



中国重汽
SINOTRUK

Sinotruk (Hong Kong) Limited

中國重汽(香港)有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code : 03808



Environment, Social and
Governance Report

2021





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ABOUT THIS REPORT

This report is a true reflection of the efforts Sinotruk (Hong Kong) Limited has made in assuming economic, social and environmental responsibilities to pursue comprehensive, balanced and sustainable development. The visions contained in the report, including business plans and development strategies, do not constitute any substantial commitment of the Group to investors.

• REPORTING PERIOD

This report covers the period from 1 January 2021 to 31 December 2021. Part of the content also extends beyond the above period.

• SCOPE OF REPORTING

The scope of this report is Sinotruk (Hong Kong) Limited and its subsidiaries.

Based on the actual production and sales performance, the Group is scaling up the data monitoring system of key environmental performance indicators year by year. With the principles of materiality and representativeness, the Group selected 21 major subsidiaries or divisions, which are engaged in the manufacturing of components to complete vehicles, as the entities reported under the scope of key environmental performance indicators in this report, including:

Ji'nan Truck Company	Hangzhou Engine Company
Ji'nan Axle Company	Ji'nan HOWO Bus Company
Ji'nan Engine Plant	Hubei Huawei Company
Ji'nan Molding Plant	Ji'ning Commercial Vehicle Company
Ji'nan Transmission Plant	Ji'nan Light Truck Company
Chengdu Wangpai Company	Ji'nan Rubber & Plastic Parts Company
Chongqing Light Vehicle Company	Datong Gear Company
Ji'nan Commercial Vehicle Company	Fujian Haixi Company
Ji'nan Transmission Shaft Company	Liuzhou Yunli Company
Ji'nan Fuqiang Power Company	Mianyang Special Vehicle Company
Weihai Commercial Vehicle Company	

Due to operational adjustments of the Group in mergers and acquisitions, compared with the *2020 Environmental, Social and Governance Report of Sinotruk (Hong Kong) Limited* (2020 ESG Report), two additional subsidiaries, namely, Chongqing Light Vehicle Company and Weihai Commercial Vehicle Company, are included in this report. Sinotruk Chongqing Fuel System Co., Ltd., being disposed of, is excluded from the current reporting scope.

ABOUT THIS REPORT

- **DATA SOURCES**

All data disclosed in this report is from official documents, statistical reports and financial reports of the Group, or is the ESG information collected, summarized and reviewed by the Group. The report is available in English and Chinese. Should there be any discrepancy between the English and Chinese versions, the Chinese version shall prevail. Unless otherwise stated, the currency unit in this report is RMB.

- **BASIS OF PREPARATION**

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the ESG Guide) as set out in Appendix 27 to the Listing Rules, with appropriate reference to the Sustainability Reporting Guidelines (G4) launched by the Global Reporting Initiative (GRI).

- **ACCESS TO THIS REPORT**

For this report and any updates about our sustainable development initiatives, please visit the “Investors Relations” • “Financial Reports” section of our website (www.sinotruk.com) and the website of the Stock Exchange (www.hkexnews.hk).

1. ESG STATEMENT FROM THE BOARD

The Group sticks to fully integrating ESG philosophy into production and operations, continuously establishes a sound ESG working mechanism, and harmonizes itself with society and nature, as part of the efforts to create social, environmental and corporate value of long-term stability and to achieve long-term sustainable development of the Group.

The Board highly values the Group's ESG work. In 2021, we further optimized our ESG governance structure. A three-tier ESG governance structure, namely "the governance tier - the management tier - the execution tier", has been established as a part of the efforts to safeguard the smooth implementation of our ESG work.

As the highest decision-making body for ESG issues, the Board assumes full responsibility for the Group's ESG strategies and reporting. As the main regulator of the Group's ESG work, the Audit Committee under the Board reviews the ESG performance of the Group and advances ESG resolutions of the Board. The Group established the ESG Management Group within its management tier which was in charge of the management of daily ESG work and established the ESG Working Group in its execution tier which was in charge of the execution of daily ESG work.

This report contains full disclosure of the progress and achievements of the Group's ESG work in 2021. It was submitted to the Audit Committee meeting for consideration on 28 March 2022; and was reviewed and approved by the Board on 31 March 2022.

2. ABOUT US

2.1 GROUP PROFILE

The Group is one of the leading trucks manufacturers in the PRC which specializes in the research, development and manufacture of HDTs, medium-heavy duty trucks, LDTs, etc., and related key assemblies, parts and components. Through our diversified product portfolio, we serve a wide range of customers from different major industries including infrastructure, construction, container transportation, logistics, mining, steel, chemical, etc.

The Group mainly manufactures trucks and also produces key assemblies, parts and components such as engines, cabins, axles, steel frames, gearboxes, etc. The Group is a truck manufacturer which has its own research and development and production capability in trucks as well as the complete production chain. The Group sells truck engines and engines for use in industrial and construction machineries to third parties in addition to our own use. Our products are not only sold domestically but also exported to other countries and regions in the world. In addition, the Group provides financial services to those parties related to the production and sales of the Group's products and to the CNHTC Group.

The Group's businesses are classified into four segments according to the nature of products and services:

(I) HEAVY-DUTY TRUCKS SEGMENT

The majority source of the Group's revenue is contributed by the sales of HDTs. Its major products series include SITRAK, HOWO and Huange, each of which is further divided into various sub-series. The key production bases are located at Ji'nan and Ji'ning, the PRC. In addition, the Group engages in truck refitting and manufactures specialty vehicles.

(II) LIGHT-DUTY TRUCKS AND OTHERS SEGMENT

The Group's LDT products mainly include HOWO, Haoman and Wangpai products, which production bases are located at Ji'nan, Fujian and Chengdu, the PRC. The segment also manufactures and sells buses, medium duty trucks, light duty trucks and other vehicles.

