to staff members at different positions. Being offered in online or offline modes, the training programs took the form of individual self-learning sessions, collective training sessions, internal lectures delivered by instructors and training sessions delivered by external training organizations. The training programs covered more than 97% of employees at all levels. **Male and female employees were offered equal opportunities in training. Training hours for male and females employees were equal.**

In line with corporate development strategies and operations-related issues, we ran overseas training programs for mid-ranking back-up cadre teams, concentrated training programs for leadership cadre teams, training programs for salespersons, training programs for craftsmanship and quality staff, training programs for research and development staff, and so forth. By way of various training modes, such as learning-in-action, project tackling and on-site consultation, we achieved positive training results and improvement in working efficiency.

1. **Refining training management system:** Three systems and eight management processes were in place to guide training from a system-wide perspective. In our efforts to strengthen the basic management of trainings and resources building, we hired 96 internal trainers who covered management, IT, R&D, quality, craftsmanship, production support and so forth.
2. **Cultivation of talents by multiple means:** We launched training programs for quality, craftsmanship, R&D and sales functions. Internal examiners were trained to foster the implementation of new quality systems. Employees responsible for craftsmanship were trained to acquire better skills in craftsmanship planning and implementation, and equipment automation modification. The DFMEA training programs were for enhancing project planning and management ability of research and development staff. The systematic sales training program was for achieving the change from passionate marketing to value marketing.
3. **“Golden blue collar” training:** We trained a total of 307 highly-skilled employees through this award-bearing training program, from which trainees obtained qualification certificates. We also recommended outstanding highly-skilled employees to participate in the assessment for chief technicians. In 2017, two technicians from us were recognized as Shandong chief technicians and three technicians from us were recognized as Weifang chief technicians.
4. **Overseas customized training for back-up cadre teams:** 16 mid-ranking cadres were selected to participate in our overseas customized training for back-up cadres. The program focused on leadership development, knowledge and skills enhancement, practical applications and English language enhancement. The program enhanced language proficiency, widened international vision, and enriched thinking.





## V. Remuneration and benefits

In accordance with the Labour Contract Law and relevant laws and regulations, the Company seriously observed the provincial and municipal opinions on the implementation of wages, taking into account its corporate development strategies, industry characteristics and labour costs paying ability and making reference to market remuneration level and industry benchmarks, to regulate remuneration performance management, keep optimizing its remuneration system and evaluation and allocation system. By conducting position value assessment and market rate benchmarking analysis, we set reasonable wage levels for employees at different ranks and positions. We adjusted and improved the performance assessment management system for all staff members so that remuneration reflected performance, thereby establishing a sound system suitable for managing remuneration which stayed in line with our corporate development.

In strict compliance with national laws and regulations of China, we maintained five social insurance plans as well as housing provident fund for our employees, **with a coverage rate of 100%** and full contributions were made in a timely manner. To create a long-lasting incentive mechanism, on the back of the basic pension, and in accordance with national policies, we established a system of corporate annuity and a system of supplemental medical insurance, to offer a better level of staff benefits.

## VI. Staff career development

With high regards for staff career development, the Company implemented a dual-path (executive + professional) promotion system. Apart from the executive path, positions were divided into five sequences namely R&D, engineering and technology, management, sales and procurement, in which five hierarchical levels namely “newbies, experienced, core, experts and authorities” existed so that every employee could become a specialist in the respective sequence. For each hierarchical level, post-based qualification standards were set for each sequence and position. By looking at the qualifications required, employees could easily see their goals and determine their own development path. The formation of a hierarchy-based training system according to qualifications helped employees enhance their occupational skills and attributes in a systematic and target-oriented manner.

In 2017, the Company received the following accolades: “Shandong Harmonious Enterprise with Good Labour Relations” (山東省勞動關係和諧企業), “Shandong Role-model Enterprise for Labour Contract System Implementation” (山東省勞動合同制度實施示範企業), “Weifang Harmonious Enterprise with Good Labour Relations” (濰坊市勞動關係和諧企業), “Weifang Role-model Entity for Trustworthiness in Human Resources Social Security” (濰坊市人力資源社會保障誠信示範單位), and the 15th “TOP 50 Employers Most Preferred by University Graduates in China” (第十五屆中國大學生最佳僱主TOP50) organized by chinahr.com (中華英才網).

## VII. Performance of human resources duties by major subsidiaries

### (I) KION

KION ensures that employment standards are upheld in accordance with the ILO (International Labour Organization) fundamental labor conventions. KION also follows the requirements in Compliance Code and HSE policy regarding employment practices.

- 1. Recruitment and equal opportunities:** Success shall depend on the individual’s ability and contribution. The strategic goal for human resources of KION is to provide the strongest support to the 2020 Strategy and 2027 Strategy. Adoption of a series of measures ensures that a large pool of high-calibre employees are available for different posts. In particular, attractive working conditions and career development typical for an international enterprise is especially important. It laid a solid foundation upon which the Company will face challenges posed by population change. In 2017, we comprehensively commenced advanced processes for staff development to assess staff performance and ability. Going forward, succession plan for key positions will be given higher priority.

2. **Anti-discrimination:** KION is committed to applying the principles of conventions in how to treat its employees without discrimination. No distinction, exclusion, or preference made on the basis of race, color, gender, religion, political opinion, nationality, or social origin affecting access to vocational training, employment, and particular occupations or to terms and conditions of employment is accepted.
3. **Remuneration and benefits:** KION is committed to a remuneration which is appropriate to German national industry sector standards and by all means securing a subsistence level of income. Minimum wage limits that are set by national legislation or applicable collective agreements are not undercut. The principle of fair remuneration irrespective of gender is upheld. Where rates of remuneration are not determined by law or collective agreements, the value of the work performed must, as far as possible, be determined by objective appraisal of that work.
4. **Work and leave:** KION provides a mechanism of flexible working hours, for work-life balance. In Germany, employees can even opt for parental leave.
5. **Promotion, equal opportunities and diversity:** As an international company, KION welcomes the contributions of all employees, regardless of their gender, nationality, skin color, culture and religion. KION promotes its international collaboration between employees through expat programmes, which give employees the opportunity to transfer to different countries where KION is represented. KION also tackles the challenges of demographic change by providing working conditions that are suited to employees' age-related requirements and organising healthy-living programmes so that it can continue to benefit from older employees' experience. To expand the proportion of female members in the management, the management has set a series of goals in the corporate governance report. Further, the company plans to include more non-German staff members in the management, to better exemplify the international development of the company.
6. **Training:** To meet local requirements, trainings are organized separately in different localities. In Germany, there are currently 22 types of apprenticeship training programs, such as production, industrial and construction engineers, mechanical and electrical engineers, technical model creators and industrial managers etc. Apart from conventional occupational trainings, the company also cooperates with a number of universities in the provision of occupational trainings and programs in relation to the respective degree programs. Entities within the group located outside of Europe are also committed to training the young generation. In particular, back in 20 years ago, Linde (China) Forklift Truck Corporation Ltd. already established a training development centre dedicated to providing youngsters with dual occupational training programs based on the German model.
7. **Career development:** In 2017, the longer-term HR strategy was revised in order to ensure even better and more targeted development for employees with high potential. In addition to the development activities geared specifically to high-potential employees, greater priority will be given to succession planning for key positions in KION in the future and a robust process will be implemented for this purpose. In particular, it is of paramount importance to identify highly suitable people to fill in positions of professionals and management. One of the focuses of HR work across the Group was, as in the previous years, the recruitment and development of suitable young talent. KION endeavors to offer its employees interesting career opportunities and flexible, family-friendly working hour models. The Group companies also collaborate closely on areas such as talent management and training & development programs. This helps to systematically identify and support staff with potential, high performers and experts in key functions.

- 8. Labour Standards:** KION complies with the requirements in ILO, Compliance Code and HSE policy regarding labor standards. KION respects the personal dignity of every individual and we uphold human rights. KION does not permit child labour, any harmful employment of young people or any form of forced labour. No forced or unpaid work is allowed. No unpaid labor under the menace of any penalty is allowed. Persons below the minimum age defined in the ILO Convention Article 138 must not be employed. Persons under 18 years of age must not be employed in any type of work detrimental to his/her health, safety or mental well-being.

## (II) Shaanxi Heavy-duty Motor

- 1. Recruitment:** Shaanxi Heavy-duty Motor rationalized its recruitment requirements based on the development needs of its strategic businesses. Implementing the recruitment principles of "Openness, Equality, Competition and Meritocracy", Shaanxi Heavy-duty Motor made public its recruitment requirements, standardized the recruitment procedure, welcomed on board mature and high-end talents, as well as graduates of universities, high schools and vocational training institutions, creating job opportunities for the society.
- 2. Anti-discrimination:** In full compliance with the Labour Contract Law and the Labour Law, and conscientiously implementing the Collective Contract, the Special Collective Contract on Wages and the Regulations for the Protection of Female Employees' Rights entered into by Shaanxi Heavy-duty Motor and its staff, the company ensures that it treats its staff fairly and justly, without discrimination on the basis of gender, race, religion, age or disability.
- 3. Remuneration and benefits:** Shaanxi Heavy-duty Motor Company Limited adhered to the principles of distribution according to work and equal pay for equal work. Numerous wage systems have been in place depending on the nature of the position, such as structured wage systems and wage systems on a piece rate. A generous remuneration system has been established, while the company refined its remuneration and benefits system and optimized its distribution policies, continuously driving up the income of its staff. The company duly paid its contribution into the various insurance plans and the Housing Provident Fund for its staff in a timely manner, established a corporate pension fund, a supplementary medical insurance plan and a mechanism facilitating health care mutual assistance during major diseases, along with relief and aid for staff members fallen on hard times. Every year, the company handed a pay rise to 65% of its staff, thereby strengthening corporate cohesion.
- 4. Work and leave days:** In strict compliance with the work hours and rest days set out in the Labour Law of China, Shaanxi Heavy-duty Motor implemented a standardized work hour system of 40-hour work weeks. However, with regard to the special characteristics of production and operation, a comprehensive system of calculating work hours on a yearly basis have been in place for skilled positions in specialized production factories. Holidays are granted in accordance with the statutory number of holidays during statutory national holidays. Alternative holidays or overtime allowances in accordance with regulations have been granted where work has to be done on statutory holidays. The company rigorously implemented the Calculation Method of Paid Annual Leave for Staff and adequately protected the legal rights of the staff to paid annual leave. In strict compliance with the national paid annual leave system, the company formulated the Regulation of Paid Annual Leave Administration for Staff, where annual leave is granted based on production arrangements and applications from the staff. The company provided compensation for those unable to take their annual leave on account of work. Under the Regulation of Leave Administration for Staff implemented by the company, the staff are entitled to various kinds of leave, such as maternity leave and marriage leave.

