



SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 631



Environmental, Social and Governance Report

2017



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I. PREAMBLE

The board (the “Board”) of directors (the “Directors”) of Sany Heavy Equipment International Holdings Company Limited (the “Company”, together with its subsidiaries, the “Group”) believes that a sound environmental, social and governance structure is vital for continued sustainability and development of the Group. In addition to business growth, the Group pursues excellence in environmental protection and social responsibility. Meanwhile, the Group also wishes to enhance its transparency to achieve and uplift the sense of environmental protection and social caring amongst various stakeholders including shareholders and investors, employees, customers, suppliers, government and regulators. The Group adopts the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its standards, with an aim to establish a sound environment, social and governance structure.

This Environmental, Social and Governance Report (the “Report”) is a review of the Group’s performance in environment, social and governance areas for the period from 1 January 2017 to 31 December 2017. This Report is designed to allow shareholders, investors (including potential investors) and the public to have a more comprehensive and profound understanding of the Group’s corporate governance and culture. The Group is willing to take more responsibilities for the society and balance the shareholders’ interests and the society’s benefits.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This Report covers the operational activities of the Group. The reporting period of this Report is for the financial year 2017 (“FY2017”) from 1 January 2017 to 31 December 2017.

III. STAKEHOLDER ENGAGEMENT

The Group acknowledges the need and importance of the stakeholder engagement as one of the key elements in ESG reporting. The Group is also committed to achieving a high standard of ESG that can properly promote the Group’s goal to become a caring and responsible company to enhance corporate value.

During the preparation of this Report, the Group has communicated with its stakeholders and conducted a materiality assessment in order to identify and understand the main concerns and priorities of the stakeholders. The selected stakeholders are based on the influence of the stakeholders on the Group and their independence. The management of the Group has selected those who have great influence towards and high degree of independence from the Group. The selected stakeholders have been invited to express their views and concerns on major social and environmental issues via questionnaires. The Group believes that the participation of stakeholders is of a certain degree of influence on the formulation of sustainable development policy and the fulfilment of social responsibility, and also is the basis for the Group’s strategy formulation and implementation decision-making.



After receiving internal and external stakeholders' feedback, the Group has consolidated the views of the stakeholders and the management and identified material issues. The Group has reviewed the sustainable development strategies, practices and measures conducted in FY2017 and outlined and disclosed the relevant issues in line with those expected by the stakeholders. In the report for FY2017, the Group recognized the major concerns of the stakeholders are the quality of products and services, the protection of consumer information and privacy policies, customer satisfaction and energy consumption.

IV. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community. The Group stringently controls the discharge of wastes, exhaust gases and sewage; and complies with the applicable laws, regulations and standards in the People's Republic of China (the "PRC") and the Hong Kong Special Administrative Region in relation to solid waste, exhaust gas and sewage discharge in the course of production, including the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the PRC and the Product Eco-responsibility Ordinance. All subsidiaries of the Group have implemented stringent energy saving and emission reduction programs to reduce the use of paper, water and electricity.

This section will primarily disclose the information on use of resources, waste and carbon emissions and use of environment and natural resources and relevant internal practices for energy conservation and emission reduction during FY2017.

1. Emissions

A. Air pollutants

The Group's major air pollutants are derived from gas emissions from energy consumption such as gasoline, diesel and coal gas. The pollutants include nitrogen oxides (NOX), sulfur oxides (SOX) and suspended particulates.

The following table shows the details of the Group's major air pollutant emissions in FY2017.

Table 1: Information on major air pollutant emissions of the Group for FY2017

Exhaust emissions ¹	Unit	Emissions during 2017	Intensity (per RMB10,000 of output value)
Nitrogen oxides (NOX) emissions	kg	1,039	0.004
Sulfur oxides (SOX) emissions	g	9,747	0.039
Particulates emissions	g	77,077	0.311
Total	kg	1,126	0.005

¹ Since the mileage of forklift trucks cannot be calculated, this table does not include related information of emissions from energy consumption of diesel vehicles (forklift trucks).