(III) ENGINES SEGMENT

Although most of the engines for heavy duty trucks produced by the Group are used to satisfy our own demand, the Group also sells industrial and construction machinery engines to third parties. In addition, the Group produces other HDT key assemblies, parts and components, such as gearboxes and various types of casting and forging. The engines production bases are located at Ji'nan and Hangzhou, the PRC.

(IV) FINANCE SEGMENT

The finance segment of the Group provides financial services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Financial services include deposits taking, borrowings, commercial notes and bank bills discounting, issue of bills, auto financing services and supply chain financing services. It also cooperates with authorized financial institutions to provide auto financing services. It builds up an auto financing services network. Its financing services cover most areas in the PRC.

2. ABOUT US

2.2 ACCOLADES

AWARDS RECEIVED BY THE GROUP IN 2021

Title of honors	Sponsors
Enterprise with All Staff Engaging in Innovation in Shandong Province	Shandong Provincial Federation of Trade Unions
Social Responsible Enterprise in Shandong Province	Federation of industry and Commerce of Shandong Province Stated-owned Assets Supervision and Administration Commission of Shandong Provincial Market Supervision and Administration Bureau of Shandong Province
2021 Intelligent Manufacturing Pilot Demonstration Plant	Ministry of Industry and information Technology
2021 Smart Plant in Shandong Province	Department of Industry and Information Technology of Shandong Province
2021 Provincial Intelligent Manufacturing Benchmarking Enterprise	Department of Industry and Information Technology of Shandong Province
The Sixth Golden Hong Kong Stocks Awards Ceremony - Best ESG Award	2022 Global Investment Trends Forum
First Prize in "Enterprises with Excellent Corporate Culture in Shandong Province"	Shandong Enterprise Confederation & Shandong Enterprise Directors Association
Demonstration Base for Corporate Culture Building in National Machinery Industry during the 13th Five-Year Plan Period	China Association of Machinery Industry Culture
Silver Medal in the Contribution to Cultural Construction in National Machinery Industry during the 13th Five-Year Plan Period	China Association of Machinery Industry Culture

3. SUSTAINABLE DEVELOPMENT MANAGEMENT

By improving our ESG governance system and optimizing our ESG governance structure step by step, we are committed to enhancing our ability for sustainable development and to achieving a good sustainability performance. We value our communication with stakeholders, actively identify ESG issues, respond to the demands of different stakeholders, and constantly advance the sustainable development of the Group and stakeholders.

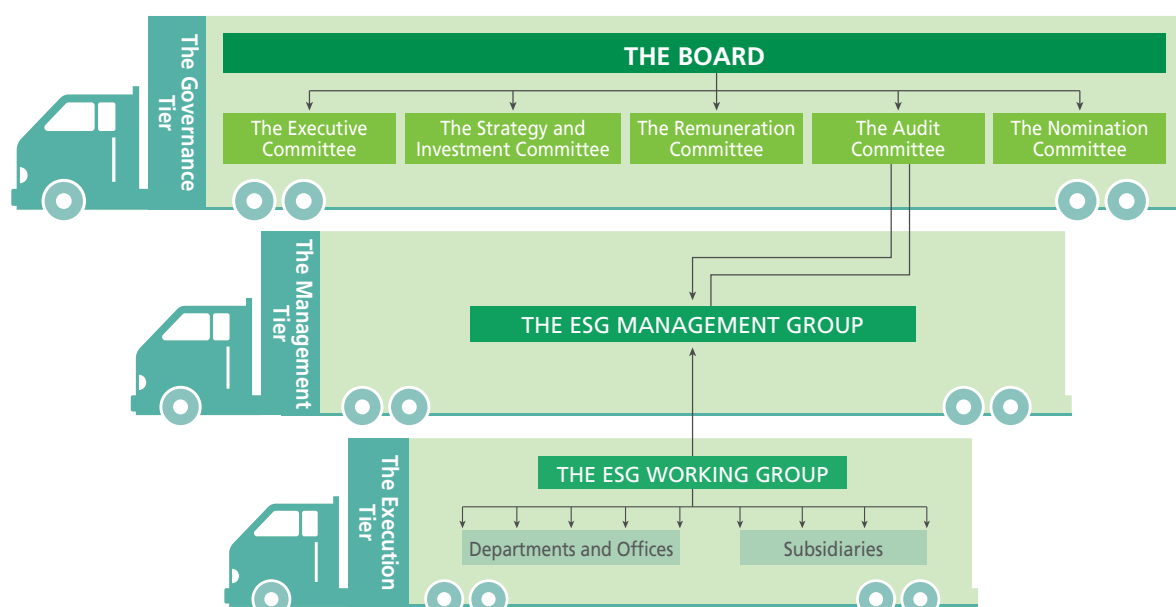
3.1 ESG MANAGEMENT

The Group follows the ESG policies, standards and guidelines of the market where it is listed, systematically plans the ESG governance work, and improves the ESG governance system. In 2021, we optimized our ESG governance structure. The Three-tier ESG governance structure featuring “the governance tier - the management tier - the execution tier”, has been established as a part of the efforts to safeguard the smooth implementation of our ESG work.

As the highest decision-making body for ESG issues, the Board assumes full responsibility for the Group’s ESG strategies and reporting. As the main regulator of the Group’s ESG work, the Audit Committee under the Board formulates ESG management policies and strategies, including assessing, prioritizing and managing ESG-related issues and their risks to the Group. It also reviews the ESG performance of the Group and advances ESG resolutions of the Board. The Board regularly listen to the reports from the ESG Working Group and is responsible for the approval of the communication results with stakeholders and ESG materiality assessments. It also reviews and approves the Group’s annual ESG report.

The Group established the ESG Management Group in the management. The Management Group carries out ESG work in line with the policies and strategies formulated by the Board and the Audit Committee, identifies ESG risks and opportunities, regularly reports ESG issues and progress to the Board, and provides the Group’s annual ESG performance and annual ESG reports.








The ESG Working Group under the ESG Management Group fully carries out ESG work. The ESG Working Group, composed of the staff in charge of ESG work from the departments and divisions of the headquarter and subsidiaries, is responsible for the implementation and promotion of the Group’s specific ESG matters and regularly reporting the progress of ESG work to the management.