5. **Training:** Shaanxi Heavy-duty Motor established a three-tier training system to fully foster its staff training by hierarchical levels, enhanced the system of courses, and organized activities for uplifting the ability of internal trainers. Based on national skilled occupation standards, the company formulated its own skill occupational standards and built a team of skills consultants as well as a mechanism for on-the-job skills assessment, to continually improve the formation of its training system. In strict compliance with national frameworks and requirements, the company made it mandatory to obtain a training certificate for positions that require a certificate. For key positions for which such certificates are not required under national requirements, there is a system to assess if certain benchmarks for particular positions are met, so as to ensure that the respective employees satisfy the requirements for those positions. Training paths are available to cater to human resources development. Those in key positions and senior talents are trained more rigorous and sent to external training. In 2017, the company arranged its back-up cadre terms to attend the “Identifying and Solving Problems” (問題發現與解決) training session, and its filing cadre teams to attend training sessions on “the Seven Habits of Highly Efficient People” (高效能人士的七個習慣) and “Formal Writing at Work” (公文寫作), with total number of participants being 48,000. Emphasizing skills enhancement of the first-rate staff, the company trained 87 technicians and senior technicians. Starting with skills appraisal, and through the daily counselling of squad and team leaders, skills enhancement training programs have been established as the norm. Throughout the year, training programs covered 97.3% of the staff, with an average of 28.7 study hours per person.
6. **Labour standards:** Shaanxi Heavy-duty Motor has been in full compliance with laws and regulations including the Labour Law and the Labour Contract Law of China. The company has made it a policy to enter into an employment contract with each and every member of its staff by establishing an employment relationship with its staff on a voluntary basis, on an equal footing and upon agreement after negotiation. The company has entered into an employment contract with each and every one of its staff. No irregularity has arisen where the company has failed to enter into an employment contract with anyone of its staff. In strict compliance with the national laws and regulations such as the “Provisions on Prohibition of Child Labour”, the company has never hired any child labour or under-aged persons.

### (III) Fast Gear

In 2017, Fast Gear remained committed to deepening management reforms and innovations, enhanced business collaboration among internal departments, expedited the introduction of strategic high-end talents, fostered the implementation and promotion of the “star-rate staff” performance and remuneration management system, continually uplifted the level of e-HR IT management, forged an education and training system with Fast Gear’s characteristics, and focused on building a strong enterprise with an ample talent pool.

1. **Recruitment:** With precise research and survey and targeted identification, the company expedited the introduction of high-end talents to improve its talent pool and provide intellectual support. In 2017, 155 talents were recruited, including 73 with working experience and 82 fresh graduates, to mainly replenish core positions including research and development, management and sales, solidify the project of forming a large “pool” of talents of excellence and high intellect, and create a more reasonable R&D talent structure.

2. **Remuneration and benefits:** Fast Gear actively and consistently implemented the relevant policies and did its best to safeguard all kinds of legitimate interests of its staff. The company has enrolled its staff in the five major Social Insurance Plans along with the Housing Provident Fund, with coverage at 100%, and duly paid all of its contributions in a timely manner. Setting up a system of supplementary insurance plans, the company refined the benefits and social security system for its staff. A corporate pension fund has been put in place where a legal person manages the pension fund as a trust, thus offering better retirement protection for the company's staff. The company established a supplementary medical insurance system for its staff to file claims for expenses falling outside the scope of their basic health care insurance and obtain reimbursements upon going through a second review, raising the standards of the health care available to the staff.
3. **Staff training:** The company stepped up the training and education for staff members and deepened the implementation of the multifaceted talent development system. On the notion of "connecting to sources, building platforms and paving roads" (搭梯子、建臺子、鋪路子), the company built a star-rate career development path for employees and encouraged them to move along the five-star path to grow themselves. In 2017, the company organized a total of 495 training sessions of various kinds for nearly 21,000 participants, covering 90% of the employees. Under the "Fast Gear Lecture" (法士特大講堂), 70 training hours were arranged for more than 1,500 participants, thereby widening the vision of the cadre teams and enriching their knowledge system. A total of 4 senior technicians and 13 technicians were trained. The Fast Gear Business Management Training Sessions organized by the company provides a platform for aspiring young staff members who have the passion and competence for achieving success. A total of more than 80 training sessions for skills required at different levels, through which we supervised highly-skilled employees at the rank of technician or above in the completion of more than 40 pieces of professional thesis on technology.
4. **Career development:** The company focused on raising the remuneration level of technical staff members in order to remain its competitive strengths on the market. A five-star appraisal system was in place for incentivizing employees to excel and succeed on their respective positions. Continually adapting itself to the needs of the market as well as for corporate development, the company improved its system of value appraisal and allocation, effectively identifying staff performance and forming positively correlating incentives, thereby achieving dynamic management based on the results of the star-rate appraisal. All these were aimed at opening up a clear path for the employees to grow, enhancing the system, upholding position-based value concepts, determining remuneration classifications and building long-lasting growth mechanism, thereby laying solid foundation in an institutional sense for the long-term corporate development of the company.
5. **Scholarships:** Since 2005, the company had set up a "Fast Gear Scholarship" to support education and help poor students who are academically excellent to complete their studies, sponsoring students from 10 key universities in China including Tsinghua University, Jilin University, Northwestern Polytechnical University and Xi'an Jiaotong University.
6. **Labour standards:** In 2017, Fast Gear strictly complied with national laws and regulations such as the Labour Law and its own systems such as the Human Resources Administration System and the Administrative Measures on Labour Contracts. The company strove to regulate the management of labour and employment. **No child labour has been used. 100% of the staff entered into a labour contract with the company. The company has maintained good order in labour and employment. No risks had been identified in regards of serious forced labour or compulsive labour.** With its well-regulated employment and management practices, Fast Gear has been awarded honours such as "Advanced Unit of Shaanxi Province in terms of the Openness of Plant Business and Democratic Management" and "Enterprise of Harmonious Labour Relations".

## Suppliers

In 2017, with the ongoing aim to form the most competitive supply-side conglomerate and manufacturing conglomerate and to sharpen the competitive edge of its full-range logistics processes, the Company formulated a mechanism for managing the classification of suppliers. Deployment of supply chain businesses had been optimized. The Company looked to creating products featuring “The Three Competitiveness” as the guiding principle in forming the strongest competitive edge in terms of supply chain.

### I. Supply chain management

#### (I) Policies and measures

- ④ Through formulating and implementing the mechanism for managing the classification of suppliers, the Company optimized the structure of the supply chain and constructed a supply chain system consistent with the positioning of its products in the market;
- ④ Completing and refining the competitor information database, the Company benchmarked its products against those of its competitors in terms of technology, quality and cost, and provided data to support Weichai’s initiative to create products featuring the Three Competitiveness, setting higher aims in a clear manner;
- ④ Through reforming the management style, the Company persistently enhanced the cost competitiveness of its products. Regarding the procurement of external parts and components, the Company sourced general Type B parts and components by open bidding, and sourced Type A/key Type B parts and components by price comparison. Where quality and delivery are guaranteed, preference is given to parts and components that come at a lower cost.

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

The Company engaged all of its suppliers in accordance with the “QG/WDG. B704 Standardized Selection, Assessment and Management Procedure”.

The Company managed, controlled and monitored its suppliers by adopting a range of measures, including supplier inspection, on-site review of suppliers, review from customers, third-party review, PPAP review and annual appraisal of supplier performance.

#### (III) Anti-commercial bribery

In 2017, the Company and its suppliers entered into the “Supplier Integrity and Honesty Agreement”.

### II. Summary of the work done in 2017

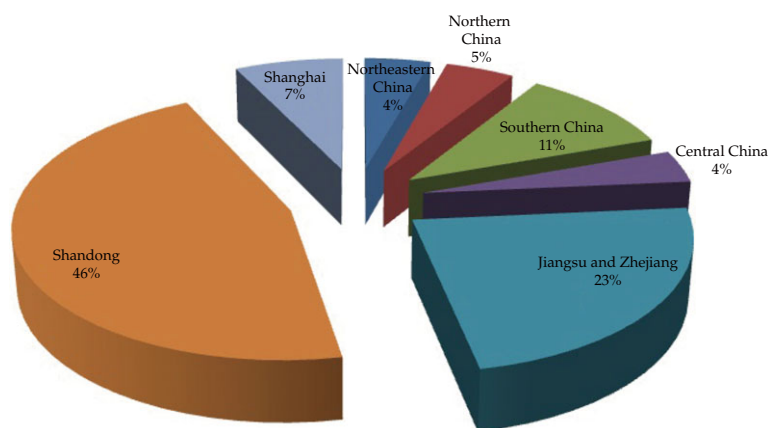
#### (I) Major work achievements

In 2017, the Company successfully developed an online bidding management platform to provide a system in support of the initiative to source Type B parts and components by open bidding within China. The initiation of the platform offered a place for open competition between qualified suppliers and non-qualified suppliers of Weichai, allowing the market to determine procurement prices.

In 2017, the Company organized various technological exchange activities between suppliers and Weichai’s own technological department, including 91 counts of technology exchange forums and technology days.