Other air pollutants generated by the Group mainly includes welding waste gas, metal dust generated from the shot peening process, spray paint and dimethylbenzene from the paint spraying process and lampblack from the staff canteen, etc. The Group has designed different treatments to the four main emissions mentioned above to optimize the removal efficiency. The waste gas is extracted by the draught fan from the exhaust hood installed on each welding position to the central dust cleaning system where it will be cleaned and released for reutilization. For the shot peening dust, there are two hermetic shot peening rooms, each of which is equipped with bag-type dust remover to clarify dust generated in the process. The treated gas will be exhausted through a 15-metre funnel. For the spray paint and dimethylbenzene, the Group has three spray chambers: the dry spray chamber, the drencher spray chamber and spray drying chamber. The dry one is totally enclosed type with spray dust filter unit, whose exhaust inlet is attached with activated carbon to adsorb organic gas. During the spray process proceeding in the drencher spray chamber, the free paint particles are led to the circulating water curtain by the air with almost 100% collection rate. The exhaust inlet is attached with activated carbon as well to adsorb organic gases. The organic gases like dimethylbenzene generated from the spray drying room go through the catalytic combustion device where they are transformed into carbon dioxide and water with above 95% purifying rate. The treated gas will be exhausted through 20-metre funnel. The Group has staff canteens in some subsidiaries in China which provide three meals to relevant employees per day. The emission of lampblack meets the requirement of Emission Standard of Cooking Fume (GB18483-2001). The Group uses an electrostatic lampblack purifier to treat the lampblack with a purifying rate of over 85%, and exhaust the treated gas with the concentration of the lampblack below 2mg/m³ through a 15-metre funnel.

B. Greenhouse gas

The Group's greenhouse gas ("GHG") emissions are mainly derived from gas emissions from energy consumption such as water, electricity, gasoline and diesel consumed in daily operations. The emissions in FY2017 were 23,661 tons.

The Group is aware that the consumption of electricity indirectly leads to an increase in GHGs emissions. In order to reduce GHGs emissions, the Group is committed to energy conservation and emission reduction and improving the utilization of electricity. The detailed measures taken by the Group and the relevant achievement in electricity consumption reduction are further described in the next section headed "Use of Resources". To offset the GHGs, the Group has also taken other methods, such as to choose more environmental friendly paper supplier, to save the amount of paper and fresh water consumed by its staffs and to plant more trees in the operation sites. As for now, there are trees and shrubs, lawns and other plants planted in the factories, covering an area of 138,940 square meters in total.

As the management of the Group pays more attention to energy conservation and global climate change, and the implementation of corresponding policies and measures by all employees of the Group, the Group is expected to reduce GHG emissions during the production process year by year.



The following table shows the details of the Group's major GHG emissions in FY2017.

Table 2: Information on major GHG emissions of the Group for FY2017

GHG emissions	Unit	Emissions during 2017	Intensity (per RMB10,000 of output value)
Carbon dioxide (CO ₂) emissions	kg	23,548,667	94.902
Methane (CH ₄) emissions	kg	1,342	0.005
Nitrous oxide (N ₂ O) emissions	kg	110,770	0.446
Total	kg	23,660,779	95.354

C. Solid Waste

Solid waste produced by the Group includes general solid waste and hazardous solid waste.

General solid waste contains domestic solid waste, scraps from production and waste metal shavings. Domestic solid waste is collected and treated by the sanitation department while other general solid waste, including scraps from production, waste metal shavings and other non-hazardous waste, are recycled by dedicated staff of the Company and sold to professional recycling companies to turn waste into resource.

Hazardous solid waste such as used oil, paint residue and used paint buckets are separated, collected and stored at the solid waste disposal centre and sent to professional companies with hazardous waste disposal qualification at regular intervals for safety treatment.