3. SUSTAINABLE DEVELOPMENT MANAGEMENT

3.2 STAKEHOLDER ENGAGEMENT

The Group values the communication with stakeholders, establishes effective communication and feedback mechanisms, listens to the opinions and suggestions of stakeholders such as government and regulators, shareholders and investors, customers, employees, partners, society and environment via different channels, identifies their feedback and expectations, and responds to their demands in a targeted manner, so as to comprehensively improve the Group's corporate social responsibilities (CSR) performance.

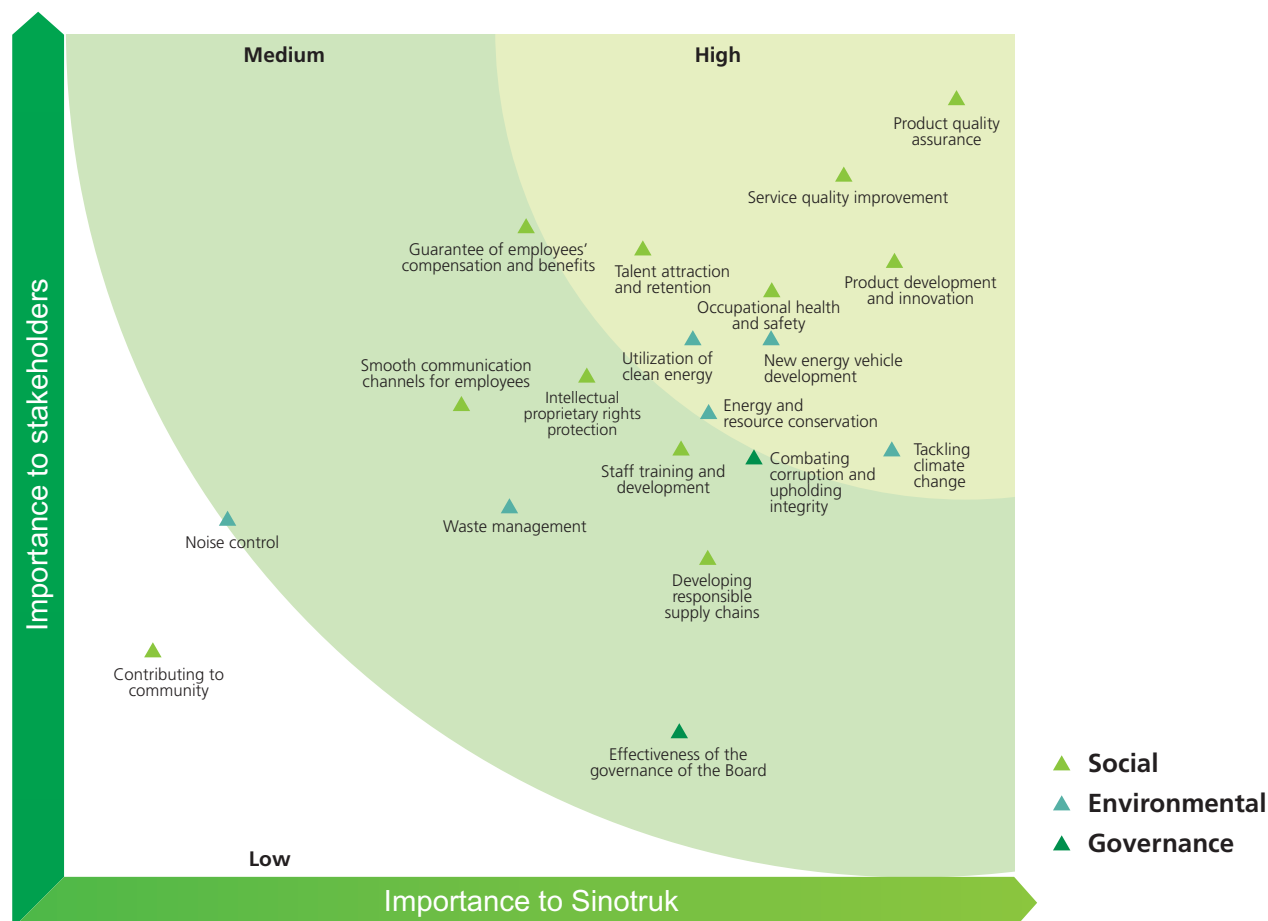
Stakeholders	Stakeholders' expectations	Communication mechanisms
Government and regulators 	Legal compliance Compliant operations Tax payment Support local development	Information disclosure Daily communication and report On-site visits Supervision and inspection Visitor reception
Shareholders and investors 	Sustainable development, repaying shareholders Information disclosure, investor relations Corporate governance, risk control	General meetings of shareholders Regular reports and announcements Communication meetings with investors
Customers 	High-quality products Excellent services Protections of rights and interests of consumers	After-sale service hotline Smart Sinotruk (mobile app) Product quality assurance Customer satisfaction survey Regular communication activities with customers
Employees 	Salaries and benefits assurance Healthy working environment and development platform Equal promotion and development opportunities	Remuneration system Performance management Staff training Daily communication
Partners 	Commitment fulfillment Fair, open and equitable procurement Win-win development	Open tendering and bidding On-site reviews Suppliers' meetings Business conferences
Society 	Contributing to urban development Improving public awareness Contributing to community harmony	Voluntary services Supporting cultural and sports activities Voluntary unpaid blood donation Contributing to the fight against COVID-19
Environment 	Promoting environment protection Protecting ecological balance	Emissions management Resource consumption reduction New energy vehicles

3. SUSTAINABLE DEVELOPMENT MANAGEMENT

3.3 ESG REPORTING PRINCIPLES

Materiality: In accordance with principles and requirements of the ESG Guide, in combination with focus of capital market on corporate sustainable development, through communicating with stakeholders via different channels and analyzing the ESG issues disclosed in the ESG reports of peer companies, the Group identified and selected the ESG issues that are highly relevant.