In 2017, a total of 185 suppliers participated in Weichai’s new product development projects and 179 technological innovation projects. 5,281 types of new products and 8,149 types of special supplemental products were developed.

## (II) Geographical breakdown of suppliers



Geographical Breakdown of Suppliers

**(III) Share of local suppliers in Weifang:** The parent company engaged a total of 66 local suppliers in Weifang, which accounted for 16% of all the suppliers.

**(IV) Annual supplier conference:** 803 representatives from 532 suppliers attended the Commercial (Supplier) Conference 2018, held on 21 December 2017 in Jinan. 30 outstanding suppliers were praised and commended at the conference.



Venue of the Weichai Commercial Conference 2018

## III. Planning and initiatives for the future

### (I) Supply chain strategic planning

Building on its professional procurement management team and outstanding suppliers, the Company worked tirelessly towards enhancing the competitiveness of its procurement in the three areas of quality, cost and delivery to support the procurement strategy of the Group. The Group will focus on strengthening its core competitiveness by making it the Group’s guiding principle to create products featuring the Three Competitiveness and constructing the best-in-class, high-quality supply chain in the world.

## (II) Assurance measures

1. **Quality:** While fostering the management of the classification of suppliers and deployment adjustments, the Company will push ahead with the in-depth development of the quality management of suppliers. Firstly, a mechanism for continuous improvements of the system based on risks will be established. Secondly, the Company will focus on managing changes to reduce deterioration and waste in the supply chain. Thirdly, the Company will emphasize the uniformity of its products by preventing defects and ceaselessly improving the quality of products. Fourthly, the Company will step up the management of sub-suppliers by tightening control of the source.
2. **Cost:** The Company will change its pricing model for procurement costs and extend cost management forward. Through the implementation of cost planning, the Company will encourage its suppliers to adopt new techniques and new equipment to cut costs, thereby allowing the Company and its suppliers to develop together.

The work on cost planning is carried out in two ways. Firstly, prior planning of the target procurement cost for new products. The procurement management department has to work with the product development department in planning the target cost for new products, and formulate strategies for the target cost and price of procuring items accordingly. Secondly, a database containing the pricing information of comparable products in the industry has to be created. After conducting data analysis and comparison, the Company could direct the efforts of its suppliers towards cost control.

3. **Capacity:** Suppliers plan their capacity based on their engines working at 120% capacity (including general accessory requirements). The timetable has to be consistent with the running of the engines.

## IV. Performance of supply chain management duties by major subsidiaries

### (I) KION

Compliance code is the basis for KION's corporate and social activities. All purchasing decisions are made in the interests of KION. Decisions are based exclusively on objective criteria such as quality, technology, price, production requirements and logistics.

All potential suppliers are treated equally, and all suppliers receive the same documentation and it is guaranteed that no supplier receives information about another competitor. When awarding contracts, decisions must be made objectively. Employees do not use business contracts to supply goods or services for their own private use, and are not allowed to be involved in a decision to award a contract to a company in which themselves have an interest.

### (II) Shaanxi Heavy-duty Motor

1. **Number of suppliers with geographical breakdown:** In 2017, Shaanxi Heavy-duty Motor had a total of 336 suppliers. The geographical breakdown of the suppliers is as follows: 32 in Northern China, 4 in Northeastern China, 142 in Eastern China, 102 in Northwestern China, 21 in Southwestern China and 35 in Southern and Central China.
2. **Review of suppliers:** For procurement control management and supplier management on the basis of the IATF16949 standards, every year, the system of both is subject to no less than 4 times of external review by third parties, 2 times of internal control review by Weichai and no less than 5 times of internal review by Shaanxi Heavy-duty Motor. The scope of review includes "CCC Review", "ISO9000 Review", "IATF16949 Review" and "China Military Standard Review".



- 3. Criteria for engaging suppliers and relevant control and supervision:** The criteria for engaging suppliers are based on the SQS/SI14.2.1 Supply Entry Permit Management Rules. The monitoring, inspection and measures for managing and controlling suppliers include supplier inspection, on-site review, review from customers, PPAP Review and supplier performance appraisal, along with an "Entry Permit Threshold" in place.

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

Fast Gear has long been managing its suppliers based on its internal rules, namely Measures for Procurement Management, Internal Control Regulations of Shaanxi Fast Gear Co., Ltd., Processes for Development of Suppliers, Processes for Development of Procured Products, with sound operating conditions. To date, Fast Gear had a total of 87 qualified suppliers, including 37 local suppliers in Shaanxi Province, which accounted for 42.5% of all suppliers.

# Environmental Protection and Safety

## I. Environmental Protection

The Company strictly followed regulations and sustainable and harmonious development strategy and fulfilled environmental protection obligations. We reduced pollution and enhanced efficiency, realizing clean production. We also established a mechanism of “self-discovery, self-improvement and self-management” so as to realize continual improvement of environmental management system.

### (I) Laws and Regulations and Internal Regulations Observed

1. **Laws and Regulations:** “Environmental Protection Law of the People’s Republic of China” (中華人民共和國環境保護法), “Law of the People’s Republic of China on Water Pollution Prevention and Control” (中華人民共和國水污染防治法), “Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution” (中華人民共和國大氣污染防治法), “Law of the People’s Republic of China on Prevention and Control of Solid Waste” (中華人民共和國固體廢物污染防治法), “Law of the People’s Republic of China on Pollution Prevention and Control of Environmental Noise” (中華人民共和國環境噪聲污染防治法), etc.
2. **Internal Regulations:** “Measures for the Administration of Environmental Pollution Prevention and Control” (環境污染防治管理辦法), “Measures for Environmental Pollution Prevention and Control and Occupational Disease Protection Facilities” (環境污染防治職業病防護設施管理辦法), “Procedures for Construction Project Environment and Occupational Health Management” (建設項目環境職業健康管理程序), “Procedures for Water Body Pollution Prevention and Management” (水體污染防治管理程序), “Procedures for Air Pollution Prevention and Management” (大氣污染防治管理程序), “Procedures for Solid Waste Pollution Prevention and Management” (固體廢物污染防治管理程序), “Procedures for Hazardous Waste Management” (危險廢物管理程序), “Procedures for Noise Vibration Pollution Prevention and Management” (噪聲振動污染防治管理程序), etc.

### (II) Major Work in 2017

In 2017, the Company ensured standardized emission of such pollutants as waste water, exhaust gas and solid wastes by means of environmental management system and environmental friendly facilities’ effective operation.

#### 1. *Environmental System Management*

On 24 January 2006, the Company passed ISO14001 Environmental Management Systems Certification. On 25 September 2008, 23 September 2011, 21 September 2014 and 18 September 2017, the Company passed certificate renewal assessments. In November 2017, the Company updated its “Management Manual on Company Environment and Occupational Health and Safety” in accordance with the new version of Environmental System Management Standards and modified the corresponding control procedures on a comprehensive scale.

#### 2. *Standardization of Pollution Sources Management*

- ☉ Monitored and inspected waste water treatment facilities, waste gas treatment facilities and hazardous waste storage sites on a regular basis to ensure an effective operation of each environmental facility;

- ④ Comparatively monitored, inspected and certified the online monitoring equipment of the sewage treatment plants to ensure its normal operation; built an information archive with comprehensive online sewage monitoring equipment, completed system back-up and realized dynamic management;
- ④ Pushed ahead renovation project of water-based paint craftsmanship and reduced emissions of volatile organic compounds at source; installed online facilities at plant boundary to monitor volatile organic compounds from stationary sources and realize real time monitoring of volatile organic compounds emissions;
- ④ Organized testing of exhaust emission, waste water discharge and plant boundary noise by qualified inspection units. Emissions of each pollutant met national and local pollutant emission standards;
- ④ Timely engaged qualified hazardous waste treatment organizations to conduct safe disposal of hazardous wastes, such as oily sludge, lacquer residue, etc.

3. *In 2017, pollutant emissions of the Company strictly complied with and met national and local standards:*

Pollutant Type	Emissions Standards
Waste Water	Production waste water and domestic sewage was partly reused after treatment and some was discharged into municipal sewage pipe network. Reused water indicator met "Reused Urban Sewage and Water Quality Standard for Urban Miscellaneous Water Consumption" (城市污水再生利用城市雜用水水質標準) (GB/T18920-2002). Water quality of externally discharged waste water met relevant requirements of "Waste Water Quality Standards for Discharge to Municipal Sewers" (污水排入城鎮下水道水質標準) (GB/T31965-2015).
Exhaust gas	Paint exhaust gas emissions met relevant requirements of "General Emission Standard for Air Pollutants" (大氣污染物綜合排放標準) (GB16297-1996) and "General Emission Standard for Regional Air Pollutants in Shandong Province" (山東省區域性大氣污染物綜合排放標準) (DB37/2376-2013);  Car testing exhaust gas emissions met relevant requirements of "General Emission Standard for Air Pollutants" (大氣污染物綜合排放標準) (GB 16297-1996) and "General Emission Standard for Regional Air Pollutants in Shandong Province" (山東省區域性大氣污染物綜合排放標準) (DB37/2376-2013);  Cannon stove exhaust gas and dust emissions met relevant requirements of "General Emission Standard for Regional Air Pollutants in Shandong Province" (山東省區域性大氣污染物綜合排放標準) (DB37/2376-2013).
Noise	Factory noise met "Emission Standard for Industrial Enterprises Noise at Boundary" (工業企業廠界環境噪聲排放標準) (GB12348-2008).
Solid Waste	"Pollution Control Standards for General Industrial Solid Waste Storage and Disposal" (一般工業固體廢物貯存、處置污染控制標準) (GB18599-2001) and its 2013 Revisions were executed to handle general solid waste; "Pollution Control Standards for Hazardous Waste Storage" (危險廢物貯存污染控制標準) (GB18597-2001) and its 2013 Revisions were executed for hazardous waste.

### (III) Major Emission Standards in 2017

#### 1. Measures for Emissions Reduction and Results Accomplished

The Company regularly engaged qualified inspection units to conduct environmental monitoring. Based on monitoring data, we strengthened the operation of environmental protection facilities and reduced the use of raw and ancillary materials. All pollutants produced by the Company met the emission standards.