To reduce the amount of solid waste generated, the Group has taken the following measures:

- Improve the cutting process to reduce the waste of steel in production and the amount of scrap generated;
- Develop water-based paints and high-solids environmental-friendly coatings to eliminate the generation of hazardous waste from the source;
- Raise the environmental awareness of the employees through environment education, save paper and reduce the generation of domestic waste.

**Table 3: Information on the solid waste of the Group for FY2017**

	Unit	Amount	Intensity (per RMB10,000 of output value)
Hazardous waste	ton	95	0.00038
Used paint buckets	ton	70	0.00028
Paint residue	ton	19	0.00007
Mineral oil	ton	6	0.00002
Non-hazardous waste	ton	11,850	0.04776
Scrap steel and iron	ton	11,668	0.04702
Domestic waste	ton	182	0.00073

D. Wastewater

Wastewater generated by the Group includes industrial wastewater and domestic wastewater. The industrial wastewater is discharged by batch-type, including coating wastewater, cleaning waste water before transportation of the finished product from warehouse, vehicle washing wastewater in the painting workshop, wastewater containing emulsified liquid, etc. There is an industrial wastewater treatment station in the operation site which is used to treat industrial wastewater before it is qualified to be discharged to the pipe network system and finally goes to the wastewater treatment plant. The Group has complete treatment equipment for wastewater containing emulsion and spray paint and has set strict internal discharge standard for industrial wastewater.

The Group strives to mitigate the impact the hazardous wastewater it generated. In 2017, the Group has taken a number of measures to reduce water consumption to achieve the goal of reducing wastewater discharge. For details, please refer to the next sub-section headed "Water Consumption".

E. Noise

Noise generated from the Group is mainly from the operations of air compressors, shot peenings, various welders and machine tools with the noise level in the range of 60-95dB (A). To control the noise, the Group has taken the measures as below: It installs muffler in the inlet of air compressor and vibration damping device between equipment and relevant bases. Besides, all the noise sources are placed inside workshops with tight windows and doors. Meanwhile, it plants tall trees around the operation site so that they will act as barrier to block the transmission of noise.



2. Use of Resources

A. Electricity Consumption

The Group's total electricity consumption during FY2017 was 33,082,486 kWh. All electrical energy consumption comes directly from normal operations of the Group's factories and offices. In order to improve the utilization rate of electricity, the Group adopted a number of energy saving measures in FY2017, including:

- Switch off office lights when not in use;
- Switch off monitor power after leaving office for more than 10 minutes, and switch off power of copy machine, air conditioner and computer after working day;
- Turn down the air conditioning in the office and switch it off if not needed;
- Implement cleaning and maintenance programs to maintain efficient operation of office equipment such as refrigerators, air conditioners and shredders, etc.
- Replace high-power lamps with energy-saving lamps;
- Encourage staff to use stairs instead of elevators;
- Arrange specialist to conduct patrols irregularly after work to check whether the electronic devices are switched off.

B. Water Consumption

The Group's water consumption includes water for production workshop cleaning, domestic water for employees' canteens and employees' dormitories, and daily water use by employees during office hours. The Group's total water consumption in FY2017 was 486,000 tons. In order to improve the utilization efficiency of water resources, the Group has taken a number of measures to reduce water consumption, including:

- Go low-flow. Replace traditional faucets or showers with those outfitted with lowflow restrictors;
- Arrange specialist to inspect the area in charge, and shall repair timely in case evaporating, emitting, dripping or leaking are found;
- Purchase water-saving equipment which may have higher upfront cost, but such cost can be promptly recovered by its water and energy-saving function;



- Reduce landscape water use. Consider planting native plants or other less water-intensive alternatives. Also consider installing a rain-harvesting system to collect water on site for landscape irrigation or using a sprinkler irrigation system to better control exterior water use;
- Call for employee involvement. Every employee consumes water, so it is crucial to raise their environmental awareness to save water and energy as well as to brainstorm more water-saving measures.

