

# 2019 年度社會責任報告

Corporate Social Responsibility Report 2019



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 2019, 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 2019. It concerns the disclosures of performance in key responsibilities and focuses on sustainability and continuous improvement of corporate social responsibilities. The report also disclosed the performance of major social responsibilities by our subsidiaries, namely, KION Group AG (“KION”), Shaanxi Heavy-duty Motor Company Limited (“Shaanxi Heavy-duty Motor”) and Shaanxi Fast Gear Co., Ltd.. (“Fast Gear”).

### Publication cycle of the report:

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

### Past reports:

As of now, the Company has already issued its corporate social responsibility report for 12 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 Standardized Operation of Listed Companies” of the Shenzhen Stock Exchange (“SZSE”)

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

“ISO 26000: Guidance on Social Responsibility” of International Organization 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 fifth meeting of the fifth session of the board of directors (the “Board”) of Weichai Power Co., Ltd.

### Access to the report:

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

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## Chairman's Statement

The year 2019 marked the 70th anniversary of the establishment of the People's Republic of China. In the face of profound changes in the country and the world, the Company remained its focus on developing the equipment manufacturing industry. Centered at structural realignment, the Company precisely captured the latest industry trend in new business commercialization, new models and new technology, targeting technological innovation, seizing and grasping market opportunities, expediting business transformation and upgrade, and enhancing operation efficiency, with all operating benchmarks going up amidst market adversity. The Company continued to have high-quality and stable development, with wide recognition in society and showcasing a satisfactory result to the society, government, shareholders and its staff members.

With "Green Power, International Weichai" as its mission, the Company closely followed China's strategy of becoming a manufacturing power, adhered to its determination of innovation, strove to scale new heights in technology, and sought to help national industries to go global. With expedited transformation and upgrade, the Company fostered the implementation of major projects and remained as a forerunner in the high-quality replacement of "Old-power" with "New-power" across the province and the country at large. Meanwhile, in proactive response to the state's call of the "Blue Sky Defending Plan", the Company continued to lead the industry in raising emission standards. For building a beautiful China, Weichai made contribution and became a firm executor and performer of China's national strategies and social responsibilities.

In 2019, we coordinated global R&D resources and holistically kept up with the pace in technological innovation. Taking guidance from the "2020-2030 Strategy", the Company sought to build a new "four-in-one" technological innovation system consisting of "self-developed innovation+ open innovation+ craftsman innovation+ basic-research innovation". Building on the global R&D platform, we facilitated international scientific and technological innovation and cooperation at a high level; made greater efforts in recruiting in a bid to build a talent pool of high-level talents; and further consolidated our competitive edges in natural gas engines and take lead in the industrial development by capturing the opportunities presented by the implementation of China VI standards. We focused on the replacement of "Old-power" with "New-power" and ongoing expedition of business transformation and upgrade. With solid progression of the key national fuel cell projects, the Company completed the development of a number of fuel cell engines and promoted the construction of hydrogen refuelling stations and the application of fuel cell vehicles, running more than 1 million kilometres and putting the concept of "Green Power, Hydrogen City" into practice beginning in Shandong. The strategic acquisition of ARADEX AG, a German company, enabled us to master the core technology of electric control units ("ECU"), and successfully developed a new energy power system integrating "cell+ motor+ ECU". With steady progression in major technical improvement projects such as high-end engines and new energy production base, we remained at the forefront of the replacement of "Old-power" with "New-power". We speeded up digital transformation, deepened the application of smart manufacturing and fostered business innovation to provide strong support for the enhancement of the product cycle life value. Intensive efforts were made on the "Belt and Road" initiative, echoing the China-made Weichai brand. Operations of KION, Dematic, Linde Hydraulics and Baudouin saw positive development, which magnifies the synergistic effect between local and abroad. Localized manufacturing projects have been carried out, laying a solid foundation for overseas products and market. We performed our social responsibilities to organically integrate value creation and social contribution. On a people-centered principle, the Company sought to build the best ecosystem to cultivate technological innovation and to develop national craftsmen and to build a platform on which our staff members can achieve their dreams and realize their value. The Company proactively performed its social responsibilities and participated in charity by organizing targeted poverty alleviation, disaster relief, donation and subsidies for education and so forth. The Company also embarked proactively upon diversified cooperation with global business partners as well as upstream and downstream enterprises of the industrial chain. All these demonstrated our passion and eagerness to take up social responsibilities and contributed to the ongoing enhancement of the recognition and reputation of the Company.

The publication of this corporate social responsibility report has summarized the efforts made by the Company in performing its social responsibilities in 2019. 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 a company in Chinese internal combustion engine industry listed in Hong Kong with H shares and also a company to return to the mainland from overseas for listing in the A share market.

The Company is dedicated to the operational strategy of driving the operations of both products and capital, developing competitive products in terms of 3 key aspects: quality, technology and cost-effectiveness, developing a pattern of synergetic development among business segments including powertrains (including engines, gear boxes, axles and hydraulics), complete vehicles and intelligent logistics with the brands namely “Weichai Power Engines”, “Fast Gear Transmissions”, “Hande Axle”, “SHAC” and “Linde Hydraulics”. The Company has total assets of RMB236.8 billion, and the total number of staff in the world is over 80,000. In 2019, the Company recorded a revenue totaling RMB174.4 billion, and its total profit amounted to RMB14.4 billion.

Weichai Power takes “Green Power, International Weichai” as mission and “Customers’ Satisfaction” as principle to form its unique corporate culture. Going forward, Weichai has issued its strategy for the period of 2020 to 2030, 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. We aim to forge ourselves into a well-respected multinational corporation in the industrial equipment sector.

## ⊕ Social organizations joined by the Company

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

## ⊕ Honours received in 2019

In 2019, by virtue of excellent management and outstanding results, the Company has won numerous awards. The major awards are as follows:

Time	Award
8 Jan	At the 2018 National Science and Technology Award Ceremony, Weichai was honoured the First Class Award of National Science and Technology Progress Award in "Heavy-duty Commercial Vehicles Powertrain Key Technologies and Their Applications"
12 Jan	At the award-giving ceremony of the fourteenth "Golden Roundtable Forum" cum "Golden Roundtable Award" for Board of Directors of Listed Companies, Weichai was granted the corporate "Golden Roundtable Award" of highest standing – the "Award for Corporation with Outstanding Corporate Governance"
17 Jan	At the 2018 Golden Hong Kong Stock annual award-giving ceremony, Weichai was granted the awards, namely "2018 Golden Hong Kong Stock Connect Best Southbound Trade Company" and "2018 Golden Hong Kong Stock Connect Automobile and Industrial Manufacturing Company with the Best Value"
22 Feb	At the fourth "Discovering Trust" award-giving ceremony organized by chinatruck.org, WP13 engine of Weichai was granted the award of "2019 Fuel-saving Heavy-duty Engines Trusted by Users"
19 May	At the China Automobile Power Technology Exchange Fair cum the first source-power award-giving ceremony, WP13 China-VI-compliant diesel engine of Weichai was granted two awards, namely China Source-power – Innovative Pioneer" and "China Source-power – Market Pioneer"
25 May	Weichai passed the appraisal conducted by appraisal experts of Shandong Association of Standardization and successfully passed the on-site audit conducted for the honour of "Enterprise with Sound Behaviours under AAAAA Standardization"
31 May	At the award-giving ceremony of the 2019 Finance Sector "Golden Intelligence Award" for value appreciation, Weichai was granted two awards, namely "Listed Company with Outstanding Corporate Governance Practice" and "Futuristic Company in High-end Equipment Manufacturing Sector" under the 2019 Finance Sector "Golden Intelligence Award"
31 May	At the appraisal event under "Gelonghui – First Session of Greater China's Best Listed Companies", Weichai was granted the "Award for Best Growth of Companies Listed in Hong Kong"
11 Jul	At the Fair for Recognition of and Exchange among National Enterprises with Harmonious Labour Relations, Weichai and its subsidiary FAST were both honoured a "National Model of Harmonious Enterprise with Good Labour Relations"

Time	Award
13 Aug	At the “13th Summit on Value of China Listed Companies Organized by Securities Journal”, Weichai was ranked among the “Top 100 Most Valued Main-Board-Listed Companies in China”
16 Aug	Weichai became a composite stock of the Hang Seng China A Industry Top Index for the first time
12 Sep	Based on the list of the fourth batch of Green Manufacturing products officially published by the Ministry of Industry and Information Technology of the PRC, Zhuzhou Torch Sparkplugs Co., Ltd. and Hande Axle (Zhuzhou) Gear Co., Ltd., both being subsidiaries of Weichai, were honoured with the title of “Green Factory”
18 Sep	Based on the List of Global Top 100 Manufacturers of Automotive Components and China Top 100 Manufacturers of Automotive Components 2019 released in Nanjing, Weichai was ranked No. 1 on the China domestic list and No. 9 on the global list, making it the only China enterprise being ranked among the top 10 enterprises on the global top 100 list
8 Oct	At the “Smart Manufacturing Benchmarking Enterprises” appraisal event organized by the “League of Suppliers of Smart Manufacturing System Solutions”, Weichai was ranked among the first batch of smart manufacturing benchmarking enterprises
15 Dec	At the “2019 China Brand Grand Ceremony” event organized by the China Media Group, Weichai was ranked among the “Top 10 Role-model Brands of the Year”

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## Overview of Corporate Social Responsibility

In 2019, 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 reach the top position, integrating social responsibilities into the operational 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 an 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. Quality comes first, delivering outstanding products

Genuinely adhering to the philosophy of “Quality is in our hands” and the quality policy of “Aiming at customers’ satisfaction”, the Company set a zero-defect target and determined to materialize the key quality requirements of “**goal assessment, effective system, strict compliance, and responsibility performance**” in pursuit of high quality development. We strictly complied with laws and regulations on product quality and established the quality control system covering the all-process lifecycle of products. In 2019, our chairman, Tan Xuguang, was granted the “7th Shandong Provincial Governor’s Quality Award – Individual Award (山東省第七屆省長質量獎個人獎)”, and we were granted “40th Anniversary of Promoting Total Quality Management – Outstanding Enterprise (全面質量管理推進40周年傑出推進單位)” and “40 Years of Total Quality Management in Shandong Province – Outstanding Organization (山東省推行全面質量管理40年卓越組織)” in recognition of our efforts in zero material incidents in relation to quality and safety.



**First, we continued to enhance the quality management system.** We have passed the supervisory audit of IATF16949 quality management system, the measurement management system audit, and the laboratory accreditation audit, and planned and implemented seven quality audits including self-audit, specialized audit, mutual audit, internal audit, pain point audit, manufacturing process audit and group audit". We allocated audit resources from the entire Company to perform efficient audit, in order to streamline our quality risk process and improve the effectiveness and efficiency of quality management system on an ongoing basis, which will push ahead with the enhancement of product quality. **Second, we implemented quality project enhancement plan.** We have fully established the PPM appraisal standards for product quality and adopted a goal-driven and process-controlled approach. We identified the PPM evaluation indicators of every process and built a PPM quality indicating system to cover the whole lifecycle of engines. By analyzing after-sales data and based on various dimensions such as the model, segmentation and failure of assembly parts and complete vehicles, we have made regular adjustments, formulated administrative measures for project assessment and procured quality rectification to secure project efficacy and achieve continual drop in project defect rate. **Third, we have established an all-process information technology system.** We utilize WQM and WQS systems to inspect and collect inspection data and the supplier PPK results will be exported to identify room for improvement, which in turn will uplift the overall standard of the supply chain. Through the establishment of the quality cost management system, we performed in-depth analysis on every items and abnormalities from the perspective of quality cost, with a view to minimizing internal quality failure. **Fourth, we upgraded our quality team.** We constantly provided specialized training on quality concept and standards in line with our actual business needs. The combination of theory learning, academic exchanges and practices improved the overall quality of all quality assurance personnel.