Substance Emitted	2017 Emissions
Sulphur Dioxide	7.35 tons
Chemical Oxygen Demand	24.5 tons
Ammonia Nitrogen	1.66 tons
Hazardous Wastes	Handled approximately 3,500 tons of hazardous wastes, such as oily sludge, oily filtering cloth, oily sludge, waste oil and slag
Harmless Wastes	Produced approximately 56,600 tons of harmless wastes, such as scrap iron, waste iron, waste paper shell, chop wood, iron from lime and dust

#### 2. Measures for Handling Hazardous and Harmless Wastes and Reducing Waste Production and Results Accomplished

Both harmful and harmless wastes produced by the Company were processed in a safe and effective manner. No environmental pollution was caused:

- ④ Classified, collected and stored hazardous wastes and engaged qualified waste treatment service providers to process all wastes;
- ④ Collected and stored harmless wastes by category;
- ④ Buried harmless and non-recyclable wastes (such as domestic refuse) in municipal domestic refuse collection sites;
- ④ Sold harmless and recyclable wastes (such as iron scrap and paper shell) to relevant units for integrated use.

3. In 2017, no material incidents on the environment occurred in the Company.

4. In 2017, the Company was not included in the list of enterprises with severe pollution by environmental departments, nor were we penalized.

## II. Energy-saving

The Company insisted on the energy principle of “Energy Conservation and Emission Reduction, Obligation Fulfillment and Green Power, International Weichai” (節能減排、踐行責任、綠色動力、國際濰柴). Energy management is continually improved and we focus on the development of circular economy featuring green utilization of energy and resources. Energy efficiency is enhanced and cost is lowered, co-creating a low carbon green enterprise. We consciously fulfilled corporate social responsibility and abided by laws and standards about energy-saving. Through executing energy management system and abiding by requirements of energy management system documents, we undertook energy-saving work in a scientific manner.

## (I) Laws and Regulations and Internal Regulations Observed

1. **Laws and Regulations:** “Energy Conservation Law of the People’s Republic of China” (中華人民共和國節約能源法), “Renewable Energy Law of the People’s Republic of China” (中華人民共和國可再生能源法), “Water Law of the People’s Republic of China” (中華人民共和國水法), “Measurement Law of the People’s Republic of China” (中華人民共和國計量法), “Measures for the Administration of Industrial Energy Conservation” (工業節能管理辦法), “Circular Economy Regulations of Shandong Province” (山東省循環經濟條例), “Measures for the Administration of Energy Audit in Shandong Province” (山東省能源審計管理辦法), “Energy Conservation Regulations of Shandong Province” (山東省節約能源條例), “Measures for Energy Conservation Supervision in Shandong Province” (山東省節能監察辦法), “Elimination Catalogue for High Energy-consuming Backward Mechanical and Electrical Equipment (Products)” (高耗能落後機電設備(產品)淘汰目錄), etc.
2. **Internal Regulations:** “Energy Management Measures” (能源管理辦法), “Energy Management Procedures” (能源管理程序), “Utilities Management Procedures” (動能計量管理程序), “Utilities Dispatching Economic Operation and Management Standards” (動能調度經濟運行管理標準), “Energy Quality Management Measures” (供能質量管理辦法), “Energy Consumption Quota Management Standards” (能耗限額管理標準), “Energy Inspection Management System” (能源檢查管理制度), “Energy Statistics Management Standards” (能源統計計量管理標準), “Management Regulations for the Use of Refrigerators in Summer” (夏季製冷使用管理規定), etc.

## (II) Major Work in 2017

In 2017, the Company upheld the concept of sustainable development of “Energy Conservation and Emission Reduction, Obligation Fulfillment and Green Power, International Weichai” (節能減排、踐行責任、綠色動力、國際濰柴). We adhered to the principles of “safe, reliable, economical and rational” (安全可靠經濟合理) use of energy, enhanced the quality of energy use through optimizing and reforming energy supply systems and excelled in energy monitoring and control on a comprehensive scale. We enhanced our energy use ability proactively and continually boosted energy efficiency.

### 1. *Strengthened Measures for Energy Management and Control and Enhanced Quality for Fundamental Energy Management Levels*

The Company took into account the current situation and existing issues of energy management and implemented energy-saving award measures and dynamic management and control mechanism to foster the enhancement of energy management levels. We convened Energy Management Work Conference 2017, arranged energy management work for “13th Five Year Plan”, entered into Commitment of Energy-saving Objectives with various units and strengthened the monitoring and assessment in the process of energy use. Ties were built among monitoring assessments, energy-saving improvements and inspector reports, which facilitated energy-saving monitoring effects. We also standardized the notification of operational status of energy management systems, which covers the monitoring and notification of energy-saving practices, progress of energy management work, completed notification plan of energy consumption indicators, developments of energy-saving policies and regulations, etc. We innovated upon long-term management models for high energy-consuming backward mechanical and electrical equipment, standardized inspections, elimination standards and agenda, executed preventive management on existing backward electrical and mechanical equipment to various units and new construction projects and ensured that the management and control of high energy-consuming backward mechanical and electrical equipment were put in place.

*2. Construction of Independent Cooling Project in the Industrial Park*

The Company applied outdoor low-temperature air as coolant in winter and installed gasket-type heat exchangers between chilled water and cooling water. By activating the cooling tower in winter, cooling water was directly added to chilled water to lower its temperature. It was unnecessary to activate the refrigerating units, such that the objectives of energy-saving and refrigerating were achieved. The system operated in stable condition and resulted in obvious energy-saving effects, bringing savings in cost of approximately RMB300,000 every year.

*3. Completion of Setting up Intelligent Energy Management Platform in the Industrial Park*

The Company realized centralized energy measurement, information-technological refrigeration, as well as self-control and renovation for No. 1 air compressor engine room and the refrigeration system in the Dynamic Industrial Park. Based on setting up the Intelligent Energy Management Platform in the Dynamic Industrial Park, we piloted an intelligent management and control platform which integrated centralized energy measurement, dynamic and intelligent management and control system, as well as inspection and monitoring, bringing about an intelligent and automated system.

*4. Completion of Renovating and Promoting the Ultra-smooth and Energy-saving Ceramic Coating for Circulating Water Pumps*

The Company passed the renovation assessment for the ultra-smooth and energy-saving ceramic coating for circulating water pumps, bringing about an energy-saving rate of over 15% with the actual investment payback period of merely 4 months. Upon implementing the renovation of energy-saving ceramic coating, the useful life of the circulating water pumps could be extended, which lowered their maintenance costs effectively and resulted in positive energy-saving effects and economic efficiency, pursuant to which the Company implemented energy-saving renovation for 15 circulating water pumps of the same kind.

*5. Adoption of Multiple Measures, Optimization of Energy Supply System and Enhanced Efficiency on Energy Use*

The Company implemented the optimization and renovation of air compressor, cold drying and cooling systems in key production zones, assisted the production units in the modification and enhancement of the on-site ventilation systems, solved the deep-rooted problem of ventilation quality and enhanced the use efficiency of compressed air. We also completed major repair and renovation of oxygen-generating stations and fractional distillation towers in the Casting Park, renovation and upgrading of the high-pressure control and protection equipment of the 10kV switchyard in Anqiu Park and the implementation of projects, such as clean water supply competencies in the Casting Park, which safeguarded the safe and effective operation of the energy supply systems.

### **(III) 2017 Major Indicators**

In 2017, the Company took full advantage of industry and national policies and executed utilities system optimization and upgrading and enhanced energy supply reliability. Concurrently, we fully served the function of energy management direction and executed energy management systems, enhancing energy management level and maintaining continual stability of energy consumption indicators.

### 1. Comparison of Energy Consumption Reduction Indicators over the Past 3 Years

Indicators		Measurement Unit	2015	2016	2017	Comparison between 2017 & 2015
Total Energy Consumption	Water	Ton	567,145	600,811	865,595	53%
	Electricity	in ten thousand kWh	16,129	21,619	33,452	107%
	Natural gas	Thousand cubic meter	7,291	11,104	19,093	162%
	Steam	Steam ton	81,699	71,712	82,289	1%
Integrated energy consumption per RMB10,000 output value		Standard coal (ton) per RMB10,000	0.036	0.032	0.030	-17%
New energy (photovoltaic power generation)		in ten thousand kWh	522	552	500	-4%
		Standard coal (ton)	641	678	614	-4%
Financial input for technological improvement of energy-saving		In ten thousand RMB	712	278	364	-49%

### 2. Measures for Acquiring of Usable Water Sources and Enhancing Water Usage Efficiency and Results

The Company's water supply mainly comes from municipal pipe network's supply of tap water, 'no-river' water and extracted underground water. Water quality standards and water supply amount both met enterprise production and daily needs. To implement water-saving policies and enhance the efficiency of water resource utilization, in 2017, the Company undertook water conservation special inspection actions, investigating and modifying water pipe network, water facilities one by one. We organized a promotional water conservation activity titled "Cherish Every Drop, Embrace the Bright Future" (珍惜每一滴水擁抱美好明天) to enhance staff awareness of water conservation. We also completed the renovation plan in respect of water supply pipe network for cooling reused water at the experiment center and quality control for reused water used in vehicle testing, and renovation projects in respect of water reuse in some projects and some units, thereby increasing the use of reused water and reducing the use of clean water, saving approximately 50 tons of water every day. Compared with 2015, water consumption fell by 43% per output value of RMB10,000 in 2017.

## (IV) Honors in respect of Saving Energy and Reducing Emissions

In 2017, "Development and Application Project of Revitalization Techniques for Casting Hybrid Old Sand" (鑄造混合舊砂再生技術開發及應用項目) of the Company was awarded a "class II prize for results of innovation and technology under the circular economy of Shandong 2017" (2017年度山東省循環經濟創新科技成果二等獎). Weichai Power was awarded the title of "Shandong Low Carbon Industry Leader" (低碳山東行業領軍單位).