We conducted an online questionnaire to learn the importance that stakeholders, both internally and externally, attached to the ESG issues we had selected and then prioritized the issues accordingly. In the light of external trends and operating characteristics of our businesses, we reviewed the following material issues matrix on a regular basis and adjusted the importance level of a few issues to ensure the timeliness and rationality of the matrix. In 2021, based on our national goals of carbon peaking and carbon neutrality as well as the Group's new energy development plan, we adjusted the importance level of some issues, including tackling climate change, new energy vehicle development and utilization of clean energy.



3. SUSTAINABLE DEVELOPMENT MANAGEMENT

Quantitative: The Group conducts regular statistics on the quantitative key disclosure indicators of “environmental” sections and “social” sections as stated in the ESG Guide, summarizes and discloses them at the end of the year. The ESG quantitative data are provided with related calculation methods and reference standards. For details, please refer to related sections of the report.

Consistency: Compared with our 2020 ESG report, two more subsidiaries have been included in and one subsidiary has been excluded from the current reporting scope of key environmental performance indicators. Hence, statistics are subject to change. We continued to use consistent disclosure methodologies and specified some of the disclosure categories stated in the ESG Guide.

4. COMPLIANT OPERATIONS

The Group constantly improves corporate governance systems, establishes a governance structure with a clear division between powers and responsibilities as a part of the efforts to improve corporate governance, safeguard the rights and interests of investors, and enable the Group to achieve a long-term sustainable development. We improve the risk prevention and control and monitoring systems concerning anti-corruption, adhered to the principle of staying vigilant against corruption and nipping it in the bud, optimize whistleblowing channels, build up a solid ideological and moral line of defense, to advance integrity building comprehensively and ensure compliant and legal operations of the Group.

4.1 CORPORATE GOVERNANCE

The Group strictly abides by the *Company Law of the People's Republic of China* and other laws and regulations and adopted the corporate governance codes as set out in Appendix 14 *Corporate Governance Code and Corporate Governance Report* (the "CG Code") to the Listing Rules as its own code of corporate governance, so as to ensure compliant and legal operations of the Company and guarantee the interests and all shareholders of the Company.

The Board is accountable to shareholders. It formulates overall policies and business and strategic directions, establishes good corporate governance practices and procedures, and monitors risk management, internal controls and operation performances. The Board has set up the Executive Committee, the Strategy and Investment Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, each of which takes different responsibilities to ensure efficient and robust operations of the Board.

We actively advance board diversity of the Group by formulating the *Board Diversity Policy* and selecting candidates for the Board in a comprehensive and impartial manner in accordance with the specific needs of the Group. We consider gender, age, ethnicity, language, cultural background, educational background, industrial experience and professional experience, etc., so as to promote the inclusive and sustainable development of the Group.

The Board has a total number of 17 Directors including seven executive Directors, four non-executive Directors and six independent non-executive Directors. Acting in the interest of shareholders. Each Director engages seriously in the Board meetings and general meetings, perform their duties and obligations in a careful and faithful manner. Among them, the executive Directors and the Executive Committee are authorized and overseen by the Group to take charge of daily operations, management and decision-making of the Group. The non-executive Directors and independent non-executive Directors contribute valuable views and proposals for the Board's deliberation and decisions. We abide by the requirements of independence guideline and all independent non-executive Directors have signed annual confirmation concerning their independence, ensuring that they review relevant proposals and express independent opinions based on independent judgments, with a responsible attitude to the Company, all shareholders and investors.

The Group constantly enhances the communication with shareholders and ensure that investors are able to obtain information about the Group on a fair and timely basis. Besides, the Group regularly holds general meetings, investors meetings, roadshows, investors' site visits, etc. and provide investors with relevant reports and information. In 2021, we held one general meeting and communicated with investors and analysts via multiple ways.

4. COMPLIANT OPERATIONS

4.2 BUSINESS ETHICS

In strict compliance with the *Company Law of the People's Republic of China*, the *Tendering and Bidding Law of the People's Republic of China*, the *Law of the People's Republic of China on Anti-unfair Competition*, the *Interim Provisions on Banning Commercial Bribery*, and the *Anti-money Laundering Law of the People's Republic of China*, and other applicable national laws and regulations, the Group has formulated rules and regulations including the *Provisions on Management of Integrity Files*, etc. to continuously optimize the business ethics management system and ensure the integrity and efficiency of the Group's operations.

The Group strengthens the identification, prevention and control of integrity risks and steps up efforts in preventing and controlling relevant risks in key posts. By inspections, audits, oversight and lawsuits in early stage, we effectively prevent and control integrity risks in the production and operations of the Group, to reduce integrity risks and support the high-quality development of the Group. We organize the management to sign the Letter of Commitment for "dual responsibility for one position" to require them to perform their specific duties while taking charge of the integrity building of their posts, ensuring the joint implementation of anti-corruption and business operations. We investigate and handle violations of disciplinary regulations and establish open and smooth whistleblowing channels, including face-to-face reporting, telephone calls, letters, e-mail messages, etc. We investigate, handle and report relevant cases in a timely manner in the light of procedures and adopt confidentiality and protection measures. Behaviors including intentional leakage of whistleblowers' information and retaliation against whistleblowers are prohibited.

We underscore the integrity management of business activities. By requiring all contracting parties to sign the *Agreement on Mutual Commitment to Honesty and Integrity*, we regulate the activities of both parties to prevent violations of laws and disciplines that seek illegitimate interests. In addition, we have formulated the *Procedures for Managing Commission on International Transactions* and other documents, specifying the approval process of commission payment in the prevention of commission businesses related to terrorism, money laundering, corruption, commercial bribery and unfair competition.

4. COMPLIANT OPERATIONS

The Group actively carries out cultural construction of combating corruption and upholding integrity. By advancing daily anti-corruption education, the Group constantly builds a solid ideological line of defense to combat corruption and to address both the symptoms and root causes of corruption. By organizing classes, carrying out lectures on integrity, visiting educational base of anti-corruption and watching education videos on anti-corruption, we raise the awareness of honest operation among the key management and employees, realizing the routine warning education and creating a clean and honest environment within the Group.