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

Upholding the objective of "Energy Conservation and Emission Reduction, Obligation Fulfillment, Green Power, International Weichai" (節能減排、踐行責任、綠色動力、國際濰柴), the Company improved our energy management system, stressing the development of circular economy through intelligent transformation in which energy resources are utilized in an eco-friendly way, to enhance the efficiency of utilization, reduce costs and enhance effectiveness, with a view to creating a green enterprise with low-carbon consumption. **First, we enhanced energy management system.** Complying with China's latest energy policies in actual deeds, we created a long term energy saving mechanism which organically integrates the mechanism for energy saving, law compliance and standards implementation, the mechanism for full-process energy management, the mechanism for energy saving technology improvement and the mechanism for the formation of energy-saving culture. **Second, we promoted the intelligent transformation of energy management.** Through automation upgrade of energy stations, we realized automatic and unmanned energy generation and regulation. In addition to the establishment of a smart energy management platform for realizing centralized supervision of energy measurement and data sharing, we have also established an energy control centre to monitor energy input, conversion and consumption. **Third, we introduced external support for energy management.** We actively communicated and exchanged with external professional units by inviting energy management company to conduct diagnosis of energy saving and management, and technical experts to address the problem. In November 2019, Weichai Power Co., Ltd. passed the assessment of the "First Batch of Industrial Product Green Design Demonstration Enterprise" (工業產品綠色設計示範企業(第一批)).

### 3. Strengthened management to ensure safe production

It is of paramount importance to ensure safety. Adhering to the safety notion of “caring for people”, the Company solidified the development concept of safety and earnestly complied with 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, worked strenuously on foundation management, actively constructed a long-term safe production system, thereby securing safe production throughout the year.

**First, we delegated safety responsibilities.** Upholding the annual theme of “safety and environmental protection are shared responsibilities”, we implemented various measures to raise safety consciousness of all staff at different hierarchical levels to delegate safety responsibilities and materialize safe production foundation management. Indicators for safe production were included within the scope of appraisals, and the “one-vote veto” mechanism was firmly implemented, thereby further strengthening the red-line safety consciousness. **Second, improvements were made to the formation of a system of screening, identifying and rectifying safety issues.** We organized safety inspections such as day-to-day inspection, inspection before festivals and holidays, seasonal inspection, inspection conducted in safety promotion months and region-specific and section-specific inspection, and carried out special safety inspections on responsibility fulfillment, hazardous operation and special equipment, reaching a rectification rate of 100% and further perfecting the elimination of potential safety issues. **Third, we strengthened the formation of our safety-oriented culture.** We arranged safety induction training for new recruits, pre-employment safety education for employees who switch position, special equipment training for operators, centralized examinations for group or team leaders, and training sessions of safe production for cadres. Staff exposed to occupational hazards were arranged to receive pre-employment occupational health training and 4-level occupational health training during employment for the purpose of better rooting the concepts of safe production.

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

Adhering to the notion of “Developing the economy and serving the community” (發展經濟、服務社會), we go beyond our own development to actively perform our social responsibilities to give back to the society, spread positive energy as a corporation and strive to achieve win-win development vis-a-vis society, gaining recognition from different sectors of society. **First, we fostered employment in society to fuel economic development.** We insist on employing various types of high-calibre talents each year, thus alleviating the employment pressure of society. In 2019, more than 940 fresh graduates were hired in Weifang headquarters. Based in Weifang, the Company attracted and drove a few dozens of renowned enterprises at home and from abroad to set their presence in Weifang, thus incubating and utilizing the advantage of industrial clusters, supporting Weifang in building a city of international power, jointly establishing a world-class industrial park and fueling economic and social development. **Second, we cherished opportunities of contributing back to society and proactively participated in the charity.** We have always assumed our social responsibilities and participated in charitable activities. We donated towards building a number of hope primary schools, actively commenced the “Golden Autumn Grants” (金秋助學) activity and helped those employees who were in financial difficulties to realize their children’s dream of pursuing education; actively participated in disaster relief work and helped the poor and needy; proactively participated in various charitable activities held in Weifang including civilization initiatives (文明倡導), green communal transportation (綠色出行) and so forth, building the “Weichai” volunteer service brand. In 2019, more than 10,000 volunteers from the Company served for a total of more than 20,000 hours. **Third, we insisted on caring for our people and protecting the interests of our staff members.** In accordance with the Labour Contract Law and relevant laws and regulations, the Company standardized remuneration performance management and optimized our remuneration system and evaluation system based on our corporate development strategies and labour costs paying ability and by making reference to market remuneration level and industry benchmarks. In strict compliance with the national policy and regulations, the Company not only made contributions to five insurances and one fund for all staff, achieving a coverage rate of 100%, but also paid social security fund in full and on time, and established a long-term and effective incentive mechanism. Meanwhile, we have put in place our systems of corporate annuity and supplemental medical insurance for all staff members in accordance with national policies, with a view to further raising the level of fringe benefits provided to our staff members. In 2019, we won the accolade of “National Role-Model Enterprise for Harmonious Labour Relations”. **Fourth, we enriched cultural life and built a harmonious enterprise.** With an aim to satisfy the personality development needs of our staff members and improve their overall quality, we organized activities such as skills contests, cultural lectures and thematic reading schemes. Leisure activities including music concerts, compassionate performances, love-matching activities, exchange fair for young employees and so forth are sound platforms for interpersonal exchanges and communications among staff members, thereby enhancing their psychological well-being, boosting positive energy and creating a positive and harmonious corporate environment so that they can work in Weichai with happiness.

## Corporate Governance

### I. Structure of corporate governance

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

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

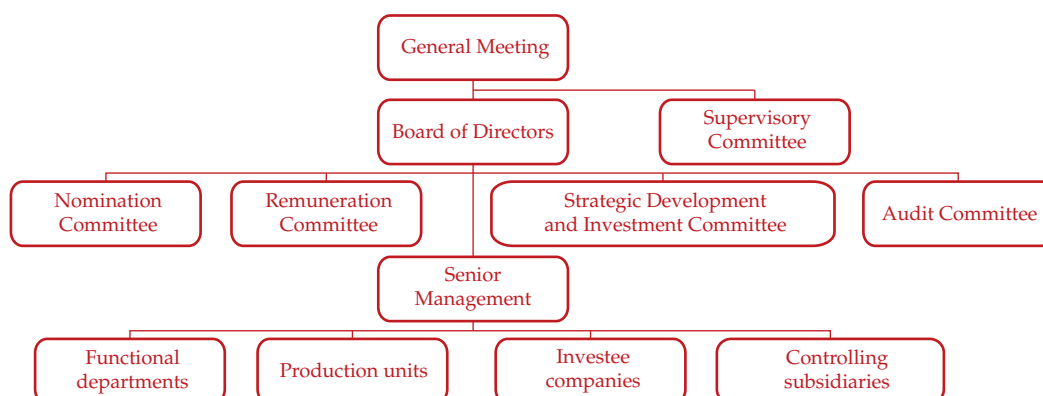
The Board, which is accountable to the General Meeting, comprises fifteen directors, of which not less than half of the members are external directors. External directors include the independent directors of not less than one-third of the total number of the directors. The directors are diligent and 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 three supervisors, is accountable to the General Meeting. The supervisors perform their duties diligently in accordance with the regulations of the Articles of Association and the Rules of Procedure for Supervisory Committee's Meetings in a stringent manner, check the financial position of the Company regularly, supervise the directors, managers and other senior management to see whether they performed their duties in a legitimate manner and in compliance with the relevant laws and regulations, and give independent opinions.

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

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

## II. Organizational structure



For details of corporate governance, please refer to the 2019 annual report of the Company.

## Customers

### I. Customer satisfaction is our mission

Firmly committed to achieving customer satisfaction and fulfilling customer demand, with the support of our leading technology, high-quality products and reliable brand, we are committed to ongoing improvement and innovation and continuously fulfilling customer demand. The Company built an all-inclusive mechanism to respond to customer demand and a scientific process of survey on customer satisfaction, in order to improve product and service quality on an ongoing basis.

- ④ An extensive network of outpost service centres is in place in China and abroad, forming a complete market network system. An industry-leading global platform of central control has been established, to engage in activities including the immediate response to customer demand and limited-time closure. The Company conducted a survey of customer satisfaction in 2019 and the overall score of customer satisfaction remained at a high level.
- ④ We launched the “Power College” (動力學院) interactive learning platform and thematic activities such as “Stepping Towards Innovation – contest for knowledge in truck power” and “China VI themed distributor training”. “Power College” provided a platform for self-showcasing and personal enhancement of customers in this new era. We listen to our customers’ voices, enhance customer’s skills and push ahead with industry advancement. The Company launched an “online Q&A + offline monthly exam” interactive learning model, which is the first in the industry, shaping itself as a knowledgeable and highly competent “new truck operator” in this new era. Through a series of thematic activities, we actively took care of and sought to satisfy the needs of customers, won the trust of and positive reputation among customers.





## II. Quality is in our hands

The Company always adheres to the quality philosophy of “quality is in our hands”, and to the quality policy of “aiming at customers’ satisfaction”. In striving to achieve the goal of “zero defect”, we firmly materialized the key quality requirements and high quality development while strictly complied with the Law of the People’s Republic of China on Product Quality (中華人民共和國產品質量法), and established a whole life-cycle quality control system to ensure product quality and reliability. In 2019, our Chairman, Mr Tan Xuguang, granted the “7th Shandong Provincial Governor’s Quality Award – Individual Award and our Company was “40th Anniversary of Promoting Total Quality Management – Outstanding Enterprise”.

### (I) We enhanced quality awareness among all staff members and organized a diversified range of quality activities

1. **We convened an annual quality work meeting.** The quality work meeting was the first group meeting convened by the Company in 2019, which summarized the Company’s performance and deficiencies in quality development in the past decade, mapped out the future work strategies and stated the Company’s development approach in the future.
2. **We commenced the “remarkable improvement in quality” project.** To achieve remarkable improvements in quality, we organized the “aiming at customers’ satisfaction and zero defects” project which is a diversified quality enhancement project starting from creating an encouraging atmosphere of quality culture, raising quality awareness, visiting customers, to quality control.
3. **We continued to launch the “quality month” event.** In response to the central government’s concept of “quality month”, we organize a wide range of quality month activities in September every year, including quality knowledge competition, quality improvement and failure case study exhibition.
4. **We organized quality education and training for staff at different levels.** For technicians and quality auditors, we commenced various training on practical skills; whereas for heads and cadres, we offered trainings on quality concept and standards, in order to uplift capabilities of staff at all levels.

### (II) We continued to enhance the system of quality management and strengthened the prevention against sub-standard quality

We have passed the supervisory audit of IATF16949 quality management system, the measurement management system audit, and the laboratory accreditation audit, and planned and implemented seven quality audit methods including self-audit, specialized audit, mutual audit, internal audit, pain point audit, manufacturing process audit and group audit. We allocated audit resources from the entire company to perform efficiency audit, in order to streamline our quality risk process and improve the effectiveness and efficiency of quality management system on an ongoing basis, which will push ahead with the enhancement of product quality.