## III. Health and Safety

The Company adhered to the principles of compliance with laws and regulations, sustained harmonious development, focus on prevention, adherence to people orientation. Efforts were made to reduce pollution and enhance efficiency to realize clean production, creating an international green brand of Weichai. We provided a safe working environment for staff and protect them from occupational hazards.

## (I) Laws and Regulations and Internal Regulations Observed

1. **Laws and Regulations:** “Safe Production Law” (安全生產法), “Occupational Disease Prevention Law” (職業病防治法), “Special Equipment Safety Law” (特種設備安全法) and “Regulation on Work Safety Responsibility of Production and Operation Entities of Shandong Province” (山東省生產經營單位安全生產主體責任), etc.
2. **Internal Regulations Observed:** “Administrative Measures for Safe Production Responsibility System” (安全生產責任制管理辦法), “Administrative Measures for Safe Production Inspection and the Screening, Investigation and Rectification of Potential Danger” (安全生產檢查與事故隱患排查治理管理辦法), “Administration Measures for Occupational Health” (職業衛生管理辦法), etc.

## (II) Major Work in 2017

We achieved satisfactory safe production and operation in 2017. No incidents of serious injuries or above occurred throughout the year. 3 minor injury cases occurred.

### 1. *Convened Safe Production Work Conference and Implemented Safety Management Responsibilities*

The Company organized and convened the Safe Production Work Conference 2017 and confirmed the theme of safe production in 2017 as “Safety Responsibilities, I Implement” (安全責任由我落實). Work focus was clarified and annual “Safe Production Commitment” (安全生產責任書) was signed.

### 2. *Organized Safety Education Work*

The Company organized education training for new entrants and those workers switching positions and provided forensic and externally-organized intensive training for safety management staff members and held training for those staff members to operate special equipment. Skill level and safety awareness of employees from various disciplines were enhanced.

### 3. *Organized Special Equipment Management*

1,118 pieces of equipment (including boilers, pressure vessels, motor vehicles, lifting machineries and elevators) were inspected by the Company, ensuring safety and efficacy of the special equipment.

### 4. *Organized Potential Danger Screening, Investigation and Rectification*

The Company organized centralized screening and inspection before festivals, on a seasonal basis and in safety months, held safety inspections by districts and by segments and conducted specific safety inspections on the use of electricity, gas system and transportation. Around 380 hidden safety hazards were identified and rectification rate reached over 98%. With reference to Safety Standardization assessment criteria, we conducted safety condition assessment of units with poor foundational management.



**5. *Consistently Formed the System of Level-specific Safety Risk Management and Control and Potential Danger Investigation and Rectification***

In all production units, the Company arranged training in respect of the general principles of level-specific safety risk management and control and investigation and rectification of potential danger together with implementation rules thereof. Together with the operation of occupational health and safety management system, we formulated implementation guides, prepared procedural guidelines and modified the “Procedures for Identifying Sources of Danger and Assessing and Controlling Risks” (危險源辨識、風險評價和控制程序). We also instructed various units to confirm risk areas, identify and assess the sources of danger, as well as to formulate management and control measures. Besides, we adopted level-specific risk classification, inspected and rectified potential danger and pushed ahead the completion of constructing the “Dual Systems” (兩個體系) consistently.

**6. *Organized the Formation of the System of Level-specific Management and Control for Occupational Disease Hazards and Risks***

According to the request by monitoring departments, the Company embarked upon the formation of the system of level-specific management and control for occupational disease hazards and risks, collected relevant information (such as occupational diseases hazard area, number of staff engaging in hazard-prone jobs and production equipment) and engaged occupational health service organizations to conduct on-site research on hazard factors of occupational diseases with various units. The “Report on Level-specific Management and Control Systems for Occupational Diseases” (職業病危害風險分級管控體系報告) was prepared. Meanwhile, we recruited experts from professional organizations to provide training for the level-specific management and control systems for occupational disease hazards and risks.

**7. *Worked on Emergency Management***

In order to ensure the applicability and effectiveness of the contingency plans, the Company modified, assessed, issued and filed the integrated contingency plan, specific contingency plan and on-the-spot handling plan. Based on the contingency plans formulated in the beginning of the year, various units completed the training and drill of their annual contingency plans to ensure proper and effective handling in case of emergency.

**(V) 2017 Major Indicators**

- 1. Number and rate of mortality due to work were both ‘0’.**
- 2. Working days lost due to work-related injury were “205 days”.**
- 3. Occupational Diseases Prevention by Employees:** In accordance with requirements of “Technical Specifications for Occupational Health Surveillance” (職業健康監護技術規範) (GBZ188-2014), employees exposed to occupational diseases’ hazards were arranged occupational health checkups before and during employment and after their resignation from their positions. Employees found suffering from occupational contraindication in checkups were transferred from their original working environment and provided new positions. Medical observation and treatment at service organizations qualified for diagnosing would be arranged for patients with suspected cases of occupational diseases.

#### 4. Occupational Health and Safety Measures Adopted and Relevant Measures for Execution and Monitoring

- (1) Strengthened red line consciousness and safety foundation. Revolving around “Safety Responsibilities, I Implement” (安全責任、由我落實), multiple measures were adopted to enhance employees’ safety awareness and red line consciousness. Safety production foundation management was strengthened.
- (2) Safety technique and occupational health education and training. Safety induction training of new staff was executed. Pre-employment safety education of staff switching positions as well as special equipment training was conducted. Centralized examinations were held for class and group leaders. Both safety consciousness and operation skills of our staff were enhanced. Staff exposed to occupational hazards were arranged pre-employment occupational health training and 4-level occupational health training during employment. Self-protection awareness of staff was enhanced.
- (3) Occupational health and safety supervision and inspection. Safety supervision and inspection efforts were strengthened. A long-term mechanism for inspection and rectification of potential trouble relating to safe production undertaken was established. Safety inspection by regions and groups, seasonal safety inspection, specialized safety inspection, safety inspection before festivals and holidays, daily safety inspection and occupational health inspection were conducted. Potential safety dangers were rectified.
- (4) Efforts in labour protection were made. Staff members were provided with different kinds of protective devices meeting national standards. Anti-heat stroke materials and food were provided for high-temperature positions, ensuring production safety and occupational health of our staff.
- (5) Special equipment safety management was promoted. To regulate the use and management of special equipment and prevent special equipment accident, testing and special inspection were conducted in accordance with the principles of safety first, prevention-focused, energy-saving and environmental protection and comprehensive management. Existent potential dangers were rectified and special equipment safety was enhanced.
- (6) Conducted testing of hazard factors of occupational diseases. We engaged units qualified for occupational diseases’ hazard testing to conduct inspection of hazard factors of occupational diseases such as dust, noise, benzene series (BTEX), high temperature and vibration and to issue inspection reports thereon. The occupational hazards detection station of the Company conducted 2017 daily inspection based on occupational hazards daily inspection plan.
- (7) Execution and operation of environmental/occupational health and safety management system. We arranged identification of hazard sources and environmental factors, established methods of controlling major hazard sources and environmental factors, formulated objectives for environmental/occupational health and safety and monitoring mode of effectiveness of indicator control, and regulated behaviours in environmental/occupational health and safety. Through internal assessment and inspection assessment, non-compliances with system operation were discovered, and corrective and preventive measures were formulated and executed, to ensure continual improvement. We also arranged training regarding certification renewal of the Environmental Management Systems (GB/T24001-2016) and renewed the documents of the Environmental Management Systems (GB/T24001-2016) based on the work plan.

## IV. Performance of Environmental Protection, Energy-saving and Safety Duties by Major Subsidiaries

### (I) KION

#### 1. Environmental Protection

KION's compliance code (KGCC) and HSE (Health, Safety and Environment) policies were set up in accordance with the framework structures of its activities, particularly national regulations and standards. KION pledged to:

- ③ Use energy and raw materials effectively;
- ③ Achieve environmental optimization in the use of raw materials and products, as well as in every aspect of the production process;
- ③ Reduce waste by raising the utilization rate of raw materials and making thorough use of recyclable materials.

Under the strategic framework of sustainable development, KION gradually incorporated green notions to different aspects including environment and climate protection, use of resources, social and environmental standards of the supply chain and products of energy resources. KION set up specific objects for each aspect and implement measures to enhance performance in environmental protection.

In the aspect of environmental protection, KION aimed at minimizing ecological influence through efficient management. Core objectives include: handling waste materials and waste water in an environmentally-friendly way, using land responsibly and minimizing land surface seal. Besides, a set of minimum standards was set up to foster participation in KION's environmental activities among distributors.

For the purpose of reducing the impact of global warming, KION was dedicated to actions to protect the climate. KION assured its objectives of reducing greenhouse gas emissions by 2018 and set up relevant projects. The implementation of the network of HSE experts and KION climate protection league served to facilitate internal communication, raise the environmental awareness of staff members and foster KION to excel consistently. All relevant measures were implemented based on the following priority: Such measure should be able to reduce carbon dioxide emissions consistently. Otherwise, KION should endeavor to use fuels with low pollution as substitutes. Meanwhile, in case such measure failed to continue reducing emissions, remedial measures should be taken to offset its influence arising from carbon dioxide emissions.

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

Euro V emission standards for internal combustion forklift trucks is coming into play. Starting from 2019, such standard would be put into effect and would affect trucks with power ranging from 19 to 56 kilowatts. Compared with the current Euro III A standards, it would reduce pollutant limits by 98% under some circumstances.