Valuing 'Seven Accounts' eliminating violations of disciplines and laws

Ji'nan Axle Company held a lecture titled "Valuing 'Seven Accounts' in the Life" (namely policy, economy, reputation, family, family affection, freedom, health), which focuses on the milestones of integrity building and promotes the publicity that officials would not dare and could not afford to be corrupt and, more importantly, had no desire to take that course. The Group requires all employees, especially cadres at all levels and employees in key posts, to properly understand and use their power, adhere to "bottom lines", stay away from "red lines" and "high-voltage lines", fasten the "safe belt" of integrity, take the "wheel" of using power, get work done and prevent from troubles, so as to advance the Group's sustainable and high-quality development.



▲ The lecture on integrity at Ji'nan Axle Company

In 2021, the Group was not involved in any business ethics lawsuit regarding corruption, money laundering and monopolies and, in all material aspects, complied with the Company Law of the People's Republic of China, the Tendering and Bidding Law of the People's Republic of China, the Law of the People's Republic of China on Anti-unfair Competition, the Interim Provisions on Banning Commercial Bribery, and the Anti-money Laundering Law of the People's Republic of China, and other applicable national laws and regulations.

5. HIGH-QUALITY OPERATIONS

In response to the national “Dual Carbon” strategy, focusing on the core strategy of “technology leader + solution provider”, the Group embarks on the high-tech, high-quality development path, continuously improves the product quality management system, and strives to deliver high-quality products and services to our customers.

5.1 PRODUCT INNOVATION

As a representative of the leading automotive industry, the Group emphasizes product innovation and iteration. We push forward all-round innovation targeting different market segments and product lines, continuously launch flagship products into the market, and benchmark with world-class brands. Moreover, we give high priority to the protection of intellectual property rights, help to build an industry that encourages research and development (R&D), and empower the sustainable development of the entire industry with science and technology.

5.1.1 PRODUCT R&D

The Group has been devoted to strengthening independent positive R&D capabilities and continuously making breakthroughs in scientific and technological innovation. Relying on our industry-leading research capabilities, we keep offering advanced solutions in such areas as vehicle manufacturing, power system, auto parts, and material technology. Guided by a forward-looking blueprint, we make unremitting efforts to research and develop new energy technologies, and to create value for users with science and technology.

We unswervingly promote the construction of scientific research system, tailor product development to customer needs, and further optimize the top-level design of the R&D system. In this way, we build a matrix R&D system mode in which the whole vehicle acts as subject, and the performance R&D and assembly parts are reinforcing each other. We set the goals of increasing R&D spending by at least 25% every year and maintaining a ratio of R&D spending over 3% of the revenue of the Group. We are right on track to promote the reform of R&D system deeply, as well as reshape the process and implement projects at a faster pace. In 2021, the Group had 243 key scientific research projects approved, and invested RMB 3.28 billion in scientific research. The ratio of R&D spending to the revenue had exceeded 3.5%.

We actively promote “intelligent manufacturing, green manufacturing, and high-end manufacturing”, and commit ourselves to leading the development of the automotive industry with science and technology. To realize the sustainable development of the traditional automotive manufacturing industry, we set a long-term timetable for the R&D of new energy vehicle (NEV), and laid out technical routes for battery electric vehicle (BEV), hybrid vehicle (HV), and hydrogen fuel cell vehicle (HFCV). Besides setting up the Sinotruk intelligent connected (new energy) plant, we also unveiled green-energy models of HOWO and Yellow River, and advanced key projects for the transformation of new and old kinetic energy in the automotive industry.

5. HIGH-QUALITY OPERATIONS

HOWO series

- HOWO TX series pure electric tractor: The TX series is equipped with high-performance power battery, which can convert 90% of the energy into traction power. The replacement of vehicle battery only takes five minutes.



- HOWO new-energy E series light duty truck: Powered by the 81.14kwh lithium iron phosphate battery from CATL (寧德時代), the E series features a long duty endurance mileage and numerous cycles of charge. The light truck has a loading capacity of 1 - 4 tons and an endurance mileage of 180-200 km.



5. HIGH-QUALITY OPERATIONS

Yellow River series

- Yellow River hydrogen fuel cell snow wax truck: It is the first hydrogen fuel cell snow wax truck with completely independent intellectual property rights in China. The truck adopts high-performance solar panels to charge, achieving zero pollution and zero emissions.



5. HIGH-QUALITY OPERATIONS

Upholding the concept of competition and cooperation, we aim to build an open and collaborative global joint innovation system, integrate resources across the globe, the Group, and the whole industry chain, as well as deepen the industry-research-university cooperation and the cooperation across the upstream and downstream of the industry chain. We also form partnerships with world-famous companies, research institutions and top universities to research and develop ground-breaking technologies in key areas, transform from the closed-end innovation conducted by a single company to the collaborative innovation involving the whole industry chain, and jointly address the market challenges presented by the layout of the new energy and intelligent connected industry chain.



Case: Sinotruk joined China Engine Carbon Neutrality Innovation Alliance

On 22 April 2021, China Engine Carbon Neutrality Innovation Alliance was formally established. The alliance consists of 20 core members, including the Chinese Society for Internal Combustion Engines, the No.711 Research Institute of China State Shipbuilding Corporation (CSSC), Tsinghua University, Shanghai Jiao Tong University and so on. Mr. Tan Xuguang, Chairman of CNHTC, was elected chairman of the first China Engine Carbon Neutrality Innovation Alliance.

On that day, expert representatives from core members discussed the alliance charter, development plan, and key core technologies for achieving carbon neutrality in the engine industry chain. The alliance reached a high degree of consensus and will cooperate closely to contribute to the realization of China's goal of "carbon peak and carbon neutrality".