### **(III) We commenced quality project tackling and dedicated plans on quality enhancement**

1. **We have fully established the PPM appraisal standards for product quality.** Adopting a goal-driven and process-controlled approach, we identified the PPM evaluation indicators for every process and built a PPM quality indicating system which covers the whole production cycle.
2. **Dedicated plans on quality enhancement.** By analyzing after-sales data and based on various dimensions such as the model, segment markets and failure of assembly parts and complete vehicles, we have made regular adjustments, formulated administrative measures for project assessment and procured quality rectification to secure project efficacy and achieve continual drop in project defect rate.

### **(IV) We have established an all-process information technology system to maximize the value of data application**

- ⊕ During the inspection process of incoming goods, we utilize the WQM system to inspect and collect inspection data, the WQS system to consolidate and the Q-DAS system to analyze such data in accordance with the inspection rules in place. The supplier PPK results will be exported to identify improvements, which in turn will uplift the overall standard of the supply chain.
- ⊕ Through the establishment of the quality cost management system, we performed in-depth analysis on every items and abnormalities from the perspective of quality cost, with a view to minimizing internal quality failure.
- ⊕ We explored the application of data base and Python to perform data analysis in identifying abnormalities in after-sales data and analyzing the specific reasons for the abnormalities. Through data analysis ranging from facilities, suppliers, design and services, we are able to identify the item leading to the abnormalities.

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

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

The Company highly values protection of consumer rights. The Company has formulated management systems such the "Administrative Measures on Confidentiality and Management" (《公司保密管理辦法》) and "Control Procedures of Confidentiality" (《保密管理控制程序》) to protect customer privacy, in strict compliance with the Law of the People's Republic of China on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》).

Under the guiding principles of "driving innovative development with intellectual property, encouraging full participation of all staff, striving for continuous improvement and uplifting core competitiveness", the Company has successively issued the Intellectual Property Management Manual of Weichai Power Co., Ltd (《濰柴動力股份有限公司知識產權管理手冊》), Patent Administrative Measures of Weichai Power Co., Ltd (《濰柴動力股份有限公司專利管理辦法》), Administrative Measures for the Product Technology Confidentiality of Weichai Power Co., Ltd (《濰柴動力股份有限公司產品技術保密實施管理辦法》) and Administrative Measures for the Intellectual Property Incentives of Weichai Power Co., Ltd, (《濰柴動力股份有限公司知識產權獎勵管理辦法》) for the purposes of protecting our patents and technological achievements, raising awareness of confidentiality of our technicians, encouraging innovative R&D and further strengthening the protection and management of intellectual property. In 2019, the Company was granted the honour of "National Intellectual Property Demonstration Enterprise" in full recognition of its efforts in protecting intellectual property.

## IV. Fulfillment of responsibility by subsidiaries

### (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 and aims to provide satisfactory products to customers and effective solutions to logistics related problems. At the same time KION is committed to doing everything it can to ensure that products are safe and reliable, and that KION complies with all relevant legal and technical requirements and standards. Its technical maintenance teams are able to provide on-site servicing, always giving first priority to product safety. It offers customers and dealers professional advice and support on matters such as technical conversions and modifications. Its service teams are quick to respond and flexible, providing services to meet customers' needs.

### (II) Shaanxi Heavy-duty Motor

#### 1. *Product quality*

It has successively passed the national CCC compulsory product certification, as well as a series of national and industrial quality management certifications such as ISO9001 and IATF16949. Before departure from factories, all complete vehicles have to undergo road test and wear test as well as overall vehicle technical performance test to ensure product safety. In 2019, with a customer- and problem-oriented approach, it enhanced its quality management model featured by "full-team participation, full-process control, full-system management" which is leading in the industry, in order to continuously push ahead with quality transformation.

#### 2. *Advertising and labelling*

The company complies with relevant laws and regulations including the Advertising Law of the People's Republic of China, the Advertising Management Regulations and the Trademark Law of the People's Republic of China, and has formulated the Advertising Planning and Publication Management Regulations, the Management Regulations for Trademark Rights Protection (Counterfeiting), and the Trademark Management Regulations. The marketing department is required to observe the placement and publication of advertising projects from time to time, and the Trademark Management Regulations requires that a well-regulated trademark management system be in place to ensure the correct use of trademarks under legal requirements, and ensure that trademark and patent rights are not infringed and that they will appreciate in value.

### (III) Fast Gear

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

A four-tier service management system has been established by Fast Gear: 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 customised and authorized service stations. This four-tier service system covers pre-sales, in-sales and after-sales technical support and technology services.

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

Fast Gear remains committed to the quality philosophy of "Quality-based, internal innovation, ongoing improvement and customer satisfaction" and continually improves its quality management system, with a number of activities being held each year to enhance product quality. Currently, it has successfully passed IATF16949 quality management system renewal audit; and passed the aeronautical AS9100D/EN9100:2016 quality management system standard. Further, it also possessed ISO10012 Measurement Management Systems AAA certificate.

#### 3. *Branding and advertising*

On an ongoing basis, Fast Gear strives to discharge its duties on products, strengthen brand building, enhance brand strategy, brand concepts and brand value system, and in turn promote improvements in corporate logos and marks. No exaggerated or false statements are involved in any of its advertisements, video clips for promotion, posters and so forth. With positive brand image, the "Fast Gear" brand has been promoted as a renowned global brand with international influence and good sense of social responsibility.

#### 4. *Intellectual Property Rights*

- ⊕ Fast Gear engaged experts to assess all authorized patents semi-annually in accordance with the relevant requirements under Management Control Procedures of Intellectual Property (《保密管理控制程序》) and Intellectual Property Assessment Procedures (《知識產權評估程序》). In doing so, it closely followed up R&D projects, maintained in close communication with design and development personnel and applied for patents for the R&D achievements in a timely manner in accordance with the Patent Application and Control Procedures (《專利申請控制程序》).
- ⊕ It conducted local intellectual property search before product initiation, launch R&D products pursuant to the requirements under the Intellectual Property Search Control Procedures. For material foreign invested projects, it shall engage professional intellectual property analysis institute to conduct risk analysis to avoid significant risks in advance. This will not only ensure that the R&D department is able to obtain the latest information about intellectual property of the related fields to avoid repetitive research, but will also significantly reduce the risk in engaging with intellectual property.
- ⊕ It engaged in approximately 2,000 technique service stations and franchised maintenance stations nationwide to establish an intellectual property control network for better control on intellectual property, giving full play to their expertise in product technologies. It monitored local markets and prepared regular control reports to identify and handle infringement cases in a timely manner.
- ⊕ It establish an emergency response mechanism and will form an emergency response group for handling intellectual property risks and conducting analysis, investigation, issue of recommendations, submission for approval and rights protection.

## Shareholders

Major financial indicators	2019	2018	Change
Operating revenue (in ten thousand RMB)	17,436,089.25	15,925,583.23	9.48%
Net profits attributable to the shareholders of listed Company (in ten thousand RMB)	910,495.54	865,752.73	5.17%
Net cash flow from operating activities (in ten thousand RMB)	2,383,469.33	2,226,162.87	7.07%
Basic earnings per share (RMB/share)	1.15	1.08	5.98%
Diluted earnings per share (RMB/share)	1.15	1.08	5.98%
Weighted average return on net assets	21.34%	22.73%	-1.39%
	<b>End of 2019</b>	<b>End of 2018</b>	<b>Change</b>
Total assets (in ten thousand RMB)	23,683,167.45	20,527,636.52	15.37%
Net assets attributable to the shareholders of listed Company (in ten thousand RMB)	4,522,394.11	3,931,373.48	15.03%

### I. Corporate governance and information disclosure

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

In 2019, based on the Company's strategic deployment and regulatory requirements, general meetings, Board of directors meetings and supervisory committee meetings were held for more than 24 times. The Company continually standardized the listed company's 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, the Stock Exchange of Hong Kong Limited and Shandong Securities Regulatory Bureau with the aim of enhancing corporate governance level:

- ⊕ In accordance with relevant requirements including the Company Law, the Guidelines on the Articles of Association of Listed Companies (上市公司章程指引) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (including the Corporate Governance Code), and taking into account the change in share capital and actual needs for the operation and development of the Company, we have arranged to revise the relevant provisions of the Articles of Association, to continuously refine the corporate governance system and mechanism and to raise the level of corporate governance of the Company;

- ④ The Company regulated the operation of the general meetings, the Board and the supervisory committee and actively harnessed the function of independent directors and the specialized committees under the Board. In accordance with the arrangements of China Securities Regulatory Commission, Shenzhen Stock Exchange and Shandong Securities Regulatory Bureau, we also organized the participation by directors, supervisors and senior managements in training activities organized by the regulatory bodies. We implemented an annual appraisal mechanism through which the Board could evaluate the performance of the senior management, but have also compiled board publications in both Chinese and English version and conveyed latest updates on applicable rules, so as to enhance their ability to perform their duties in accordance with the law;
- ④ Through one year of exploration and deployment, the Company has established an all-in-one platform for securities transaction of listed companies, and realized operation of general meetings, Board and supervisory committee, information disclosure and information management of directors, supervisors and senior management members. The platform has practically enhanced the efficiency of decision-making and performance of duties by the management, and uplifted the level of governance standard and quality of information disclosure, enabling the Company to achieve sustainable development; and
- ④ In accordance with the requirements including the Rules Governing the Listing of Securities on Shenzhen Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the Articles of Association and Administrative Measures on Information Disclosure, the Company formulated the Administrative Procedures for Information Disclosure, the Administrative Procedures for Regular Reporting, to continuously optimize the standard for management of information disclosure; and strictly followed the rules and regulations aforementioned and the regulations of the Company, to enhance the management of information disclosure matters. Adhering to the principle of strictness, we disclosed information in an authentic, accurate, complete, timely and fair manner and ensured that all investors acquire information on the Company under a fair environment.

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

In 2019, the Company disclosed 170 announcements, including 65 announcements on A shares and 105 announcements on H shares. We successfully completed the information disclosure of significant matters including periodic reports, profit distributions, connected transactions, change in secretaries and directors, amendments to articles of the Company, derivative trading, external guarantee and so forth. The Company was rated three years in a row an "A" grade in the annual appraisal for the information disclosure of the Shenzhen Stock Exchange in 2018.

### **(IV) Awards**

In 2019, as a result of our regulated corporate governance, outstanding business performance and smooth investor communication channel, we further enhanced the standing and reputation of the Company in capital markets and were awarded the following: Corporate Governance Award under the fifteenth "Golden Roundtable Award" for the Board of Listed Companies (第十五屆上市公司董事會「金圓桌獎」公司治理助章獎), the Best IR of HK-listed Company and Best IR Team Award by the 2nd New Fortune selection (第二屆新財富最佳IR港股公司獎及最佳IR團隊獎), "Listed Company with Outstanding Corporate Governance Practice" and "Futuristic Company in High-end Equipment Manufacturing Sector" under the 2019 Finance Sector "Golden Intelligence Award" (2019金融界「金智獎」之傑出公司治理實踐上市公司及高端裝備製造領域未來公司獎), final candidates for Chinese Listed Companies by Brand Value" in 2019 (2019中國上市公司品牌價值榜入選企業), "2019 Best Growth Award for Hong Kong Listed Company in the Greater China Region (2019年度大中華區港股上市公司最具成長獎)", and "2019 Golden Hong Kong Stock Connect Best Southbound Trade Company" and "Automobile and Industrial Manufacturing Company with the Best Value" (2019金港股最佳港股通公司獎及最具價值汽車及工業製造股公司獎) and so forth.