C. Paper Consumption

In FY2017, total paper consumption of the Group was 9.3 tons. To ensure efficient use of paper, the Group has made great efforts from the “starting point” to the “end point”. The “starting point” means to indirectly reduce the paper consumption beyond the office physical boundary. In other words, to choose the more environmental friendly paper source as the supplier, through which to indirectly reduce the amount of trees loss while producing the same amount of paper; to choose recycled paper instead of normal paper to reduce natural resources loss in some cases. The “end point” means to directly reduce the amount of paper consumption through various measures in the office. The Group has also endeavoured to take the following measures to manage the paper consumption:

- To “think before print”: use posters and stickers as the reminder for the office staff;
- To use both sides: set computer defaults to print double-sided when possible;
- Give a second chance: use paper printed on only one-side for draft or memo;
- E-mail tips: to remind staff consider the environment before printing e-mails;
- Go electronic: replace unnecessary paper forms by electronic systems; use email instead of paper letters; and present data by projection instead of paper during meetings..

**D. Raw Materials**

Raw materials consumed by the Group are mainly steel. In order to improve the utilization efficiency of raw materials, reduce waste and the generation of solid waste, the Group formulated the internal regulation entitled Sany International Management Regulation of Raw Material Processing and Leftovers. The regulation requires relevant responsible personnel to be in charge of the management of raw materials at different stages, and requires them to obey the regulation requirements for the proper use and management of raw materials, and fill in the corresponding record tables. According to the completion of the management responsibility, the Group will reward or punish the relevant personnel.

E. Other Consumptions

Other resources consumed by the Group mainly include solid packaging materials, high-temperature water and diesel. In FY2017, the Group's packaging wooden box consumption was 154 tons, mainly used for component packaging. The Group's diesel consumption was 408,436 liters, which was mainly used for forklift trucks lifting and transportation of materials in the production sites. The Group's high-temperature water usage is 25,392 GJ, which is mainly used for heat supply in the production sites.

The Group has implemented the following methods to reduce other resource consumption:

- The public area controls the flow after the average room temperature reaches the target according to the actual room temperature, and implements intermittent heating;
- Install cotton curtain at the access door and close the non-main access door;
- Turn-off floor heating after work, i.e. on day off;
- Turn-off floor heating in unoccupied office area, only open inner loop to prevent freezing;
- Arrange preventive maintenance and regular maintenance of forklift trucks;
- Increase the use of non-fuel consumption transfer tools and reduce delivery frequency;
- Recycle and reuse old wooden boxes.



The following table shows the details of the Group's energy consumption in 2017.

Table 4: Detailed resource consumption of the Group by category for FY 2017

Item	Types of Resources	Unit	Amount	Intensity (per RMB10,000 of output value)
Direct energy consumption	Gasoline	Liter (L)	136,339	0.55
	Diesel	L	408,436	1.65
	Towngas ²	Cubic meter (m ³)	1,215,438	4.90
Indirect energy consumption	Electricity ²	kWh	33,082,486	133.32
	Heat ³	GJ	25,392	0.10
Water consumption	Water ²	m ³	486,394	1.96

² Excludes electricity consumption and water consumption information of Hong Kong headquarters office;

³ Heat consumption is mainly high-temperature water for heating.

3. The Environment and Natural Resources

In relation to the operation site, the Group is in strict compliance with the relevant laws and regulations and conducts regular inspection on the operation of the Group. The Group conducts energy recycling in the daily operation to save natural resources and promotes resources utilization efficiency.

The Group's routine operation exerts no adverse impact on its surroundings. According to the inspection results, the wastewater, exhaust gas, solid waste, noise and other environmental impacts arising from the operation process of the Group are in conformity with environmental laws and regulations. Besides, the Group values afforestation that the green landscaping site in the factory amounted to 138,940 square metres with a green ratio of approximately 21.8%.