## Types and volume of emissions from KION in 2017

Type of emission		Volume of emissions in 2017
VOC		349.1 tons
Nitrogen oxides		21.5 tons
Sulphur oxides		16.4 tons
Particulates		2.1 tons
Greenhouse gases	Direct emission	Diesel oil, natural gas, coke, gasoline fuel oil and so forth, amounting to a total of 118,928.0 tons
	Indirect emission	Electricity, heat supply, steam and so forth, amounting to a total of 75,846.1 tons
	Others	37,508.1 tons
Harmful disposals		9,926 tons
Harmless disposals		59,507 tons

## 2. Energy-saving

- (1) **Policies regarding Effective Utilization of Resources:** KION complied with HSE policies, compliance code and requirements under other regulations to utilize resources effectively and reduce its impact on the environment and natural resources. With its commitment to protecting the environment, KION endeavored to remain competitive and fulfil its responsibilities as a corporate citizen. KION also built an effective and energy-saving product line, used recyclable materials and deployed environmentally-friendly production techniques in the process of production, as well as pushed ahead the development and application of environmental techniques to assist in protecting the environment or reduce its impact on the environment. Meanwhile, KION served to let all employees use natural resources in a sustainable manner.

Utilization of resources served both for the purpose of shouldering responsibilities in environmental protection and meeting KION's operational needs. At the stage of product utilization, reduction in energy use would result in the greatest leverage in reducing the environmental impact by KION, which was the apparent reason for KION and its operational team to devote a great deal of effort and incorporate the reduction in energy use as part of its product development activities. Nonetheless, environmental factors would influence the choice of raw materials, thus KION would take the overall environmental impact of certain raw materials into consideration. In this process, KION adopted the identical multi-level system as waste management: prevent, reduce, reuse and recycle.

- (2) **Energy Use Efficiency Initiative and Results Accomplished:** For the purpose of collecting statistical data of raw materials usage in the company, KION was running a pilot initiative in a segment of Linde Material Handling Ltd in Germany. Initial results showed that direct use of raw materials amounted to 10,957 ten thousand tons (75% of the raw materials were counted by its mass). Iron, steel, plastic and other raw materials took up 57%, 33%, 7% and 3% respectively. This proportion passed the product life cycle assessment of Linde Material Handling Ltd. Such initiative served to provide KION with an integrated assessment method to realize relevant objectives by 2018. The initiative would commence in the whole of KION in 2019 and other partial initiatives would be put into force in 2020. Meanwhile, environmental impacts arising from the use of raw materials in the supply chain would be taken into account.

## Total volume of energy consumption, direct or indirect, of KION in 2017

Energy consumed		Volume consumed in 2017
Direct energy consumption	Non-transportation consumption (construction, production, etc.)	840,357 GJ
	Transportation consumption (vehicles, vessels, etc.)	768,487GJ
Indirect energy consumption	Electricity	670,271GJ
	Heat supply	101,823GJ
	Steam	7,409GJ
Total water consumed		602,863 cubic meters

### 3. Health and Safety

KION complied with the requirements in the International Labor Organization, Compliance Code and HSE policy regarding health and safety. These included taking comprehensive precautions to create a safe working environment and ensuring employees master the means to avoid risks and accidents.

KION provided a safe working environment by identifying, eliminating or reducing potential danger to an acceptable level as dictated by a risk management approach in order to create a safe working environment. KION regularly provided all employees with comprehensive information about existing and amends rules in healthy and safety in workplace. For instance, all employees must wear the stipulated protective gear, in particular safety shoes, protective goggles, gloves and helmets when and where applicable. In the event of an accident at work, the accident area must be made safe, help should be fetched if necessary, and first aid should be given. All accidents at work must be reported to the manager in charge to continuously improve processes so that KION will avoid accidents in future.

## (II) Shaanxi Heavy-duty Motor

### 1. Environmental Protection

- (1) **Environmental Protection Policies and Relevant Measures:** Shaanxi Heavy-duty Motor strictly complied with all kinds of environmental protection laws, regulations, standards and industry policies promulgated by the national and local governments. Implementing the "Three Simultaneous" system in environmental protection, Shaanxi Heavy-duty Motor Company Limited followed through on the requirements of simultaneously designing, commencing the construction of, and putting into operation projects that are undergoing new construction, alteration and expansion. To reduce the impact of its production and operation on the environment, the Company adopted such pollution prevention and treatment measures as investing in pollution treatment equipment and facilities to ensure the emission of pollutants stays within the limit permitted by regulations. Solid waste had to be sorted meticulously under standardized management. The emission of pollutants was subject to regular monitoring. Shaanxi Heavy-duty Motor resolutely carried out its review of clean production and accomplished the target of "Saving Energy, Cutting Consumption, Reducing Pollution and Boosting Efficiency" by minimizing pollution and emission at their source and reducing the use of resources.

- (2) **Measures for Reducing Emissions of Exhaust Gas and Discharge of Waste Water and Results Accomplished:** Shaanxi Heavy-duty Motor invested heavily in the construction of equipment and facilities for environmental protection. In terms of handling exhaust gas, an advanced exhaust fumes purification and catalytic combustion device is in place to process the methylbenzene and dimethylbenzene in the organic exhaust fumes generated during the coating process. The exhaust fumes could be emitted upon reaching the standards under the regulations. Ventilation equipment and precipitators have been installed throughout the welding workshops to remove the soot effectively. In terms of handling waste water, industrial sewage treatment stations and comprehensive sewage treatment stations are in place in plant areas. Waste water goes to the coating sewage treatment station for a preliminary treatment, and then enters the comprehensive sewage treatment station for another round of treatment. After the treatment, the waste water is recycled and used for irrigation purposes in the greening of the plant areas.
- (3) **Measures Taken to Reduce Waste Materials and Results Accomplished:** Shaanxi Heavy-duty Motor took the initiative to review its clean production process by making the most out of the resources through the process of selection of raw materials, the control of production technologies and processes, and the output of products and by thoroughly considering the possibility of reducing the amount of waste generated at each stage of production. Shaanxi Heavy-duty Motor Company Limited also stepped up its management of hazardous waste to make sure it will not lead to environmental pollution. All hazardous waste is handed over to qualified entities to perform safe detoxification disposal.

(4) **Emissions Type and Statistics**

Category	Classification	Standards of Implementation	Emissions Statistics
Exhaust Fumes	Organic Exhaust Fumes from Coatings	The "Volatile Organic Compounds Emission Control Standards" (揮發性有機物排放控制標準) (DB61/T1061-2017) were implemented for benzene, methylbenzene, dimethylbenzene, nonmethane hydrocarbon and sulphur dioxide	Volume of exhaust fumes: 245,245 ten thousand standard cubic meters/year; soot (dust): 4.16 tons/year; VOCs: 13.96 tons/year
	Exhaust Fumes from Welding	The "General Emission Standard for Air Pollutants" (大氣污染物綜合排放標準) (GB16297-1996) were implemented for soot, carbon monoxide and nitrogen oxide	
	Exhaust Fumes released by vehicles	The "General Emission Standard for Air Pollutants" (GB16297-1996) were implemented for nitrogen oxide and carbon monoxide	
Waste Water	Level 1 Treatment and Control Indicator for Workshops	Level 3 of the "General Wastewater Discharge Standards" (國家污水綜合排放標準) was implemented for COD, PH and total phosphorus	Volume of exhaust fumes: 90,000 tons/year; COD: 8.26 tons/year; Ammonia nitrogen: 1.1 tons/year
	Level 2 Treatment and Control Indicator for Sewage in Plant Areas	The "Urban Water for Municipal Use (Greening) Standards" (城市生活雜用水標準(綠化)) was implemented for COD, BOD, NH3-N, PH and SS	
Waste Materials	General Solid Waste	Waste steel plate, scrap edge materials, packaging materials and domestic sludge	2.5 ten thousand tons/year Amongst which, domestic sludge: 136 tons/year
	Hazardous Waste	Waste slag, scrap phosphorous, industrial sludge, oily sludge, waste oil rag and glove, waste mineral oil, waste rare materials and office hazardous waste	1,133.6 tons/year

## 2. *Use of Resources*

- (1) **Energy Consumption Indicators:** In 2017, electricity use volume by Shaanxi Heavy-duty amounted to 991.8 kilo-Watt hours/vehicle. Natural gas use volume amounted to 27.1 cubic meters/vehicle. Tap water use volume amounted to 6.9 tons/vehicle.
- (2) **Energy Use Efficiency Initiative and Results Accomplished:** Energy consumption by electric bicycles decreased by 44% compared to the corresponding period last year. Consumption by water bicycles decreased by 49% compared to the corresponding period last year. Consumption by natural gas bicycles decreased by 15.7% compared to the corresponding period last year.

## 3. *Health and Safety*

- (1) In 2017, no production-related accidents resulting in serious injury or above occurred in Shaanxi Heavy-duty Motor. Besides, no occupational diseases were recorded.
- (2) In strict compliance with the Safe Production Law (安全生產法), Shaanxi Heavy-duty Motor established a safety management department and put together a team of safety management personnel. Rigorously implementing a system of “Principal Responsibility of Work Safety” (企業安全生產主體責任), Shaanxi Heavy-duty Motor put in place a work safety accountability system and a work safety management system, as well as the criteria for appraisal. In accordance with the Guidelines for Preparing Work Safety Accident Contingency Plans (生產安全事故應急預案編製導則), Shaanxi Heavy-duty Motor prepared the company’s work safety contingency plan, submitted the plan to the government department in charge for the record and organized drills accordingly. In accordance with the “Basic Norms for Work Safety Standardization of Enterprises” (企業安全生產標準化基本規範) (GB/T33000-2016), the company carried out the construction of work safety standardization and passed the National Level 1 Work Safety Standardization Enterprise Review.
- (3) In compliance with the requirements under the Law on the Prevention and Treatment of Occupational Diseases (職業病防治法), the company organized special assignment check-ups and occupational health check-ups for its staff members and confirmed that no staff member suffered from any occupational disease. An examination of the workplace hazard factors was conducted, yielding a result that was consistent with the relevant standards. The company organized briefing sessions on workplace occupational hazard factors and training sessions on knowledge regarding the prevention and treatment of occupational diseases. An occupational health file has been set up for each employee. The company distributed to its staff an adequate amount of work-related protective gear meeting the relevant standards and requirements to protect the health of the staff.