## **II. Investor relations management**

The Company persistently values the communication with investors, continuously enriches the management investor relations, establishes multi-faceted and multi-level communication channels such as, investor hotline, response on the interactive e-platform, on-site research reception, results announcements conferences and analyst exchange sessions, to form positive interaction with investors.

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

In 2019, a total of 45 investors' visit receptions were provided; 75 investors' telephone conferences were held to fully interact with both onshore and offshore investors; more than 210 questions from investors were answered through [irm.cninfo.com.cn](http://irm.cninfo.com.cn) under Shenzhen Stock Exchange, to respond effectively to the concerns from minority shareholders.

## **(II) Results announcement and promotion**

In March 2019, the well-organized and planned “Weichai Power 2018 Annual Results Press Conference cum 15th Anniversary of Listing and Innovative Development Exchange Session (潍柴动力2018年年度业绩发布会暨上市15周年创新发展交流会)” drew wide attention from the capital market and the media, which further enhanced the influence of the Company on the capital market. In August, we actively prepared and arranged the press conference call on the 2019 interim results, with nearly 370 investors participating online, receiving high attention and overwhelming response from the capital market. In 2019, we joined 27 strategy conferences held by securities firms such as BoA Merrill Lynch and China International Capital Corporation Limited, and through face-to-face interaction with investors, we attained satisfactory results in promoting the Company.

## **(III) Profit distribution**

The Company has always valued the returns of shareholders, insisted on implementation of profit distribution proposal to safeguard investors’ interest with determination.

The Company implemented the 2018 annual profit distribution scheme as follows: Based on the total share capital of 7,933,873,895 shares of the Company, distributed to all shareholders a cash dividend of RMB2.8 (including tax) for every 10 shares held. Implementation of the scheme was completed on 31 July 2019.

The Company also implemented the 2019 interim profit distribution scheme as follows: Based on the total share capital of 7,933,873,895 shares of the Company, distributed to all shareholders a cash dividend of RMB1.5 (including tax) for every 10 shares held. Implementation of the scheme was completed on 25 October 2019.



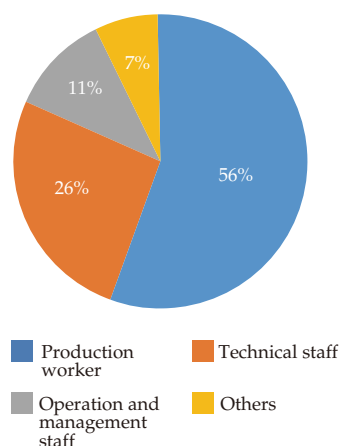
## Employees

In 2019, following the guidance in retaining high-end talents and forming an ecosystem with excellence and innovation, and adhering to the human resources management philosophy of “taking up the responsibility for forming order, allocating suitable people to suitable posts, encouraging staff members to work hard on a long-term basis, and serving the overall development goal of the Company”, as well as the principle of equality, we strictly complied with the requirements of national policies and laws including “Labour Law of the People’s Republic of China” and “Labour Contract Law of the People’s Republic of China” and formulated regulations including the Human Resources Administrative Mechanism, Administrative Procedures for Recruitment, Administrative Procedures for Labour Contracts, Administrative Procedures for Remuneration, Administrative Procedures for Staff Insurances and Administrative Measures of Labour Discipline, so as to regulate remuneration, dismissal, recruitment and promotion, working hours and holidays and leaves and develop harmonious relations with employees and give rise to a favorable environment. In 2019, the Company was awarded as the “National Model Enterprise with Harmonious Labour Relations” (全國模範勞動關係和諧企業).

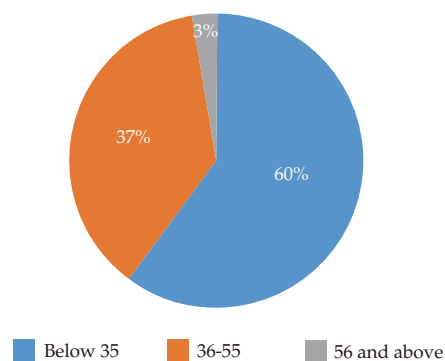
### I. Employment

In 2019, the Company further solidified its basic ground work, enhanced the human resource management comprehensively, refined the remuneration and benefits system, perfected the development of staff and promotion system, protected the rights of staff including the working hours, holiday and equal opportunity. As at 31 December 2019, the total headcount of the Company reached 80,182, including 34,604 hired by KION.

By function (excluding KION)



By age group (excluding KION)



### (I) Talent introduction: Continuous expansion in recruitment channel

- ④ We kept refining the team of 184 interview specialists from five departments including R&D, engineering and technology, IT, management, and sale and procurement.
- ④ We fully promoted the employer brand by visiting 56 tertiary institutions and hired 942 fresh graduates.
- ④ With a strategy-led approach, we achieved breakthroughs in new energy, big data and other areas, and hired 119 current workers, of which 3 are nominated as industry leaders of Weifang. We introduced 34 talents holding a doctoral degree.



## (II) Management Upgrades: Standardize management and upgraded information technology

- ④ We strictly complied with the requirements of the internal control management system, and streamlined our regulations and processes comprehensively, with 14 additions and 9 improvements.
- ④ Through further standardization of the position management system and implementation of position qualifications management, we consolidated a good match of skills to jobs and the foundation for talent development.
- ④ We also upgraded the e-HR system thoroughly to reorganize ten functional modules including position management, assessments of cadres, talent pool and reporting statements management. We implemented a 3-in-1 mode of “HCM products + Private cloud base + Mobile end” to regulate system benchmarks information and ensure more holistic and accurate data, in order to effectively support the high efficiency of the human resources management system.

## II. Sound remuneration and benefits system

In accordance with the Labour Contract Law of the People’s Republic of China and relevant laws and regulations, the Company sticks closely to its corporate development strategies and labour costs paying ability, making reference to market remuneration level and industry benchmarks, to regulate remuneration performance management, and keeps optimizing its remuneration system and evaluation and allocation system.

- ④ In strict compliance with the national policies and regulations, we maintained the “Five Insurances and One Housing Fund” for all employees, with a coverage rate of 100%, and full contributions to social security funds were made in a timely manner, to create a long-lasting incentive mechanism. In accordance with national policies, we established a system of corporate annuity and a system of supplemental medical insurance for all employees, to offer a better level of staff benefits.
- ④ We not only implemented differentiated salary management systems including annual salary, performance-related pay, piece-rate and time-rate pay based on the respective functions of employees; but also implemented all-rounded and multi-way incentive mechanisms in multiple means including project innovation incentive, management innovation incentive, patent incentive, oversea post incentive, housing incentive and so forth.
- ④ By conducting job evaluation and market salary benchmarking analysis, we compiled a competitive pay scale and set all employees’ salary at a reasonable wage level by taking into consideration their positions and performance.
- ④ The adjustments of salary were made according to the assessments of performance where incentives for personnel at key positions such as R&D, sales, skilled workers would be increased. This has refined the remuneration incentive mechanism and fostered the speedy and high-quality growth of the Company.

### III. Well-established promotion and training system

#### (I) Smooth promotion path

Apart from the executive path, positions were divided into five departments namely R&D, engineering and technology, management, operation, 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. Post-based qualification standards were set for each sequence and position so that employees could easily see their own development goals. The formation of a hierarchy-based training system according to qualifications helped employees enhance their occupational skills and attribute in a systematic and target-oriented manner.

#### (II) Standardized position management

In 2019, the Company established rules, methods and standards for position category planning, identification of key positions and core talents, assessment of position values, and post qualifications, and applied such rules, methods and standards to cross-level certification, special-treatment certification, skills-based talent appointment and so forth. Guided by craftsmanship spirit, we appraised and recruited skilled talents; added channels for recruiting business specialists, and completed the appraisal and recruitment of chief technicians, chief platform quality engineers and technical supervisors.

#### (III) Diversified training contents and modes

The trainings in 2019 complied with the positioning of “Empower individuals and the group, leading all members towards our strategic targets”. Adopting the strategy-oriented and issue-focused approach, the training covered various aspects such as mid- to senior-level management, F&D, process, quality, sales and marketing, management and production, to nurture high-caliber and versatile talents for supporting the Company’s transformation and upgrade. **For the whole year, a total of 1.479 million training hours were provided for the full year to 150,000 participants, with an average of 107.2 training hours per participant and a coverage rate of 100%. Male and female employees were offered equal opportunities to train and comparable training hours.**

1. Upgrade of digital learning platform: The Company planned and started the setting up of a digital learning platform and developed a learning map and training programs for all positions depending on the qualifications required for the position, giving support to the enhancement of the overall quality of staff.
2. “Golden blue collar” training: We trained a total of 1,602 highly-skilled employees through this training program, from which trainees obtained qualification certificates. We also recommended outstanding highly-skilled employees to participate in the assessment for chief technicians. In 2019, three of our technicians were granted Class I Prize and three were granted Class II Prize in a national-level skill competition; two of our technicians were recognized as Shandong chief technicians; four were recognized as Weifang technicians with outstanding contribution; and twelve were recognized as high-level technicians in other categories.

## IV. Equal opportunities, anti-discrimination and labour Standards

The Company has been in strict compliance with laws and regulations including the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, and has established systems including the "Human Resources Administration System", the "Administrative Procedures for Campus Recruitment" and the "Administrative Procedures for Community Recruitment" to prohibit employment of child labour or forced labour. We have maintained a comprehensive system for labour and employment, under which we have implemented regulated management as well as the openness of plant business and democratic management, with an aim of protecting the lawful rights and interests of our employees. Adhered to the people-oriented management philosophy, we have formulated fair and just systems and policies for human resources management, under which male and female employees will be remunerated equally for the same position, and everyone will be treated equally. There has not been any discrimination against employees or the employment of child labour. **Rate of signing labour contracts reached 100%**. The Company was accredited as a "Role-model Enterprise for Labour Contract System Implementation" (勞動合同制度實施示範企業).

## V. Fulfillment of responsibility by the subsidiaries

### (I) KION

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

1. **Recruitment and equal opportunities:** The success of KION shall depend on the individual's ability and contribution. The ultimate goal for the human resources strategy of KION is to provide the strongest support to the implementation of KION's 2027 Strategy. KION adopts a series of measures to ensure that a large pool of high-calibre employees are available at different stages of operations. In particular, extremely attractive working conditions and career development of an international enterprise, for which one is working, are especially important. It has also laid a solid foundation upon which the Company will face challenges posed by population change.
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 view, nationality, or social background affecting access to vocational training, employment, and particular occupations or to terms and conditions of employment is accepted. Some distinctions, exclusions or preferences made based on the inherent requirements of certain particular positions nonetheless existed.
3. **Remuneration and benefits:** KION is committed to a remuneration which is appropriate to the domestic 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 equal pay for equal work irrespective of gender is upheld. Where law or collective agreements are inapplicable, the value of the work performed must, as far as possible, be determined by objective appraisal of that work.
4. **Work-and-leisure interval:** KION implements a mechanism of flexible working hours, for work-life balance. In Germany, employees are also entitled to parental leave.
5. **Promotion, equal opportunities and diversity:** As an international company, KION is thankful for the contributions of all employees, regardless of their gender, nationality, skin color, moral background, political view, origin or social background and religion. In hopes of promoting the international collaboration between employees, KION implements expat programmes to give employees the opportunity to transfer to different countries. To expand the proportion of female members in the management, the executive committee has set a series of goals in the corporate governance report.