The Group will continue to adhere to the safety, harmony and green development concept and put unremitting efforts to be a resource-saving and environment-friendly corporation.



V. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

1. Employment

The Group persists in the combination of a people-oriented management philosophy and an innovation mechanism. Through diversity and humanistic management, the Group has established a close relationship of mutual trust and support between the Group and its staff, and created a positive, healthy and motivated corporate culture and working environment for its employees. Meanwhile, the Group cherishes every talent and provides employees with a competitive remuneration mechanism. Moreover, the Group also incessantly optimizes its human resources structure, and improves its management methods in order to fully motivate employees' enthusiasm and initiatives.

The Group regards employees as one of the most important and valuable assets, seeking to provide a safe and sound working environment for employees and cultivate talents that are experienced in technology and management. By improving the remuneration system and career paths, we expect to establish a comprehensive incentive policy to carry forward the harmonious and stable employment relationship. The Group's human resources policies are in strict compliance with the applicable employment laws and regulations in the Hong Kong Special Administrative Region and mainland China, including the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Minimum Wage Ordinance, Labour Law of the PRC, Labour Contract Law of the PRC and the Social Insurance Law of the PRC. The Group's Human Resources Department regularly studies the latest laws and regulations to update our related human resources policies.

The Group has developed strict internal systems as Recruitment Management System to clarify the recruitment responsibilities and standardize the employment standards and processes. The system requires that the employment department should make a formal request before recruiting. Human Resources Department needs to approve, post jobs and recruit, arrange initial interview, arrange employment department to conduct professional interview and final interview, and conduct background investigation. Finally, they will formally hire the relevant personnel. With regard to promotion process, the Group has formulated the Management Promotion System and the General Personnel Promotion System, which require that the promotion assessment of general employees and management shall be carried out in strict accordance with the regulations. To motivate and reward our employees, the Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications, experiences and market benchmarks to attract, motivate and retain high-calibre workforce. It has the internal Performance Appraisal System and will conduct annual review to ensure that our staffs are recognised by the Group appropriately with regard to their efforts and contributions. Meanwhile, any termination of employment contract would be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.



To cultivate employees' sense of belonging, the Group provides its employees in mainland China with two days off per week. Financially, the Group provides housing fund and insurances in five areas including endowment insurance, medical insurance, unemployment insurance, industrial injury insurance, and maternity insurance. The employees in Hong Kong are provided with medical insurance, MPF and year-end bonus. On some traditional Chinese festivals, the Group also distributes bonus and gifts to the employees. The Group offers reasonable working hours and leave for our employees which are in line with local employment laws. In addition to statutory holidays stipulated by the region, employees are also entitled to annual leave, maternity leave, paternity leave, marriage leave, funeral leave and sick leave. The Group also provides family visit benefits to employees who have children living abroad, arranges for children to come to the Company to reunite with their parents during holidays, and the Company bears travel expenses and organizes parent-child activities.



Photo 1: The Sixth "Little Swallow" Summer Camp Activity held by Sany International

Talent acquisition is vital to the Group's business future development. The heartening improvement is very much contributed by the effective two-way communication system between the general staff and managerial staff. Employees maintain timely and smooth communication with the management, colleagues and partners of the companies within the Group through internal email, employee handbook, manager meeting, as well as real-time communication software. The interactive communication system benefits the Group's decision-making process and establishes a harmonious employer-employee relationship.

The Group is committed to create a fair, respectful and diversified working environment by promoting anti-discrimination and equal opportunity in terms of all human resources and employment decisions. The Group respects every employee and tolerates no judgment during the employment, training, KPIs assessment, promotion and review procedures regarding to their race, religion, colour, gender, nationality, age, disability and any other factors.