### (III) Fast Gear

#### 1. *Environmental Protection*

In terms of environmental protection, Fast Gear strove to reduce emissions of pollutants, implemented clean production and insisted in green development by upholding the principles of low input, low consumption, low emissions and high efficiency.

- (1) **Operation, Monitoring and Inspection of the Environmental Safety Management Systems:** Fast Gear completed the internal review, management and assessment on environmental management systems. It also completed the monitoring and review on ISO14001 Environmental Management Systems, rectified and verified the problems found to ensure normal operation of the system.
- (2) **Waste Handling:** A total of 1,211 tons of hazardous waste and a total of 2.72 ten thousand tons of harmless waste were generated, all of which were handled safely and effectively and caused no pollution to the environment. A sewage treatment plant, which discharged production waste water and domestic waste water (upon treatment and reach of standards), was set up in Fast Gear. Our boilers adopted clean natural gas as the energy source which complied with national environmental requirements and the exhaust fumes met environmental standards. Fast Gear monitored the norms every year based on national requirements. Currently, all monitoring results met the standards for emission or discharge.
- (3) **Concrete Work:** Fast Gear introduced equipment to recycle waste oil fluid and put forward the zero-emission objective. Substantial decrease in waste fluid output volume was recorded, which conserved the use of emulsified fluid and reduced waste fluid. A win-win scenario with greater economic and environmental efficiency was achieved. 260 tons of waste oil and 200 tons of waste fluid could be reused every year. Fast Gear adopted the reuse of emulsified fluid proactively and introduced a set of online oily fluid purification equipment. It also conducted elementary filtration, added preservatives and enhanced the internal reuse of emulsified fluids for our vehicles.

#### 2. *Energy-saving*

- (1) **Energy Management Systems:** In 2015, Fast Gear started to set up its energy management system. Assessed by the internal audit team for energy management systems under China Quality Certification Center, the energy management system of Fast Gear was approved and granted the “Energy Management System Certification” on 31 May 2016.
- (2) **Major indicators:** In 2017, the overall energy consumption by Fast Gear amounted to 73,113 tons of standard coal. The output value for energy consumption of RMB10,000 amounted to 0.0405 tons of standard coal per RMB10,000. The output value for water consumption of RMB10,000 amounted to 1.08 tons per RMB10,000. It completed a total output energy-saving value of 1,461 tons of standard coal. Renovation of all boilers was completed by the end of 2016. Starting from 2017, no crude coal was used.



- (3) **Major Work:** In 2017, the city of Xi'an conducted on-site inspection on the energy measurements of Fast Gear, where it totally complied with the "Equipment and Management General Principles for Energy Measuring Tools" (GB17167-2006). In 2016, Xi'an City Energy-saving Monitoring Centre monitored the use of boilers by Fast Gear. On-site inspection showed that it complied with national requirements. Fast Gear also made use of media such as newspaper and the Internet to increase energy-saving promotion and kicked off the promotion of rational and scientific use of energy. Making use of activities such as Energy-saving Promotion Week thoroughly, Fast Gear rigidly established the responsibility of "Energy-saving and Resources Preservation" (節約能源, 珍惜資源) among all of its staff members. Fast Gear engaged Beijing Zhong'an Company (北京中安公司) for an energy-saving assessment on our energy-saving and multiple transmission systems of the new energy commercial vehicles and our soft manufacturing plant construction project. Registration was completed and approval was obtained.

### 3. *Health and Safety*

- (1) **Safe Production Management Mechanisms:** Fast Gear passed the Environmental and Occupational Health Safety Management Systems Certification. The certification was renewed for the third time in May 2017. Operational results of the system were enhanced in a stable manner.
- (2) **Occupational Safety and Health:** Fast Gear organized a test on hazard factors of poisonous and hazardous sites for 12 units and 156 monitoring spots and completed occupational health body checks for a total of around 1,200 staff members from 11 units. The incidence of occupational disease was zero.
- (3) **Safety Training:** Fast Gear provided new and resumed staff members with safety education at three levels (company, workshop and class group) and the training rate reached 100%. 194 specific work staff members were trained for forensics and re-inspections. Fast Gear also held 18 safety, environmental and occupational health training sessions on the company level. Amongst which, through the "Fast Gear Lecture" (法士特大講堂), Fast Gear managed to train a total of around 260 middle and senior management, professional and part-time safety management staff members, who received annual training and sat an examination on safety management knowledge. All 105 staff members with a Safety Management Certificate passed the review assessment.
- (4) **Emergency Management Mechanisms:** Fast Gear prepared 16 contingency plans under 3 major aspects. It organized 44 emergency drills such as fire, flood, limited space and evacuation in Xi'an plant areas. It also completed the filing of the "General Contingency Plan for Production Safety Incidents" (生產安全事故綜合應急預案) of its transmission branch company with the local government department in charge of safety surveillance in the high-tech zone, and set up our contingency plan for weathers with heavy pollution.
- (5) **In 2017, incidents resulting in serious injury and death were both '0'. Working days lost due to work-related injury were 105 days.**

## Community

In recent years, while achieving overwhelming and leap-frog developments, the Company organically combined the maximization of its economic interests with the society's interests by actively fulfilling its social responsibility, participating in community welfare activities, fostering local economic construction and enhancing the Company's reputation and goodwill.

### I. Community activities

#### (I) Social activities

In 2017, the Company's young volunteers launched a voluntary activity named "Leifeng Day" (雷鋒日), a green experience activity named "Upholding Low-carbon Concept and Embracing Green Life" (樹立低碳理念·擁抱綠色生活), a charitable and healthy walkathon activity named "Jumped-up Charity for Genuine Happiness" (躍公益·悅幸福), a voluntary activity named "My Dating with Compact Discs" (我與光盤有個約會), Civilized Car-parking Initiatives (文明停車倡導), an activity named "Be the Pioneer in Treasuring Water, Cherishing Water, Conserving Water" (愛水惜水節水·從我做起), a voluntary advocating activity named "We Save Energy, We Enjoy Green Environment" (節能你我·綠色共享) and so forth, participated in a winter clothes-donating event named "Warming Your Heart" (溫暖你的心) held in Weifang, and social charitable activities such as cultural trips as well as cultural and artistic performances etc. In 2017, our young volunteers served for a total of more than 28,000 hours.



Voluntary advocating activity named "We Save Energy, We Enjoy Green Environment" (節能你我，綠色共享)



Charitable and healthy walkathon activity named "Jumped-up Charity for Genuine Happiness" (躍公益·悅幸福)

## (II) Union activities

### 1. *Enriching the life of staff members through organizing large-scale activities*

On the occasion of “1 July”, a singing contest with the theme “Happiness Dream, Work Beauty” (幸福夢•勞動美) staff singing contest in celebration of the 96th anniversary of the founding of the Communist Party of China was organized, where 15 teams totalling 5,000 staff members took part and demonstrated the passion of Weichai’s staff.



“Happiness Dream, Work Beauty”  
(幸福夢•勞動美) staff singing contest



Love-matching activity

### 2. *Demonstrating the capabilities of female staff members by launching activities for female staff members*

- (1) **Cultural lectures and reading activity.** We launched 10 cultural lectures for female staff members on the topics of parental education, yoga, job market communication skills, appearance and cosmetics etc. We also launched a reading activity that lasted for 100 days for females staff members under the topic of “paying attention to family education; building a happy family” (注重家教家風•構建幸福家庭).
- (2) **Launched activities for female staff members.** We organized a cooking competition named “Taste of Happiness – 2nd Cooking Competition for Female Staff” (幸福的味道 – 第二屆女職工廚藝比賽), being participated by 114 staff members representing 30 units. We also collaborated with love-matching agencies and business units in organizing 7 love-matching activities, which were participated by more than 170 staff members.
- (3) **Establishing “Happy Moms’ House” (幸福媽媽小屋).** We created logos and systems for the exclusive use of the Happy Mom’s House, which is equipped with ice bar and tables and chairs. We organized “Weichai Happy Moms’ Classes” (濰柴幸福媽媽課堂), providing free-of-charge out-patient basic experience and in turn caring services to female staff members who are in their pregnancy or milk-feeding period.

### 3. Honouring and caring for the elderly, serving elderly staff members

Claims for medical expenses were filed on behalf of retiring cadre members and elderly workers born before year 1949 free of charge. 42 sessions of cultural and sports activities and free-of-charge medical consultation were organized for elderly workers. We also visited and touched base with old workers for 352 times; celebrated old workers' birthday for 221 times; and handled old workers' funeral affairs for 161 times.



Comprehensive cultural activities for old workers



"Realizing Dreams with Youthhood" (為夢想奉獻青春) youngsters' event

### (III) Activities for young staff members

As part of the "Realizing Dreams with Youthhood" (為夢想奉獻青春) youngsters' event, our chairman Mr. Tan Xuguang gave a talk on the topic "You persevere, you win" (愛拼才會贏) that lasted for three and a half hours. 1,200 newly-admitted employees, young cadres and young representatives attended the talk. This event enhanced communication between young employees and the senior management, boosted young employees' knowledge about the company, and motivated employees to uplift their quality in their respective job positions.

## II. Combating corruption

### (I) Anti-corruption, anti-bribery, anti-fraud and anti-money laundering policies:

"Administrative Measures for Administrative Accountability" (行政問責管理辦法), "Administrative Measures for Inspections" (巡察工作管理辦法), "Whistle-blowing System" (舉報制度), "Administrative Measures for Integrity Conversations and Discussions" (廉潔談話約談管理辦法), "Administrative Measures for Enquiring about Investigation" (詢問調查管理辦法), "Interim Provisions on the Prohibition of Commercial Bribery" (關於禁止商業賄賂行為的暫行規定), and so forth.

### (II) The national laws, regulations, rules and policies that the company is in compliance with:

"Standards on Integrity and Self-discipline of the Communist Party of China" (中國共產黨廉潔自律準則), "Regulation of the Communist Party of China on Disciplinary Actions" (中國共產黨紀律處分條例), "Certain Standards Regarding Political Life in the Party under the New Conditions" (關於新形勢下黨內政治生活的若干準則), "Regulation of the Communist Party of China on Accountability" (中國共產黨問責條例) and the "Regulation of the Communist Party of China on Internal Supervision" (中國共產黨黨內監督條例) etc.