6. **Training and development:** The purpose of KION's human resources management and development is to allocate or promote its staff members to a suitable post based on their potentials and skills. KION attaches high importance to the succession of key positions and promotion of high-calibre employees. KION's management on performance, human resources and succession plan are in line with the standardized procedures, i.e. Organization Capability Talent Review (OCTR), which is applicable to the entire group. In addition to the competency model or management regulations expressly defined, the assessment is also based on "integrity, coordination, courage and excellence", which are the shared values throughout KION. KION provided training for 23 kinds of jobs in Germany. In addition to job training, it also cooperated with a number of universities to provide their students with courses combining job training and degree course. As at 31 December 2019, the total number of trainees and apprentice amounted to 672.
7. **Labour standards:** KION complies with the requirements in ILO, KGCC and HSE policy regarding labour standards, including the elimination of employment of child labor or forced labor. The respective management team and person-in-charge of operational units ensure the compliance with the statutory standards. These standards cover our internal audit or are part of the review of the internal annual sustainability report. In case of any non-compliance, report can be made anytime by calling the compliance hotline anonymously.

## (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 talents.
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 strategies 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 annuity, 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 has been in place for skilled positions in specialized production factories. The company rigorously implemented the Calculation Method of Paid Annual Leave for Staff, the Regulation of Paid Annual Leave Administration for Staff and the Regulation of Leave Administration for Staff, fully protecting the legal rights of the staff to paid annual leave.

5. **Training:** Shaanxi Heavy-duty Motor has established a 3-level training system, providing hierarchical and comprehensive staff training. It continuously optimized its system by organizing activities to improve its internal trainers' capabilities. It has formulated its own occupational skill standards in accordance with the national occupational skill standards and continued to enhance its training system by building a team of skill coaches and an occupational skills assessment system. In 2019, Shaanxi Heavy-duty Motor organized training programs such as Problem Identification and Solving(《問題發現與解決》), The Excellent and Effective Executive (《卓有成效的管理者》) and Pyramid for Business Writing (《金字塔商務寫作》) for 31,000 participants, focusing on skills improvement of front-line staff and involving 79 technicians and senior technicians. With an initial focus on skills assessment, it provides regular skills coaching through day-to-day coaching by group or team leaders.
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. The company has made it a policy to enter into an employment contract with each and every member of 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.
7. **Dismissal, promotion and diversity:** The company manages its employees according to laws and regulations including the Labour Law (勞動法) and the Labour Contract Law (勞動合同法), and has formulated and implemented dismissal, promotion and diversified regulations such as the "Labour Disciplines Management Regulations" (勞動紀律管理規定), the "HR Files Management Regulations" (人事檔案管理規定), the "Measures for Managing the Appraisal and Non-compliance of Employees" (員工違規違紀考核管理辦法), and the Measures on Career Planning by Employees (員工職業生涯管理辦法).

### (III) Fast Gear

In 2019, Fast Gear fully implemented the "talents drive the company" strategy, which primarily focused on the overall production and operation of the company in order to strengthen the efficiency of management and regulation, and thereby solid and effective work were carried out.

1. **Recruitment:** After considering development needs of every talents, it formulated an open and market-oriented recruiting system with hierarchical classification and adopted a "3+1" model comprising campus recruitment, open recruitment, direct hunting and internal competition, so as to bring in vibrancy to recruitment. In 2019, on the basis of equal opportunities, diversity and anti-discrimination, Fast Gear recruited 260 high-caliber talents to mainly replenish core positions including design, research and development, business management and sales management, gradually solidify the provision of intellectual support.
2. **Promotion:** 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 starrate 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.
3. **Remuneration and benefits:** Fast Gear 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 annuity has been put in place where a legal person manages the annuity 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 its staff.



4. **Staff training:** In 2019, the company cultivated talent at different levels on a constant basis, so as to steadily improve the work efficiency of employees. With an aim of being better prepared for the development trend of talent cultivation and education in the new era, Fast Gear has developed a preliminary online education platform and established an online-offline integrated cultivation model of “Internet+ learning and enhancement of practical application”. It also expanded its high-calibre talents pool by applying for more than ten provincial and municipal qualifications, and has been granted High Skilled Personnel Training Base in Xi'an (西安市高技能人才培養基地) and Qualification of Senior Engineer of Shaanxi Province (陝西省高級工程師評審資格). Through innovative models and methods of talent cultivation, the company is able to nurture highly efficient employees in various areas for serving the company.
5. **Labour standards:** Fast Gear strictly complied with 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 existed as regards 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”.
6. **Working hours, leave days, equality and anti-discrimination:** An 8-hour work day is adopted for all positions. Employees are entitled to paid annual leave and public holidays. They are legally entitled to employment equality and the right to choose their career, right to rest periods and leave days, and other labour rights stipulated under the law. Fast Gear adopts a meritocratic approach in recruiting talents. Employees are given equal wages for the same positions and also equal opportunities irrespective of sex, age, marital status, family position, disability, ethnicity and religious beliefs.

## Suppliers

In 2019, the Company was committed to establishing a team of suppliers with unified strategy and coordinated development, creating supply-side conglomeration and manufacturing conglomeration with core technologies, quality and cost competitiveness to sharpen the competitive edge of its full-range logistics processes.

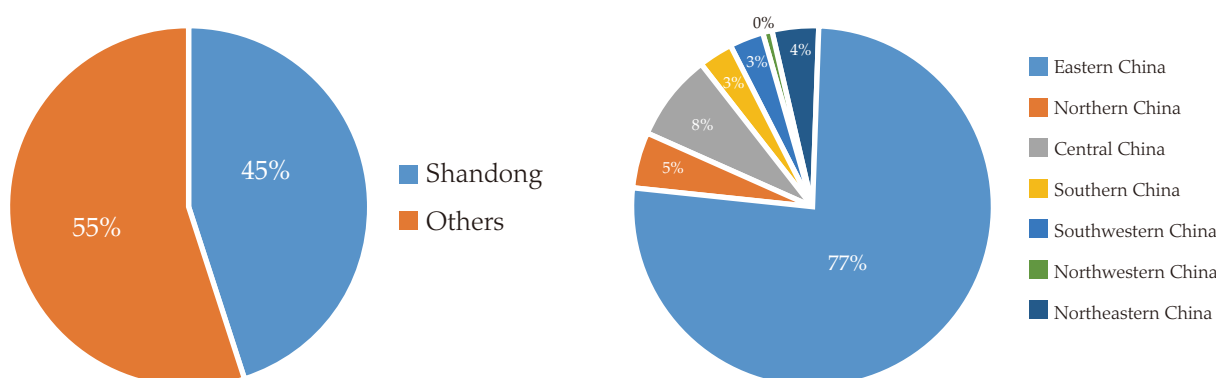
### I. Policies of supply chain management

- ⊕ **Hierarchical supplier management strategy for segment market:** The market positioning is vertically divided into high-, mid- and low-end levels, and the product platform is horizontally divided into large-, mid- and small-scale divisions to realize the “market+product” matrix positioning management. Based on the matrix positioning competition needs, a supplier system with corresponding capabilities will be allocated to achieve significant improvement of differentiated competitiveness.
- ⊕ **Internationalization of supply chain and collective development Strategy:** Through enhancing the level of internationalization of our suppliers, we introduced a group of international suppliers which possess advanced technologies and high-end products to improve the supply shortage of large-bore products and consolidated our internal supplier resources, improving the overall synergy of the supply chain and giving full play to the coupling effect.

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

The Company maintained the “Suppliers Management Manual”, “Selection, Assessment and Control Procedures for Suppliers”, “Selection and Control Procedures for External Suppliers” and “Internet Bidding Management Procedures” to regulate the procedures for reviewing and evaluating the qualifications of suppliers and the approval of their engagement. Suppliers who meet the qualifications, will be approved as qualified suppliers only when they have passed our internal recommendation review, on-site inspection, company recommendation review, examination on product durability, and preliminary process capability analysis. The criteria, policies, terms and requirements for engaging suppliers are stipulated in procurement framework agreements. Currently, more than 98% of our suppliers have signed procurement framework agreements with us. Annual business meetings or ad hoc special meetings have been held for notifying and announcing the implementation of other new policies and issues.

Geographical breakdown of suppliers:





### III. Anti-commercial bribery

- ④ Constitutional constrains: The Company established strict codes of behavioral conduct and constraints on business behavior. Employees were provided with clear guidance to ensure that they would not use their own powers to reap improper benefits for other small-scale groups or themselves;
- ④ Segregation of duties: Procurement and payment were performed by different departments and procurement personnel shall not interfere with the payment;
- ④ Supplier integrity and honesty: The Company and all suppliers entered into the “Supplier Integrity and Honesty Agreement”, which specifies the penalties and regulations, fundamentally eradicating commercial bribery.

### IV. Fulfillment of responsibility by the subsidiaries

#### (I) KION

KION has requirements on the sustainability of its suppliers. For example, KION’s code of compliance and general terms and conditions of procurement include the particular requirements and code of conducts for the personnel who are responsible for procurement. These regulations, available in eight languages, are of the utmost importance in procurement, and clearly stated scenarios and ethical standards for supplier management.

Leveraging the EcoVadis platform, KION made an objective and reliable evaluation on the performance in sustainability of its most significant suppliers. Through this way, KION is able to enhance the transparency of the performance in sustainability of suppliers and manage the risks and opportunities associated with the sustainability of the supply chain with a more targeted approach. During the course of evaluation, suppliers are required to make description on its procedures to maintain sustainability, especially in terms of the environment, working condition, human rights, fair business practice and sustainable procurement.

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

The “Procurement Control Management” and “Supplier Management” of Shaanxi Heavy-duty Motor is on the basis of the standards of quality management system. Its procurement and supply system shall be subject to no less than 4 times of external review by third parties, 2 times of internal control review by the Company and no less than 6 times of internal review by Shaanxi Heavy-duty Motor every year. The review scopes cover "factory inspection on CCC conformity ", "ISO9000 audit", "IATF16949 audit", and assessments on other related parties. Shaanxi Heavy-duty Motor has established an industry leading supplier system named “1+1+X”, which serves as a benchmark with excellence and potential, in accordance with the “SQS/SI14.2.1 Supply Entry Permit Management Rules”, under which new suppliers will be approved for engagement when they have gone through on-site inspection, on-site assessment and evaluation, test verification on the products developed and the PPAP audit. We have also implemented secondary supply development based on the types, basic principles and commencement conditions of secondary supply development as stipulated in the “Administrative Regulations on the Commencement of Secondary Supply Development”; conducted quantitative assessment on the performance of suppliers based on product quality, delivery, new product development, and cost control, etc. according to the "SQS/SI14.2.3 Supplier Classification and Performance Assessment Management Rules", and made adjustments to the share of supply, issued interviews alerts, set time limit of rectification suspended new product development, conducted a second party assessment or eliminated suppliers based on the assessment results.

#### (III) Fast Gear

Fast Gear highly regards the environmental and social risk management of its suppliers, while increased its green purchases and managed social risks. There was no incidence of real or potential material negative impacts being caused by suppliers on environmental protection, human rights and labour measures during the year. It requires that all procured materials shall meet the domestic and international environmental protection requirements, and that suppliers shall hold an environmental assessment qualification, striving to putting into practice the concept of energy conservation and emission reduction as well as green and environmental friendliness throughout the whole life cycle of purchased products, including procurement, delivery, utilization, recycle and production.