▲ The roundtable discussion organized by the innovation alliance

5. HIGH-QUALITY OPERATIONS

5.1.2 INTELLECTUAL PROPERTY PROTECTION

The Group strictly abides by relevant laws and regulations, such as the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Trademark Law of the People's Republic of China, and the Madrid Agreement Concerning the International Registration of Trademarks. According to the requirements of the Enterprise Intellectual Property Management Standard (GB/T29490-2013), the Group has put in place a sound intellectual property management system to actively protect patents, trademarks and other intellectual property rights for our scientific and technological innovation achievements.

Patent management

We have formulated internal patent management systems such as the Management Procedures for the Approval of R&D Projects, the Patent Management Process, the Management Measures for Intellectual Property Rights, and the Management Procedures for Safeguarding Intellectual Property Rights to comprehensively standardize patent management.

Trademark management

We have formulated and implemented the Measures for Trademarks, which specifies the department in charge of trademark management and relevant responsibilities, registration process, use, licensing, protection, file management, and review of trademarks.

By the end of 2021, the Group had a total of 3,401 valid patents, including 2,491 utility model patents and 580 industrial design patents. In 2021, we applied for 331 utility model patents and 226 invention patents, with 292 utility model patents granted, as well as 446 domestic trademarks and 2,396 international trademarks approved for registration.

5. HIGH-QUALITY OPERATIONS

5.2 QUALITY AND SAFETY

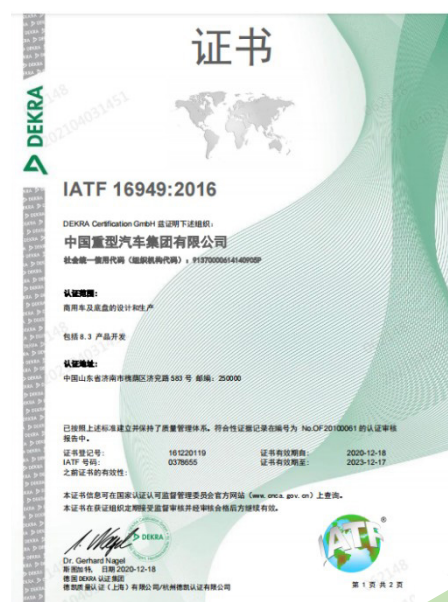
The Group consolidates our basic product management, establishes a sound product quality management system, strictly controls product quality throughout the whole process, strengthens the cultivation of high-quality culture within the Group, improves product quality, and continuously embarks on sustainable and high-quality development.

5.2.1 QUALITY MANAGEMENT SYSTEM

We constantly pioneer and innovate to provide first-class products with high standards and strict requirements. The Group strictly abides by the *Product Quality Law of the People's Republic of China* and other laws and regulations, formulates relevant quality management systems, establishes a quality-information-based hierarchical disposal mechanism, and builds a comprehensive quality management system.

Strictly in accordance with the ISO 9001:2015 quality management system certification and the IATF 16949 quality management system certification, we have established a strict internal quality management system, which has been applied to the whole process of product design and development, manufacturing, as well as sales and after-sales services of the Group and our subsidiaries. With reference to the System for Managing Comprehensive Risks, we identify and control technical risks and quality risks in our quality systems. By the end of 2021, CNHTC and our 15 subsidiaries had passed the IATF 16949 quality management system certification, with 23 internal quality management documents revised and three new quality management procedures added.

To continuously improve product quality, we set quality management objectives and keep track of the completion of relevant objectives. During the reporting period, we set quality objectives from the seven dimensions of comprehensive control, R&D, engineering, procurement, service, manufacturing and quality cost, broke down and assigned the indicators to the relevant departments and leaders, and implemented the quality management responsibility system.



5. HIGH-QUALITY OPERATIONS

5.2.2 FULL LIFE CYCLE QUALITY MANAGEMENT

The Group constantly promotes the closed-loop management of product quality, optimizes the quality audit and evaluation mechanism, builds an information-based quality management platform, realizes the quality control during the full life cycle of products, and comprehensively safeguards the health and safety of users.

Quality management system maturity evaluation

The Group carries out the quality management system maturity evaluation in accordance with the Quality System Maturity Evaluation Method. We conduct maturity evaluation from the five dimensions of incoming inspection, process inspection, finished product warehousing inspection, monitoring and measurement, as well as procurement control. Based on the evaluation results, we rectify the divisions with poor evaluation results, improve relevant business in terms of process standardization, design effectiveness and execution effectiveness, and thus lay a foundation for quality management.

In 2021, the Group conducted 36 maturity evaluations which covered all manufacturers in Ji'nan and Ji'ning Commercial Vehicle Company. Among 570 major issues identified, 531 of them were rectified, with a rectification rate of 93.2%.

Information-based management platform

The Group continuously promotes the information construction of enterprise quality management, advances the establishment of information system, effectively standardizes product quality requirements, and improves control efficiency.

We have built a collaborative and efficient quality information platform whose manufacturing quality modules have been put into use. The platform is used to collect and analyze the data in key quality gates, including incoming inspection, quality gate inspection, tour inspection, assembly, commissioning, rain test, and test line, thus providing support for decision-making with big data.

To strengthen the control of outgoing inspection, we have established a CVN information control system¹. With the aid of the integrated information management platform, we have developed functions, such as electronic control management platform, Sinotruk Telematics, and vehicle registration management system, to verify CVN information in the three dimensions of product development, new launch test, and after-sales services. We also rely on the quality analysis intelligent system to conduct intelligent statistical analysis of product quality after-sales data, thereby achieving the automatic extraction of quality management indicators and making monthly reports. As to the unfinished indicators, we analyze the cause of failed indicators and adopt special rectification measures, thusly effectively tracking and improving the quality management performance.

¹ CVN information control mechanism is an information control mechanism of vehicle outgoing inspection standards

5. HIGH-QUALITY OPERATIONS

Quality audit management

We strictly control product quality and conduct several audits, including process audit, special quality audit, product audit, sampling audit, on-site audit, and new product release evaluation, to ensure product quality and improve product quality.