### (III) Key indicators

1. **Total Number and Percentage of Business Units Subject to Risk Analysis for Corruption:**  
More than 40 departments, with the coverage of risk analysis at 100%.

2. **Percentage of Staff Trained in Anti-Corruption Policies and Procedures:** In 2017, the Company emphasized the promotion and education of anti-corruption policies by organizing training courses on disciplinary inspection and supervision as well as education activities on anti-corruption for leadership cadres. The Company launched systematic training on knowledge of the “Standards on Integrity and Self-discipline of the Communist Party of China” (中國共產黨廉潔自律準則) and the “Regulation of the Communist Party of China on Disciplinary Actions” (中國共產黨紀律處分條例). It also organized promotion activities of anti-corruption knowledge for key departments including marketing, intensive logistics and security guards to consolidate their learning of anti-corruption policies by multiple means, ensuring the full coverage of integrity promotion and education.
3. **No incident of corruption-related litigations occurred in the Company in 2017.**
4. **Anti-Corruption Measures, Whistle-blowing Procedure, and the Means of Enforcement and Monitoring:** In 2017, the Company refined its numerous whistle-blowing channels including petitions through mails, in-person visits, phone, internet and letterbox by making the channels available to the public in a conspicuous location. To ensure that whistle-blowing is possible through multiple channels, a reporting network “I want to report” (我要舉報) was established. Meanwhile, inspection, effectiveness examination, “play back” (回頭看) and so forth were adopted to identify and report clues under the “proactive intervention” principle.

#### **(IV) Major initiatives at combating corruption and achievements for 2017**

In 2017, the Company organized and convened the third meeting of the tenth session of the disciplinary committee, on which the performance since the second meeting was reviewed so as to identify directions for the next step of disciplinary inspection and supervision. Efforts were made to foster full-range coverage by way of in-party supervision and administrative supervision, maintain the high-profile stance of anti-corruption, and guard the Company along its way of corporate development. Firstly, the Company refined the collaborative construction of integrity and trustworthiness for joining hands to achieve clean operation within and outside of the group. Secondly, the Company looked into ways for building a system of integrity risk prevention and control catered to the particular characteristics of the Company, thereby effectively regulating the use and supervision of power. Thirdly, the Company intensified inspection and administrative supervision, to better showcase the effect of the “sharp sword”. Fourthly, the Company widely advocated integrity, which organically combined positive guidance with cautionary education. Fifthly, the Company stressed the importance of “play back”, to ensure that measures for rectifying the problems identified would be proper.

### **III. Performance of duties by major subsidiaries in community activities and anti-corruption**

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

For the avoidance of corruption, KION has put in place policies on donation in order to regulate donation and sponsorship behaviours. Donation in cash or non-cash form may be conducted for relevant projects on humanitarian assistance, science and education, art and culture, environmental protection and resources. These donations have to be done in a transparent way by making clear record for archive. No donation would be provided to any individuals or profit-making organizations. The objects of the donation-takers shall not be in violation of the principles of the Company. No political donation shall be provided to any individuals, political parties or organizations. The Company may sponsor projects which are favorable to the sales and marketing purposes of the Company, but such sponsorship amount shall not exceed similar expenses for similar promotional activities. Meanwhile, all sponsorships must be open and transparent, by making clear written record for archive. All donations must be conducted for legitimate purposes, and it shall be warranted that the organizers of the events would benefit to a certain reasonable extent.

*(II) Shaanxi Heavy-duty Motor*

Non-compliant behaviours such as bribery, blackmail and fraud shall be prevented by following rules and systems including “Administrative Measures for Whistleblowing and Complaining” (舉報投訴管理辦法), “Administrative Measures for Tender Supervision” (招標監督管理辦法), “Interim Measures for Investigating Duties on Asset Losses” (資產損失責任追究暫行辦法) and so forth.

*(III) Fast Gear*

**1. Community activities**

- (1) **Caring for employees:** The company visited and touched base with sick or injured employees for more than 50 times, helped those employees in difficulty for more than 80 times, and provided compassionate fees amounting to more than RMB0.28 million. It maintained comprehensive insurance covering in-hospital medical treatments for employees and also maintained insurance covering special illnesses for female employees; and handled claims on those comprehensive insurance and female’s special illness insurance for more than 300 employees amounting to RMB0.32 million. Body check-up was also arranged for employees.
- (2) **Staff activity centre:** In 2017, activity facilities including swimming pools, basketball courts, badminton courts, table-tennis rooms, gym rooms and dance rooms became operational in our staff activity centre. The facilities are open to all staff members and their families.
- (3) **Supporting the health initiatives of China:** On the World AIDS Day, medical practitioners were sent to participate in AIDS-related promotional activities. Promotional columns and promotional materials were used to promote the hazards and channels of infections of AIDS, with a view to raising health awareness in the general public. On 28 March 2017, a Fast Gear Staff Blood Donation event was held in the Baoji factory area.

**2. Anti-corruption**

- (1) **Policies for the prevention of bribery, blackmail, fraud and money-laundering and relevant laws and regulations:** “Standards of Integrity for Cadres in Fast Gear”(法士特公司幹部廉政準則), “Measures for Due Implementation of the ‘Eight Rules’ set by the Central Government for Improving Work Ethics in Fast Gear” (法士特公司貫徹落實中央“八項規定”改進工作作風實施辦法), “Measures for Implementating the Formation of System for Integrity Conversations and Discussions in Fast Gear” (法士特公司關於實行黨風廉政建設談話制度的實施辦法) and so forth.
- (2) **No incident of corruption-related litigations occurred in the Company in 2017.**

- (3) **Anti-Corruption Measures, Whistle-blowing Procedure, and the Means of Enforcement and Monitoring:** In 2017, by firmly adhering to the requirements of the higher-ranking disciplinary committees and the party committee of the Company for strict governance, we launched our work on integrity building and anti-corruption, whereby we clarified duties, identified positioning without excess or insufficiency or inaccuracy, deployed more energy to the main duty of supervising accountability, and pragmatically warranted the precise implementation of supervisory duties. We also strengthened education on anti-corruption and integrity, organized and convened special-topic seminars on integrity, broadcast educational videos on integrity promotion, pushed wechat messages on the Qingfengyuan (清風苑) platform of Fast Gear and sent alert messages about anti-corruption. In each quarter, we conducted inspections on the anti-corruption work done by our branches, announced whistleblowing phone numbers and emails to the entire company, made mailboxes available at fixed locations in our factory areas for collecting reports on disciplinary problems, and ensured that the channels for whistleblowing were clear. Further, we conducted on-site supervisory inspections by combining political inspections and business examinations and integrating the supervisory function of disciplinary committee into each part of the production and operation of the Company, to ensure the effective operation of the internal control system of the Company and safeguard the corruption-free production and operation environment of the Company.

## 2018 Outlook

As a leading enterprise in the equipment manufacturing industry, the Company sees it as a duty to further enhance its supervisory and management system for corporate social responsibility and considers the fulfillment of the Company's corporate social responsibility as a key indicator of efficiency for the Company to strive for. The Company will remain in strict compliance with social mores and business ethics, subject itself to the monitor of the general public, and place greater emphasis on the legal rights of creditors and staff members while pursuing economic efficiency and safeguarding the rights of shareholders. The Company will pursue a course of development for the mutual benefit of suppliers and customers alike, achieving a win-win situation for all the parties. The Company will also stick to technological innovation and redouble its efforts at the research and development of technologies for new energy and new products, along with vigorously pushing ahead with clean production and the development of circular economy, bringing the Company in harmony with society in the course of development. Through its active participation in community welfare activities, the Company will contribute a positive spirit as a corporate member of the community at large.

Year 2018 is the first year to fully implement the spirit enshrined under the report on the 19th People's Congress issued by the Communist Party of China, the 40th anniversary of the open-door policy of China, and also the first year for Weichai to speed up the implementation of the 2020-2030 strategy. On a new starting point, we have our hope, our pressure, and more importantly our commitment. In the face of new requirements for high-quality development, the Company will remain its firm performance of social responsibilities, focus on the strategic goal under which "the traditional businesses of the Company will have to outperform the global top standards by 2020 and the new energy business of the Company will have to become a global industry leader by 2030", fully expedite technology research and development, speed up the R&D of full series of products and breakthrough in core technology, steadfastly seek to go high-end, develop competitive products in terms of 3 key aspects namely quality, core technology and cost-effectiveness, and achieve customer satisfaction. We will integrate our global resources, enhance the layout of our new energy business, expedite the progress of the construction of industrial parks for new-energy engines and breakthroughs for core technologies, and foster the industrial implementation of its new-energy business. Transformation towards more digitized direction will be expedited and innovation of management and business models will be fostered, to provide customers with full-value-chain value-added services, seeking to build up competitive advantages that will make us a pioneer in leading development of the industry. We will deepen the implementation of smart manufacturing, push ahead with the notion of "Made in China 2025" (中國製造2025) at a high level, expedite the construction of digitized factories which are technologically advanced in the world and industry-leading in China, thereby driving the transformation and development of the industry. The Company will further deepen the reform of its safety management system, enhance the formation of energy management systems, construct a model base for circular economy, ceaselessly enhance staff awareness of safety responsibilities, conserving energy and reducing emissions, and endeavor to safeguard the safe production and green operation of the Company. While always seeking to add value to shareholders' capital and boost the Company's market value, the Company will conscientiously fulfill its social responsibility as a corporate citizen by giving back to society, bringing returns to shareholders and remaining grateful to its staff, gain the recognition of the market and the trust of customers and foster the harmonious and healthy development of the Company along with society.



## Contact Us

For more information of the Company, please call:

+ (86) 536-2297072

+ (86) 536-2297056

Please also visit our website:

[www.weichaipower.com](http://www.weichaipower.com)