## Environmental Protection and Safety

### I. Environmental Protection

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

#### (I) Major Substances Emitted and Emission

Major substances emitted by the Company include greenhouse gas, exhaust gas and solid wastes. In 2019, information about the major substances emitted was as follows:

Substance Emitted	2019 Emissions
Sulphur dioxide	0.02 tons
Nitrogen oxides	8.11 tons
Carbon dioxide	347,900 tons, the density of which is 0.02 tons per RMB ten thousand
Chemical oxygen demand	8.93 tons
Ammonia nitrogen	1.24 tons
Hazardous waste	Handled approximately 3,800 tons of oily waste, paint residue, and hazardous waste defined by law, the density of which is 0.22 kg per RMB ten thousand
Non-hazardous waste	Generated approximately 62,000 tons of non-hazardous waste, such as scrap iron, waste iron, waste paper shell, chop wood, iron from lime and dust, the density of which is 3.56 kg per RMB ten thousand

## (II) Measures for Emissions Management

In 2019, the Company formulated and issued 19 environmental protection rules, including the “Administrative Measures on Accountability of Environmental Protection” (環境保護責任制管理辦法) and “Control Procedures for Troubleshooting of Potential Risks of Environmental Emergencies” (突發環境事件風險隱患排查控制程序), with an aim of establishing a comprehensive environmental protection system at the Company level and accelerating the establishment of an environmental protection system at different levels of the Company. The Company also started to improve our environmental management system by compiling a total of 18 documents for system modification, conducting two internal audits of the environmental management system, and successfully passed the supervisory audit on the environmental management system in July 2019. Meanwhile, in accordance with the provisions as stipulated in “Technical Specifications for the Application and Issuance of Pollutants Permit Automotive Manufacturing industry”(排污許可申請與核發技術規範汽車製造業), the Company required relevant departments to commence the application of pollutants discharge permit, so as to ensure the Company’s standardization of pollutants discharge. In 2019, the pollutants discharge of the Company strictly complied with and met national and local standards.

### 1. *Waste water: Launching the waste water quality enhancement project and reducing pollutants emissions*

By making reference to the requirements under the “‘Drawing Sword 2019’ Eco-environment Action Plan Solution” promulgated by the Government of People of Weifang City, we formulated a waste water quality enhancement project. Through the strengthened centralized collection of high concentration waste water, addition of biochemical system devices such as heat exchangers and warmers, we enhanced the efficiency in processing waste water, and the concentration of pollutants emitted was way lower than the standards of implementation.

### 2. *Exhaust gas: Pushing ahead with the switch of water-based paint in paint lines and enhancing on-site management for environmental protection*

We actively launched the verification of water-based paint quality and processes, pushed ahead with the switching to water-based paint in multiple paint lines, further reduced emissions of volatile organic compounds at source. Focusing on the paint exhaust gas treatment facilities, we also formulated procedural documents including operation guidelines, contingency handling plans and so forth, to further enhance the standardize management. In accordance with the newly promulgated “Technical Specification on Setting the Monitoring Points of Fixed Pollution Source of Exhaust Gas” in Shandong Province, new requirements on standardized management of discharge outlets and promoted the standardization of discharge outlets pursuant to the new requirements.

### 3. *Hazardous waste: Reducing hazardous waste and regulating the management of hazardous wastes*

We reduced sludge waste through methods such as adjustments on process parameters of the sewage station and addition of sludge drying facilities, and oily sludge generated has been reduced by more than 400 tons in 2019; In accordance with the new requirements of “Rectification Solution for Storing Place of Industrial Solid Waste in Weifang City”(《濰坊市工業固體廢物堆存場所整治方案》), we are required to conduct rectification works on standardizing the place for temporary storage of hazardous waste; and to engage qualified hazardous waste treatment organizations to conduct safe disposal of hazardous wastes, such as oily sludge and lacquer residue. This represents a decrease in discharge of hazardous waste of 216 tons as compared with 2018.

### 4. *Non-hazardous waste: Organizing clean production review to save energy, reduce pollutants and increase efficiency*

We used our best endeavours to promote clean production review and materialize waste reduction at all levels throughout the Company. We encouraged our employees to make reasonable suggestions, in order to facilitate the Company’s production activities to “go green”. Non-hazardous wastes were classified, collected and stored, and did not cause any pollution to the environment.

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

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

## II. Energy-saving

The Company insisted on the energy principle of “Energy Conservation and Emission Reduction, Obligation Fulfillment, Green Power, International Weichai” (節能減排、踐行責任、綠色動力、國際灘柴), and strictly complied with the relevant laws and regulations such as “Energy Conservation Law of the People’s Republic of China” (中華人民共和國節約能源法), “Renewable Energy Law of the People’s Republic of China” (中華人民共和國可再生能源法), and “Water Law of the People’s Republic of China” (中華人民共和國水法) to save energy scientifically. We enacted and implemented various systemic procedures such as “Energy Management Measures” (能源管理辦法), “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) and “Energy Consumption Quota Management Standards” (能耗限額管理標準), stressing the development of circular economic development and intelligent transformation in which energy resources are utilized in an eco-friendly way. In 2019, the integrated energy consumption per RMB10,000 output value of the Company continuously declined, achieving the best results in company history.

### (I) Measures to enhance the efficiency of using energy and resources

#### 1. Energy-saving works

The Company promoted the use of LED lights to the major manufacturing plants with an energy-saving rate of 55% and annual electricity saving of approximately 1,500,000 kWh. We proactively promoted high-temperature hot-water heating to replace steam heating in park areas. By heating the low-temperature backwater and transferring it back to the thermal companies, we can reduce 30,000 GJ of heat loss and save 30,000 tons of water resources every year. By introducing the Grade 1 energy-efficient permanent magnetic variable frequency air compressors to replace the traditional constant frequency air compressors, the energy conversion efficiency improved by 24.5%.

#### 2. Strengthening the energy foundation management, improving the energy control efficiency

The Company launched a star-rated energy management assessment for key energy consuming units, in order to refine the energy management structure. By way of establishing a long-term and effective monitoring and inspection mechanism, details of the energy conservation assessment for key energy consuming units suggested by the national government have been implemented by the Company. The energy-saving target and score of indicators have been adjusted significantly with the setup of an energy consumption benchmark to motivate all business units to start energy efficiency benchmarking and actively implement energy-saving measures. Based on the considerable data at the energy data control center, we developed consumption analysis and forecast platforms to provide supporting data for the Company’s energy plans and decisions. We actively participated in the energy-saving diagnosis works in Shandong Province, inviting energy management and technological experts to diagnose and evaluate. We set up a regular energy management appraisal mechanism which requires immediate rectification on a timely manner, thereby building complete and effective energy management standards at the business unit and company levels as well as a long-term energy management mechanism.

#### 3. Water saving measures and achievements

The Company’s water supply mainly comes from municipal pipe network’s supply of tap water, and no river water or underground water has been used. Water quality standards and water supply amount both met enterprise production and daily needs. The Company strictly monitors the key parameters in the use of water. We formulated scientific and reasonable water saving plans to classify the utilization of water resources where waste water and used water will be recycled and reused. As a result, water consumption fell by 4% per RMB10,000 output value in 2019 as compared with 2017.

#### 4. Packaging materials

The Company stressed to reduce the use of resources in business activities. Packaging materials used were predominantly iron boxes and wooden boxes of medium- duty and heavy-duty engines during the sales process. Iron boxes were reused, while wooden boxes and packaging used amounted to 4,862 tons, and the average consumption per RMB ten thousand is equivalent to 0.28 kg.

## (II) Utilization of the major resources in 2019

In 2019, fully capitalizing on the industrial and national policies, the Company implemented optimization reform for its utilities system, enhanced the reliability of power supply, put the energy management systems into practice, raised energy management levels, and maintained the Company's energy consumption indicators at a constantly stable level.

Indicators		Measurement Unit	2017	2018	2019	Increase/decrease in 2019 as compared with 2017
Energy Consumption	Water	Ton	865,595	1,054,799	1,158,632	34%
	Electricity	10,000 kWh	33,452	42,142	45,467	36%
	Natural gas	Thousand cubic meter	19,093	22,256	23,492	23%
	Diesel oil	Ton	6,693	8,481	8,769	31%
Density	Water	Ton per RMB10,000	0.23	0.23	0.22	-4%
	Electricity	kWh per RMB10,000	89	92	87	-2%
	Natural gas	Thousand cubic meter per RMB10,000	0.00508	0.00485	0.00449	-12%
	Diesel oil	Ton per RMB10,000	0.00178	0.00185	0.00168	-6%
Integrated energy consumption		Standard coal (ton)	112,303	132,622	139,556	24%
Integrated energy consumption per RMB10,000 output value		Standard coal (ton) per RMB10,000	0.030	0.029	0.027	-11%
New energy (photovoltaic power generation)	10,000 kWh		500	540	487	-3%
	Standard coal (ton)		615	664	599	-3%
Financial input for technological improvement of energy conservation		In ten thousand RMB	364	837	4,881	1241%

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



### (III) Environmental and natural resources: green power, international weichai

The Company takes “Green Power, International Weichai” as its mission. Adhering to the environmental protection concept in the whole process and whole lifecycle, we keep increasing our R&D inputs, strive for manufacturing energy-efficient products and minimize energy consumption and emission of pollutants during the production and utilization of the Company’s products. In response to the government’s call of “Persistence in the Blue Sky Defending Battle”, from product design, manufacturing to utilization, we pay attention to energy saving, consumption reduction and emission reduction as a whole in the product lifecycle.

- ④ We developed natural gas internal combustion engines and hydrogen-energy electric cells on a large scale and built the first hydrogen station in Weifang.
- ④ We phased out the traditional paint spraying and employed water-based paint spraying.
- ④ We promoted automatic technological application to improve the manufacturing efficiency and energy utilization efficiency.
- ④ We increased the environmental protection inputs, implemented online monitoring and management for the emission indicators and raised the Company’s governance level on environmental pollution.

### III. Health and safety

The Company strictly complied with relevant laws and regulations such as “Safe Production Law of the People’s Republic of China” (中華人民共和國安全生產法), “Law on the Prevention and Treatment of Occupational Diseases of the People’s Republic of China” (中華人民共和國職業病防治法), and “Special Equipment Safety Law of the People’s Republic of China” (中華人民共和國特種設備安全法), formulated and implemented safety management systems such as “Administrative Measures for Safe Production Responsibility System” (安全生產責任制管理辦法), and “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), in order to constantly improve our safety management system with a view to providing a healthy, safe and comfortable workplace for our employees and safeguard their health and safety. In 2019, we organized more than 100 safety inspections and rectified more than 300 potential dangers. There were no occurrences of work-related fatal incidents. 260 working days were lost due to work-related injuries.

**In 2019, health and safety assurance measures for the key employees of the Company included:**

1. **Launching safe production themed activities.** Echoing with the annual theme of “safety and environmental protection are shared responsibilities”, multiple measures were adopted to enhance safety awareness of employees at all levels and to strengthen our accountability. In particular, during the “safety production month”, we launched more than 20 promotional activities.
2. **Launching safety technique and occupational health education and training.** We arranged safety officers and heads and leaders to participate in emergency experiencing activities, with a view to strengthening their commanding and handling abilities in case of emergencies. We also arranged new recruits to attend induction training, with an average of 10.8 study hours per person.
3. **Organizing emergency drills.** All units took part in more than 120 emergency drills in total to ensure that they can handle properly and effectively in case of emergencies.
4. **Conducting special equipment safety management.** Testing and inspections were conducted on more than 620 specialized equipment such as boilers, lifting appliances, elevators, forklifts and pressure vessels in use in accordance with the principles of “safety comes first, prevention-focused, energy conservation and environmental protection and comprehensive management”.
5. **Execution and operation of the occupational health and safety management system.** We arranged identification of hazard sources, established methods of controlling major hazard sources, formulated objectives for occupational health and safety and monitoring mode of effectiveness of indicator control, and regulated behaviors in occupational health and safety. Through implementing version upgrades for our occupational health and safety management system, we made comprehensive amendments to more than 70 documents including management handbooks and procedural documents.