To cultivate the sense of belonging in the employees, the Group will set aside a portion of fund for organising staff activities. In FY2017, the Group hosted a series of activities for its employees, including staff basketball competition, badminton competition, billiard games, cooking competition, skills competition, Spring Festival Meal and dating party for youth. These events helped its employees to relieve stress, and embodied the



Group's corporate culture of the spirit of solidarity and cohesion among its employees. Leveraging the advantage of collective procurement, the Group also organised group buying from vendors as a benefit for employees.



Photo 2: Daily Necessities Group Buying Fair



Photo 3: Cars Group Buying Fair



Photo 4: Sany International Employees' Calligraphy and Painting Competition



Photo 5: Sany Marine Industry's Service Skills Competition

As at 31 December 2017, the Group had a total of 2,950 employees. The table below shows the staff composition by types of employees, age distribution, employment type, job location, gender and employee turnover rate.

Table 5: Total number of employees by types of employees in 2017 (unit: number of employees)

Job category	Manufacture	Marketing service	R&D technology	Operation management	Others	Total
Number	1650	425	368	500	7	2950
Proportion	55.93%	14.41%	12.47%	16.95%	0.24%	100.00%



Table 6: Total number of employees by age and employment type in 2017 (unit: number of employees)

Age	Permanent employees	Contract employees	Part-time employees	Total
Aged 30 or below	267	948	0	1215
Aged 31-40	430	735	0	1165
Aged 41-50	216	254	0	470
Aged above 50	49	44	7 ⁴	100
Total	962	1981	7	2950

⁴ Part-time employees include 3 independent directors and 4 retired re-employed advisers.

Table 7: Total number of employees and employee turnover rate by age and gender in 2017 (unit: number of employees)

Gender	Aged 30 or below	Aged 31-40	Aged 41-50	Aged above 50	Number of employee turnover ⁵	Employee turnover rate ⁶
Male	1137	1082	448	92	241	8.64%
Female	78	83	22	8	16	0.57%
Total	1215	1165	470	100	257	9.22%

⁵ Number of employee turnover only involves employees voluntarily leaving the Company.

⁶ Employee turnover rate = Number of employee turnover (i.e. number of full-time employees voluntarily leaving the Company) ÷ average number of employees of the Group throughout the year.

Table 8: Total number of employees and employee turnover rate by age and geographic location in 2017 (unit: number of employees)

Age	Hong Kong	China	Other locations	Total	Number of employee turnover	Employee turnover rate
Aged 30 or below	0	1215	0	1215	139	4.99%
Aged 31-40	3	1164	0	1167	91	3.26%
Aged 41-50	0	470	0	470	22	0.79%
Aged above 50	0	98	0	98	5	0.18%
Total	3	2947	0	1216	257	9.22%



2. Health and Safety

Complying with the policy of “Safety First, Prevention Primary”, the Group strives to provide and maintain a safe and healthy working environment in strict compliance with relevant laws and regulations in the PRC and the Hong Kong Special Administrative Region, including the Production Safety Law of the PRC, the Law of the PRC on the Prevention and Treatment of Occupational Diseases, Regulation on Work-Related Injury Insurance and the Occupational Safety and Health Ordinance. Furthermore, the Group has stipulated internal policies and safety management system and relevant rules and methods to ensure safe operation and get prepared for emergency.

The Group has established specific organizations to ensure safety production and environmental protection. Relevant departments are supposed to undertake specific responsibilities under strict rules. Besides, the Group sets safety production targets on an annual basis and conducts evaluation at the end of each year. The relevant departments or individuals will be awarded or punished accordingly based on the evaluation. The Group also has worked out different emergency plans for different situation, such as oil rag on fire in the workshop, power substation on fire, fire or explosion of the oil stocks, etc. In consideration of its business nature, the Group also has regulations for management of major hazardous sources, hazard identification and risk assessment procedures. The Group strives to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment.