- **Process audit:** We carry out quality audit in such aspects as process requirements, control methods and control measures, issue product audit reports, and investigate the responsibility for issues identified in accordance with the *Management Measures for Customer-oriented Quality Loss Investigation and Responsibility Investigation (Trial)*. During the reporting period, we conducted 23 process audits.
- **Special quality audit:** We carry out special quality audits targeting zero-kilometer failures and early detection of product reliability. During the reporting period, we completed special quality audit of various products from several factories, prepared audit reports, and held special meetings for relevant responsible parties. We also took targeted measures to rectify relevant issues and improve product quality.
- **Product audit:** With reference to the industry-leading quality audit standard system, we formed a Parts Per Million (PPM) evaluation system for vehicles and assemblies. During the reporting period, we conducted 78 product audits.
- **Sampling audit:** The Group lays out sampling audit plans every year, and conducts investigations on engine performance and emissions. During the reporting period, we conducted the production consistency and emission bench test for 36 engines from 12 batches, organized vehicle manufacturers to complete 58 Portable Emission Measurement System (PEMS) tests for production consistency, and organized 16 inspections on the compliance with the National VI emission standards for motor vehicles.
- **On-site audit:** We conducted seven on-site audits at Ji'nan Fuqiang Power Company, Ji'nan Truck Company, and Ji'nan Commercial Vehicle Company throughout the year. After identifying 119 issues, we urged all parties concerned to implement rectification measures.
- **New product release evaluation:** We identify issues related to new products, prepare rectification measures, determine responsible units and deadline for rectification, and urge them to implement evaluation and rectification. During the reporting period, we conducted release evaluation for four new products, namely, Yellow River NG 17 series, interior and exterior products of Sitrak series, HOWO MAX series and Winter Olympic hydrogen fuel cell snow wax truck.

5. HIGH-QUALITY OPERATIONS



Case: Ji'nan Truck Company organized the "exposure of workplace tools related problems"

On 14 April 2021, Ji'nan Truck Company held the first special improvement conference for workplace tools, which was attended by over 30 divisions and companies including the Manufacturing Department, the Quality Department, the Procurement Department and suppliers. During the meeting, the defects of workplace tools were exposed on the spot. By comparing the workplace tools of different quality levels, we confirmed the product quality standard, product protection standard, production standard and use standard of workplace tools.



▲ Participants visit defective workplace tools

Product recall

Strictly complying with domestic and foreign laws and regulations pertaining to recalls of defective vehicles including the *Administrative Regulations on the Recall of Defective Motor Vehicles* and the *Measures for Implementation of the Administrative Regulation on the Recall of Defective Motor Vehicles*, we established a complete product recall working process with the function of identifying, collecting, analyzing, delivering and storing quality issues related information. We also made efforts towards routine filing and maintenance of both the corporate and product information as mentioned in the Platform of Integrated Information Management for the Recall of Defective Motor Vehicles. We will proactively recall (or instruct to recall) the defective products and take the corresponding remedial and prevention measures so as to avoid personal injury and property loss of our customers. In 2021, there were no product recalls for safety and health reasons in the Group.

5. HIGH-QUALITY OPERATIONS

5.2.3 NURTURING QUALITY CULTURE

The Group gives high priority to improving the quality control ability of employees and establishes a comprehensive quality training system. We adhere to diversified quality education and training plans, including course training, quality meeting, and quality competition, to enhance employees' quality control knowledge and skills, and guarantee the product quality.



Case: The Quality Department of Ji'nan Commercial Vehicle Company holds IATF16949 training

To further publicize and apply the IATF16949 quality management system, the Quality Department of Ji'nan Commercial Vehicle Company organized the IATF16949 standard training for new employees from campus recruitment.

During the training, we introduced the product quality process analysis method, Plan-Do-Check-Action (PDCA) cycle, and five tools, thus providing brand new methodologies for trainees. We also combined issues from production practices with case analysis to help those employees apply what they learned from training to practice.

This training familiarized these new employees with the quality management system and equipped them with basic theoretical knowledge for further work.



Case: Ji'nan Engine Plant conducts technical diagnosis training

In November 2021, Ji'nan Engine Plant organized training on the use and maintenance of hydraulic system and fault diagnosis technology among equipment maintenance and technical personnel. Tailored to the production status of the plant and the operation status of the equipment, the training took the form of text forms, physical pictures, case videos, animation demonstration, and discussion. Besides explaining common fault types caused by improper installation and commissioning, improper use and improper maintenance, we also analyzed various fault phenomena and showed them how to diagnose and solve faults.



▲ Training of technical diagnosis

This training enriched the professional theoretical knowledge of employees and effectively improved their ability to solve problems in practical work.

5. HIGH-QUALITY OPERATIONS

5.3 CUSTOMER SERVICE

To ensure that “We aim to your maximum satisfaction”, the Group honors commitments to satisfying customers with concrete actions and “Qin Ren” service manual. We establish a complete after-sales service management system, actively communicate with customers, protect customer privacy, and improve the quality of customer services.

5.3.1 AFTER-SALES SERVICES

In accordance with internal management documents such as the *Sinotruk Settlement Standards of Automotive Product Warranty Service Fees*, the *Sinotruk Policy of Product Quality Warranty*, the *Customer Maintenance and Fund Management Process*, the *Supervision and Management of Service Process*, and the *Management Process of After-sales Service Support*, we establish a perfect after-sales service management system to ensure the after-service quality comprehensively.

Optimization of after-sales service

In 2021, we constantly improved after-sales customer service quality by formulating and revising relevant management documents, issuing instructions, improving online and offline service systems, and updating equipment.