## IV. Fulfillment of responsibility by subsidiaries

### (I) KION

#### 1. Environmental Protection

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

- ③ Use energy and raw materials effectively;
- ③ Use raw materials, products and production processes that achieve environmental optimization under all circumstances;
- ③ Reduce waste to the maximum extent by raising the utilization rate of raw materials and making thorough use of recyclable materials.

Under the strategic framework of sustainable development, KION is gradually incorporating green notions to different aspects ranging from environment and climate protection, use of resources, social and environmental standards of the supply chain to production of effectively utilized products of energy resources. KION set up specific objects for each aspect and implemented measures to enhance performance in environmental protection.

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

For the purpose of reducing the impact on global warming, KION was dedicated to implementation of "climate-protection" actions, so as to achieve a reduction of 30% greenhouse gas emissions by 2027 (compared to 2017). KION introduced the network of HSE experts to incorporate the environmental aspect into the HSE league and raise the environmental awareness of staff members.

KION complied with HSE policies, compliance code and requirements under other regulations to fulfil its obligations in emission reduction. It abided by all environmental regulations applicable to the construction and operation for the production services, obtained relevant permission and approval in a timely manner and followed their rules and requirements. KION also complied with the statutory limits of pollution levels and was dedicated to reducing its impact on the environment by appropriate means, particularly in aspects of noise, 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.

## Substances Emitted and Emission by KION in 2019

Substance Emitted		2019 Emissions
Carbon monoxide		1,269.6 tons
VOC		276.1 tons
Nitrogen oxides		27.2 tons
Greenhouse gas	Direct emission	121,597 tons
	Indirect emission	92,480 tons
	Other	33,108 tons
Hazardous Waste		12,788 tons
Incl: recycled		9,191 tons
Disposed of		3,597 tons
Non-hazardous Waste		55,711 tons
Incl: recycled		43,695 tons
Disposed of		12,016 tons

### 2. *Energy-saving*

- (1) **Policies regarding effective utilization of resources:** KION complied with the requirements such as HSE policies and the compliance code to utilize resources effectively and reduce its impact on the environment and natural resources to the maximum extent. Striving to protect the environment, KION remained competitive and fulfilled its responsibilities as a corporate citizen. KION also developed and produced energy-saving products and adopted environmentally-friendly production techniques in the production process, as well as pushed ahead the development and application of environmental techniques to assist in protecting the environment or reduce its impact on the environment. KION expects all employees of all regions to use natural resources in a sustainable manner.

## Total Direct or Indirect Energy Consumption by KION in 2019

Energy consumed		Consumption in 2019
Direct energy consumption	Other than transport	827,936 GJ
	Transport	840,689 GJ
Indirect energy consumption	Electricity	645,677 GJ
	Heat	83,945 GJ
Total water consumption		540.5 MI

Effective utilization of resources not only constituted an integral part of shouldering responsibilities in environmental protection, but also served for the purpose of 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 to devote a great deal of effort and incorporate the reduction in energy use as part of its product development activities.

- (2) **Energy use efficiency initiative and results accomplished:** KION introduced an energy management system into relevant sites, so as to establish central functions that can coordinate with facilities related to energy standards.

### 3. Health and Safety

- (1) **Safe production management mechanisms:** 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 risks to an acceptable level as dictated by a risk management approach. KION provided all employees with regular health and safety trainings in relation to workplace. KION implemented an accident reporting mechanism in all aspects in order to improve the occupational health and safety.
- (2) **Occupational safety and health:** As the minimal standard and objective, occupational safety and health were deemed to be an enterprise function. KION coordinated various activities by a synergistic management and monitored the occupational health and safety performance via multiple reporting channels.

## (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 followed through on the requirements of simultaneously designing, commencing the construction of, and putting into production and use. The company invested in pollution treatment equipment and facilities to ensure the emission of pollutants stays within the limit permitted by regulations. Solid waste had to be sorted meticulously under standardized management. The emission of pollutants was subject to regular monitoring. Shaanxi Heavy-duty Motor carried out its review of clean production and accomplished the target of “Saving Energy, Cutting Consumption, Reducing Pollution and Boosting Efficiency” by 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:** In terms of handling exhaust gases, by completing the renovation of organic waste gas treatment device for coating and introducing advanced treatment technology, emissions of benzene, toluene, xylene and non-methane hydrocarbon generated in the coating process could be stably controlled below the specified limits. With the installation of the automated device for online monitoring of exhaust gas, emission of exhaust gas is monitored on a real time basis. Welding workshops were equipped with the ventilation and dust removal equipment which effectively reduced smoke and dust. For sewage treatment, a new domestic sewage treatment station has been constructed to recycle part of waste water for landscape irrigation within the plant area after going through the treatment process of the sewage treatment station located in the plant area, while another part of waste water will be discharged into the urban sewage pipe network.
- (3) **Measures taken to reduce waste materials and results accomplished:** Shaanxi Heavy-duty Motor took the initiative to review its clean production process by making the most out of the resources through the process of selection of raw materials, the control of production technologies and processes, and the output of products and by thoroughly considering the possibility of reducing the amount of waste generated at each stage of production. It also stepped up its management of hazardous waste produced to make sure it will not lead to environmental pollution. All hazardous waste is handed over to qualified entities to perform safe detoxification disposal.

### 2. Policy on use of resources

Pursuant to the Energy Conservation Law of the People’s Republic of China (中華人民共和國節約能源法), in 2019, it attained significant improvements in system construction, energy management innovation, measurement network enhancement, energy saving technology renovation, energy saving basic management and so forth. Having regard to basic energy management, the company is concerned about fundamentals and details. Process documents namely the Energy Supply Management Regulations (能源供應管理規定) and Energy Use Management Procedures (能源使用管理規定) were revised and established, while the External Energy Management Regulations (能源外供管理規定), the Energy Statistics Management Regulations (能源統計管理規定), the Energy Measurement Management Regulations (能源計量管理規定), the Energy Saving Low Carbon Implementation Rules (節能低碳實施辦法) and the Contract Energy and Subcontracted Energy Supply Management Regulations (合同能源及外包能源供應管理規定) and so forth.

### 3. *Health and safety*

- (1) In strict compliance with provisions of the Safe Production Law(安全生產法), Shaanxi Heavy-duty Motor established a safety management department and assigned a team of safety management personnel, and rigorously implemented the Safe Production Responsibility System, the Screening, Investigation and Rectification of Potential Danger System and the Regulations on Safety Operation. In accordance with the Guidelines for Preparing Work Safety Accident Contingency Plans, Shaanxi Heavy-duty Motor prepared a 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 (GB/T33000-2016), the company carried out the construction of work safety standardization and passed the National Level 1 Work Safety Standardization Enterprise Review. It also established a “dual-prevention” mechanism of safe production to further enhance safety literacy of its employees. In 2019, it did not have any material work-related injury, accident or death.
- (2) According to the provisions of 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 its staff.

## (III) Fast Gear

### 1. *Environmental Protection*

Fast Gear strove to reduce emissions of pollutants, implemented clean production and insisted on green development by upholding the principles of low input, low consumption, low emissions and high efficiency. It strictly complied with laws and regulations including the 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), etc. All projects developed, redeveloped or expanded are required to undergo environmental impact appraisals pursuant to the environmental protection requirements of the state. Meanwhile, the company strictly followed the reply from the competent environmental protection bureau in its implementation and administration, to ensure that the production processes comply with environmental requirements.

- (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) **Measures and achievements:** 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. More than 400 tons of waste oil and more than 200 tons of waste fluid could be reused every year. Production waste water and domestic sewage are treated in sewage treatment stations to reach the emission standard. Boilers use clean natural gas as a fuel, which meets the national environmental protection requirements. The exhaust gas emitted also meets the environmental standards.

## 2. *Energy conservation*

- (1) **Policy:** Fast Gear was committed to taking guidance from the scientific philosophy of development and to the principle of mutual facilitation of energy conservation and development. It strictly abided by laws and regulations on energy conservation, including the Energy Conservation Law of the People's Republic of China (中華人民共和國節約能源法) and the Law of the People's Republic of China on Prevention and Control of Solid Waste (中華人民共和國固體廢物污染防治法).
- (2) **Major work:** In 2019, existing gasoline or diesel-powered forklifts have been gradually replaced with electric forklifts. The consumption of diesel and gasoline reduced by 95.43 tons and 89.87 tons, or 76.89% and 24.59%, respectively, which translated to about 203.64 tons of standard coal.

## 3. *Health and Safety*

- (1) **Safe production management systems:** In compliance with laws and regulations including the Safe Production Law of the People's Republic of China and the "Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China" (中華人民共和國職業病防治法), the company sought to develop safety awareness among staff members, paid attention to safe production, and stepped up health guidance. Trainings on occupational health and skill drills for safe production were arranged. It was intended to prevent the risks against occupational health and safety, and to protect the occupational safety of staff members. Fast Gear passed the Environmental and Occupational Health Safety Management Systems Certification. It passed the supervisory review in May 2019. 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 259 monitoring spots and completed occupational health body checks for a total of 1,057 staff members. 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%. 124 specific work staff members were trained for forensics and re-inspections. Fast Gear also held 25 training sessions on safety, environmental friendliness and occupational health at company level, amongst which, Fast Gear managed to train a total of around 132 middle and senior management, professional and part-time safety management staff members, who received annual training and sat an examination on safety management knowledge.
- (4) **Emergency management mechanisms:** Fast Gear prepared 16 contingency plans under 3 major aspects. It organized 35 emergency drills such as elevator emergency rescue drills, evacuation drills and heat stroke rescue, improving employees' abilities of disaster prevention and mitigation and to deal with emergencies.



## Community

The Company was devoted to organically combining the maximization of its economic interests with society's interests by actively participating in community welfare activities, actively responding to the policies such as precise poverty alleviation and creating a sound social image.

### I. Community activities

#### (I) Social activities

- ⊕ In 2019, through targeted poverty alleviation, we donated RMB20,000,000 to the people's government at Heze City, Juancheng County, to assist in the projects such as the construction of teaching buildings for Guquan Secondary School at Juancheng County, the reconstruction of the roads from Juntun to Xihuan, a large shack for duck breeding as well as poverty alleviation workshops.
- ⊕ Our volunteer association actively fulfilled its social responsibilities by running around 70 activities such as "afforestation and green landscaping", "high-speed railway convoy", "one-on-one poverty alleviation actions", etc. There were around 10,000 volunteers participating in the activities, accumulating more than 20,000 hours of service.



Targeted poverty alleviation donation project



Move on firmly to achieve the Weichai's dream together

#### (II) Activities for young staff members

The Company held a meet-and-greet called "Move on firmly to achieve Weichai's dream together" for new recruits, with more than 1,000 of new recruits, doctoral student and youth representatives participating in. The activity broadened the understanding of the young employees towards our enterprise, incentivized them to excel at their respective positions and improve the quality of personnel.