In order to work on employees’ health issues and entitlements, the Group spares no effort to enhance the physical fitness of employees and eliminate occupational hazards. The Group arranges free occupational health checks for relevant employees including entry physical examination, in-service physical examination and exit physical examination. The Human Resource Department (“HRD”) is in charge of organizing the examinations and record keeping while each staffing department should assist the HRD to supervise the safety operation process and report to the HRD if any accident happens.

3. Development and Training

The Group offers different training and development opportunities to its staff in order to strengthen work-related skills and knowledge and improving operational efficiency and productivity. For new employees, we provide comprehensive orientation training to help them understand the Group’s corporate culture, business flow, working health and safety, management systems and group development. For experienced staff, the Group has online learning website for employees and relevant department will occasionally share learning material through intranet. The Group provides training to the employees in terms of different stages of the work needs and requirements. Besides, the Group will arrange trainings for relevant staff when there are new technology, new equipment and new material that need to be mastered by the employees.



Photo 6: Product Knowledge Training



Photo 7: Marketing Training

The Group attaches great importance to corporate safety training and cultivating safety culture. Therefore, it takes measures to enhance staff's safety awareness, improve safety quality in the operation site, reduce or eliminate accidents, and standardize safety education and training. In accordance with relevant provisions of the Group and the actual needs of the production site, the Group has formulated a safety training and education system. In addition to general safety training and pre-job safety education, all employees who are directly engaged in independent works at the operation site must undergo specific training and assessment. After passing the assessment, they will get the safety work permit and are required to undergo a formal review every year. For personnel engaged in special types of work, professional safety technical training shall be carried out in accordance with relevant requirements of the State. After passing the examination, a special operation permit shall be obtained before they can be employed, and they shall participate in the review regularly. In addition to obtaining the operation permit by the special operation personnel, it is necessary for the personnel to obtain the safety operation certificate of the Enterprise. Before new processes, new technologies, new installations and new products are put into production, the competent department shall organize the establishment of new safety technical operation procedures and conduct professional training. The relevant personnel shall not be put on duty until they pass the examination.

4. Labour Standards

The Group strictly abides by the Labour Law of the PRC, Labour Contract Law of the PRC, Prohibition of Child Labour of the PRC, Law of the PRC on the Protection of Minors, Employment Ordinance of Hong Kong and other related labour laws and regulations to prohibit any child and forced labour employment. Human resources staff of the Group specifies that applicants shall provide a valid identity documents to guarantee that the applicants are lawfully employable in order to comply with the relevant laws and regulations on prohibiting child labour and forced labour. If applicants are found in providing any counterfeiting or forgery information, the Group or its subsidiaries have right to dismiss the employee immediately.



OPERATING PRACTICES

5. Supply Chain Management

The Group is committed to maintaining a sustainable and reliable supply chain. It achieves this goal by conducting comprehensive evaluation of potential suppliers and thorough investigations of selected suppliers, imposing strict standards on the quality of suppliers' raw materials and services, and reviewing the suppliers' products, services, reputation, quality and their social and environmental responsibility so as to maintain a good and long-term relationship with suppliers.

In order to optimize the supplier management process and ensure the quality, cost, delivery, service, environment and social responsibility of the suppliers to meet the Group's requirements, the Group has formulated the internal policy entitled Sany International Production Supplier Life Cycle Management System (the "System"), and regularly adjusts it according to the actual situation. The System classifies the suppliers according to different circumstances and controls the supplier's full life cycle. Suppliers of the Group may apply for internal certification on a regular basis, and provide appropriate materials and reports for the Group's approval. The Group also stipulates that the supplier management manager must request the suppliers to update the global supplier portal (GSP) related information and qualification documents (including business license, tax registration certificate, organization code certificate, China compulsory certification, quality, environment and occupational health certificate) timely.

6. Product Responsibility

The philosophy about the products and service of the Group is to provide products with good quality up to the specification and keep in good relationship with customers and pursue win-win situation to both parties at all times. With regard to its product quality and safety, the quality management system is in line with the rules and regulations as stipulated by the PRC government such as Safe Production Law and Patent Law.