#### (III) Union activities

##### 1. A wide variety of activities for female staff members

- ⊕ We successively organized 8 trainings for female staff members on labour protection, literacy improvement, family education, parent-child harmony and stress relief in workplace. There were more than 1,100 participants in total, of which around 120 of them also participated in 3 external trainings.
- ⊕ We launched a 100-day reading activity called "new era of dream, chasing to unleash female elegance" for our female staff members, which attracted nearly 1,300 female participants. During the 2019 7th National "Beauty of Books on Women's Day" (书香三八) reading competition, the Company had 8 award-winning works in total, which marked the highest record of award-winning works in all previous years in terms of quantity and quality.
- ⊕ We launched 12 matchmaking activities for unmarried employees with around 320 participants. Around 180 of them expressed their willingness to start dating and we launched online and offline love and marriage services for more than 1,200 employees.

## 2. *Caring services, united development*

- ④ We launched featured voluntary services such as “one-line production assistance”, “meal-giving actions”, “volunteer laundry teams”, “small wish against high production”, etc.
- ④ We organized and launched the “sending warmth in winter and coolness in summer” activity, we spent almost RMB200,000 to equip the high-production units with 35 washing machines and 68 microwave ovens as well as 35 mini first-aid kits together with emergency drugs and heatstroke prevention and cooling supplies.
- ④ We organized benefit distribution activities during Spring Festival and Mid-Autumn Festival, and distributed holiday supplies to employees to convey our care.
- ④ We organized a series of major events to build positive spirit for development. Such activities included a spring music concert performed by the China National Symphony Orchestra to express care for our scientific and technical workers, as well as a performance of the grand Chinese-style opera Yimeng Mountain (沂蒙山).

## II. **Anti-corruption**

The Company strictly complied with relevant laws and regulations including “Regulation of the Communist Party of China on Disciplinary Actions” (中國共產黨紀律處分條例), “Regulation of the Communist Party of China on Accountability” (中國共產黨問責條例), and “Regulation of the Communist Party of China on On-Site Inspections” (中國共產黨巡視工作條例). The Company also established systems including “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), “Administrative Measures for Disciplined Conversations” (紀律談話管理辦法), “Whistle-blowing System”(舉報制度), “Administrative Measures for Integrity Conversations and Discussions” (廉潔談話約談管理辦法), and “Administrative Measures for Enquiring about Investigation”(詢問調查管理辦法), so as to prevent bribery, extortion, fraud and money laundry. The Company commenced inspections and special supervisions as well as tightened supervision through issuing “Letter of Supervising” and “Letter of Assistance”. During the reporting period, the Company was not aware of any incident of corruption-related litigations.

### (I) **Anti-corruption trainings**

- ④ For party and administrative leaders and cadres of the Communist Party, the Company commenced warning education by interpreting laws using non-compliance cases, with an aim to remind them to strictly comply with discipline and rules.
- ④ For leaders and cadres, the Company commenced themed trainings on reinforcement of proper work style, striving to eliminate four undesirable work styles.
- ④ For key position staff members, the Company commenced warning education and trainings.
- ④ The Company implemented various measures to deepen the understanding on anti-corruption policies such as integrity talks for employees at key positions including marketing, technological improvement, civil engineering and construction, security and purchase, themed trainings on warning education and learning tests on regulations of the Communist Party.

### (II) **Whistle-blowing channels**

The Company refined its numerous whistle-blowing channels including petitions through mails, in-person visits, phone, internet, letterbox and QR code. To ensure that whistle-blowing is possible through multiple channels, a reporting network “I want to report” (我要舉報) was established in order to build a comprehensive whistle-blowing system, standardize procedures in handling whistle-blowing reports and maintain smooth channels of whistle-blowing.

### (III) **Effectiveness of anti-corruption**

- ④ The Company stepped up efforts in monitoring and inspection by completing the monitoring inspection in five subsidiaries at three locations.
- ④ Bearing in mind “one improvement may avoid problems of the same kind” (整改一個，避免一類), the Company exercised practical, meticulous and appropriate supervision by modifying work flow to strengthen closed-loop management.
- ④ The Company raised our employees’ awareness towards self-discipline and capability of combating corruption by way of warnings.
- ④ The Company proactively took actions for risk prevention and control. Beginning with identifiable and preventable risks, we performed critical procedures to verify and identify sources of risks and integrity risks, as well as tightened supervision and prevention, basically building up a dynamic management and control warning system for prevention of integrity risks.

### III. Performance of Duties by Subsidiaries

#### (I) KION

##### 1. *The community*

KION has put in place policies on donation in order to regulate donations, which can be conducted by way of cash or non-cash for projects for social and humanitarian purposes, education and science, art and culture, and environment protection and resources conservation. Recipient of the donation and the purposes for which it is to be used must be made as transparent as possible and clearly documented.

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

KION strictly complied with laws, regulations and voluntary rules and ensured effective implementation by the compliance management system in accordance with the code of compliance. The code of compliance provides guidance on moral and value oriented and law-abiding commercial activities, covering the company's activities in all spectrum and serves as a major replenishment for of the company's other rules and regulations.

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

- ⊕ **Reinforcement of building systems and regulations on authority.** The company maintained a system of integrity conversations before newly appointed cadres hold an office so as to raise their awareness of diligence and integrity. The company performed their primary responsibilities in full to regulate authority through long-term effective mechanisms including building up a defense line of warning, quarterly reporting of compliance with the Communist Party's rules and regulations, filing of marriages and funerals, filing of traveling abroad due to personal matters, annual reporting on integrity and a management mechanism for handling whistleblowing received through mails and in-person visits.
- ⊕ **Ongoing rectification of conduct and discipline as well as reinforcement of proper work style.** The company maintained a long-term effective mechanism to ensure incorruptible holidays and curb formalism, bureaucracy and non-compliance in solicitation and acceptance gifts and money. The Company prepared and implemented proposals to form a long-term effective mechanism by highlighting political supervision and conducting internal monitoring so as to facilitate further development in full compliance with the rules and regulations of the Communist Party. The company also conducted interviews with and checks on ground-level employees to follow up rectification issues, forming a closed-loop management.
- ⊕ **Extension of integrity education and creation of an atmosphere of integrity at work.** The company started a monthly themed educational campaign "Staying True to Our Original Aspiration and Bearing in Mind Our Mission", focusing on key areas and giving lessons covering topics of integrity education. The company launched a campaign called "lessons to ground-level employees" in which 61 groups of ground-level committee members watched four videos of warning education which reminded them to stay alert.

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

#### *1. The Community*

Fast Gear determined to closely combine volunteer services and activity of learning from Lei Feng with development of corporate culture by actively cultivating and practicing core values of socialism. Specifically, the company built a “Fast Gear Volunteer Service Team” while each branch of committee group built sub-teams of volunteers. Every year, they organized volunteer services campaigns ranging from public donation for poverty alleviation, tree planting, voluntary labour work, caring for single elderly to visiting children at orphanages from time to time, constantly making their contribution to the stability and harmony of the community.

#### *2. Anti-corruption*

In compliance with laws and regulations including the “Standards on Integrity and Self-discipline of the Communist Party of China” (中國共產黨廉潔自律準則), “Regulation of the Communist Party of China on Disciplinary Actions” (中國共產黨紀律處分條例) and so forth, the company formulated the “Standards of Integrity for Cadres in Fast Gear”(法士特公司幹部廉政準則), “Measures for Due Implementation of the ‘Eight Rules’ set by the Central Government for Improving Work Ethics in Fast Gear” (法士特公司貫徹落實中央「八項規定」改進工作作風實施辦法), “Procedures for Discipline Inspection in Fast Gear”(法士特公司紀律審查流程) and so forth. By embarking on a series of education such as Special Rectification of Illegal Receiving or Sending Gifts or Money, the company sought to foster the prevention and control of corruption risks, improve the regulatory system, prevent the risks of bribery, strengthen the supervision of the accountability of executive disciplinary officers, and solidify the defense line for the formation of clean and corruption-free culture. No incident of corruption-related litigations occurred as regards the company in 2019.

## 2020 Outlook

2020 not only is the year of completion for building a moderately well-off society in all aspects and the last year of China's "Thirteenth Five-Year Plan", but also a critical year for the Company to achieve breakthroughs and take lead in its traditional business. The Company will continue to uphold the principle of "we aim at customers' satisfaction" by always leveraging our strengths in leading technology and synergetic development among industries and enhancing our operational efficiency and quality, so as to remain at the forefront of the national high-quality development.

The coming year is of great significance for the Company to adhere to our strategic targets between 2020 and 2030. By fully realizing our strengths in complete vehicles and our whole series of combined products, the Company will consolidate our market presence with our traditional advantages while increasing our efforts in exploring strategic markets, in an effort to win market battle for sales of over a million engines. The Company will focus on creating values for customers and enhancing marketing capability in full. Targeting at "precise introduction of demand, standardization of management procedures and smart information platform", we will drive the improvement of marketing capability throughout the whole process, along the whole value chain and during the whole life cycle of products, in order to create the best sales and services ecosystem. The Company will improve our technological innovative system by continuously increasing investment in R&D so as to drive the strategic development of new technology businesses including new energy and hydraulic products, building up advantages of technology and scale as soon as possible and ultimately reaching the world-class technological level at full strength. To proactively respond to the national "Belt and Road" initiative, the Company promotes internationalization of its products and services to expand its business development from national to international by promoting our national brand to go global. In 2020, the Company will continue to promote waste reduction and efficiency enhancement, realize green production, drive continuous improvement of environment management system, increase energy conservation and consumption reduction as well as become a green and low carbon smart enterprise. The Company will further improve the sense of happiness and belonging of our employees and sharing our fruitful results of corporate development. In the meantime, by performing social responsibilities in our production and operating activities, the Company delivers positive energy for development in this new era and sets an example of high-quality development.



## Appendix: Index of ESG Indicators

Aspect	Contents	Pages
A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	30
	A1.1 The types of emissions and respective emissions data.	30
	A1.2 Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
	A1.3 Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
	A1.4 Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
	A1.5 Description of measures to mitigate emissions and results achieved.	31
	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	31
A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	32
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (mWh) and intensity (e.g. per unit of production volume, per facility).	33
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	33
	A2.3 Description of energy use efficiency initiatives and results achieved.	32
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	32
	A2.5 Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	32
A3: The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	34
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	34
B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	21-24
	B1.1 Total workforce by gender, employment type, age group and geographical region.	21
	B1.2 Employee turnover rate by gender, age group and geographical region.	Plan to disclose in the future



Aspect	Contents	Pages
<b>B2: Health and Safety</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	34
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	B2.2 Lost days due to work injury.	34
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<b>B3: Development and Training</b>	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	23
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior and intermediate management).	23
	B3.2 The average training hours completed per employee by gender and employee category.	23
<b>B4: Labour Standards</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	24
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	B4.2 Description of steps taken to eliminate such practices when discovered.	No occurrence
<b>B5: Supply Chain Management</b>	General Disclosure Policies on managing environmental and social risks of the supply chain.	28
	B5.1 Number of suppliers by geographical region.	28
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	28–29
<b>B6: Product Responsibility</b>	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	13–15
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Plan to disclose in the future
	B6.2 Number of products and service related complaints received and how they are dealt with.	Plan to disclose in the future
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	15
	B6.4 Description of quality assurance process and recall procedures.	14–15
	B6.5 Description of consumer data protection, privacy policies, and how they are implemented and monitored.	15

Aspect	Contents	Pages
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	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	42
<b>B8: Community Investment</b>	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	41
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture and sport).	41-42
	B8.2 Resources contributed (e.g. money or time) to the focus area.	41-42

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