The Group has been audited and certified by a professional third-party company that its coal mining equipment and mining dump truck all meet the requirements of the GB/T 19001-2008/ISO 9001: 2008, ISO 14001: 2004+ Cor.1: 2009 and BS OHSAS 18001: 2007 standard.

The Group abides by the internal management program of clients' complaints to deal with products and services complaints. After the complaint is received, the relevant personnel should fill the relevant record form, attach the contract and relevant data, and return it to the relevant department. The special person will verify and analyze the complaint with the relevant department. Once confirming the complaints, the



Group will work out specific solutions and respond to relevant clients and record the complaints. The fact that it attaches great importance to the complaints strengthens its product offerings and service quality, and consequently enables it to stay competitive in the market.

Intellectual Property Rights (IPR) is crucial to the Group's sustainable business growth. The Group strictly complies with relevant laws and regulations on protecting and maintaining IPR in the PRC such as Patent law of the PRC, Intellectual Property Law of the PRC and Tort Liability Law of the PRC. The production line has strict rules to control the process from receiving raw material to final marking to assure the product traceability and uniqueness. Besides, the Group will ask the relevant technicians to sign Confidentiality Agreement and Non-compete Agreement for the daily technical confidentiality work. The Group has engaged legal consultant to provide advice and supervision on product advertising policies and labelling policies, and to conduct legal review of advertising copyrights. For the year ended 31 December 2017, the Group received 36 patents for inventions, 4 utility patents and 6 copyrights, and won one National Excellent Patent Award.

All advertising proposals should be reviewed by the legal consultant and approved by the Executive Vice President before officially published by the media in order to prevent violations like false or exaggerated advertising labels. If there is a violation, relevant employees shall be liable for economic and legal liabilities under the law.

The Group is committed to abide by the Personal Data (Privacy) Ordinance and Consumer Council Ordinance in Hong Kong, and Law of the PRC on the Protection of Consumer Rights and Interests to ensure our customers' rights are strictly protected. All collected personal data is treated confidentially and kept securely. Only authorised personnel could access to restricted information with permission. During the reporting year, there were no substantial complaints received concerning breaches of customer privacy and losses of customer data. The Group prohibits the provision of consumer information to a third party without authorisation from the customers. Customers remain the rights to review and revise their data, and also remain the rights to withdraw from any direct marketing activities.

7. Anti-corruption

To maintain a fair, integrity and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery as set out by the government of the PRC and Hong Kong that have a significant impact on the Group, such as Law of the PRC on Anti-money Laundering and Prevention of Bribery Ordinance.

Besides, the Group has formulated and strictly enforced our internal anti-corruption policy entitled the Regulations of Business Personnel Behaviours. All employees are expected to discharge their duties with integrity and self-disciplined, and they are required to abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which might affect their business decision or independent judgment in the course of business operation which exploit their positions against the Group's interests.



HRD of the Group would conduct investigations against any suspicious or illegal behaviour which are related to bribery, extortion, fraud and money-laundering to protect the Group's interests. Corresponding assessment, consulting, investigation and punishment internal procedures are introduced in the Group. Furthermore, we have set up advice box and hotline to enable employees or outsiders to report any suspicious activities or misconducts and any person, company or organisation that has a conflict of interest with the Group.

The Group advocates a confidentiality mechanism to protect the whistle-blowers. They can report verbally or in anonymous writing to head of office and management with full details and supporting evidence of suspected or confirmed misconduct. Where a crime is suspected, a report shall be made to the relevant authorities.

8. Community Investment

As a responsible enterprise, the Group extends active presence in community activities to support public welfare in addition to its efforts in delivering business growth. The Group listens to community needs, and exerts itself to contribute to local economy and a harmonious environment. Apart from making cash donations to charitable organizations, both management and employees of the Group have been eager to take their own initiatives in helping and supporting the local communities and neighbours.