Revising and formulating documents	<ul style="list-style-type: none"> Revising the Sinotruk Settlement Standards of Automotive Product Warranty Service Fees, adjusting the conditions of outgoing services, subsidy for night shifts, etc.; Revising the Sinotruk Policy of Product Quality Warranty, adjusting the “MC/MT engine oil filter element gift mode”, “oil replacement cycle”; Formulating and revising the Customer Maintenance and Fund Management Process, and re-standardizing the users, quota allocation, operation process, etc.; Formulating the Supervision and Management of Service Process and the Management Process of After-sales Service Support to ensure timely solutions; Formulating quality warranty service policies for new energy vehicles.
Issuing instructions	<ul style="list-style-type: none"> Issuing the Guidance on Core Service Process to standardize the seven core service processes, namely customer appointment, reception, consultation, maintenance, quality inspection, vehicle delivery and follow-up, to improve customer experience; Issuing the On-site Management Measures of Service Stations, improving the on-site management of service stations, and conducting on-site management and inspection of service stations in Shandong, Henan, Hebei, Beijing, Tianjin, Jiangsu, Anhui and etc.; Issuing instructions on after-sales maintenance to standardize after-sales services for common faults.
Improving the quality of online and offline services	<ul style="list-style-type: none"> Optimizing the construction of service network, filling 21 gaps in service network, conducting comprehensive operation quality evaluation and dynamic grade adjustment of service stations, and removing more than 74 unqualified service stations; Selecting 43 senior technicians of service stations to quickly solve difficult problems in the region, and forming a three-level technical support linkage mechanism comprised of service station, branch and headquarters; Planning the mini program of diagnosis fault on the cloud to accurately identify and solve vehicle problems; Delivering services in prediction of the customers’ needs by giving reminder of potential problems and maintenance guidance to nip problems in the bud.
Launching equipment	<ul style="list-style-type: none"> Launch testing equipment such as EGR cooler, generator, pressure switch, and battery conductance tester; Launching 50 sets of deashing equipment in service stations according to the distribution of oil-fueled vehicles for National VI standards, developing mobile service vehicles and improving the mobile service capacity of service stations.

5. HIGH-QUALITY OPERATIONS



Case: Ji'nan Truck Company offers special after-sales refit services for dump trucks

In response to the national call for “environmental protection, energy conservation and emission reduction”, the After-sales Office of the Quality Department of Ji'nan Truck Company cooperated with the assembly divisions to set up a dump truck improvement team, which offered maintenance and refit services to more than 4,000 dump trucks failing to meet emission standards in Ji'nan City.

To minimize the impact of maintenance on the normal work of users, we not only refitted the dump trucks rapidly but also patiently communicated with them about the necessity of refit to prevent their negative emotions. Through joints efforts, we refitted more than 1,000 dump trucks.



▲ Ji'nan Truck Company receives a banner of gratitude

5. HIGH-QUALITY OPERATIONS



▲ Ji'nan Truck Company wins the "CTEAS Seven-star (Excellence) Certification of After-sales Service System Perfection Degree"

In 2021, we received 90 quality related complaints, with a complaint handling rate of 100%.

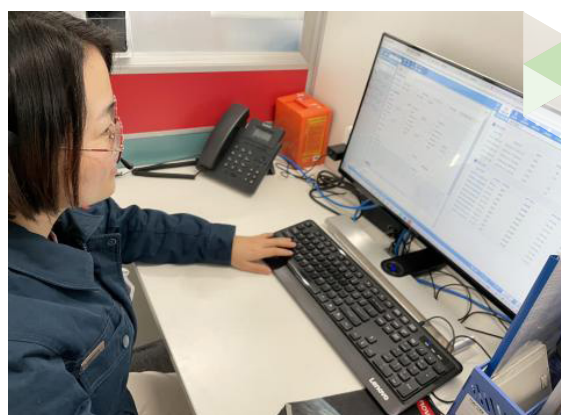
5. HIGH-QUALITY OPERATIONS

Customer satisfaction survey

To honor “We aim to your maximum satisfaction”, we continuously improve products and services, formulate and improve customer satisfaction survey plans, and take customer feedback as an important basis to guide daily business improvement and promotion. We have established satisfaction evaluation modules on multiple platforms, monitored and managed customer satisfaction evaluation in a real-time manner via the “Smart Sinotruk” app, and conduct quarterly quality satisfaction survey in vehicle manufacturers and sales company-level service stations.

We analyze and summarize customer dissatisfaction feedback in a timely manner, follow it up to identify customer needs, and require relevant departments to take remedial measures. We also put forward improvement plans and verify their feasibility, so as to form closed-loop management and avoid similar incidents.

In 2021, we received a total of 1,512 questionnaires from 31 provinces, municipalities and autonomous regions, which cover major heavy duty truck series, such as SITRAK, HOWO, and Hohan. The incidents of customer dissatisfaction decreased by 20% to 30% every month, and the customer satisfaction degree reached 96%.



▲ The customer satisfaction survey is being conducted

5. HIGH-QUALITY OPERATIONS

5.3.2 PRIVACY PROTECTION

The Group highly values the security of customer information and privacy. We strictly abide by relevant laws and regulations, such as the *Cybersecurity Law of the People's Republic of China*, the *Regulations of the People's Republic of China for Safety Protection of Computer Information Systems*, and the *Measures for Security Protection Administration of the International Networking of Computer Information Networks*. We also formulate internal management regulations such as the *Management Procedures for Information Security*, the *Administrative Measures for Protecting the Confidentiality of Information Systems*, *Information Equipment and Storage Equipment*, and the *Management Procedures for Trade Secrets Protection*, and take various actions to strictly protect customers' privacy.

- Deploying application firewalls, intrusion defense systems, and monitoring internal data traffic through NetMaster;
- Installing antivirus software on the server and monitoring major business servers through the NetMaster monitoring system;
- Setting the account lock duration and account lock threshold, and enhancing password complexity;
- Installing the document encryption system on the end user's computer, and installing the digital optical processing system for important secret-related personnel;
- Adopting an all-in-one backup solution, and realizing the backup and recovery of data such as database and server on virtualization platforms, and physical servers;
- Conducting regular security audits and risk assessments;
- Managing secret-related personnel and carrying out special technical training.

5. HIGH-QUALITY OPERATIONS

5.4 SUPPLY CHAIN MANAGEMENT

Adhering to the supply chain management concept of mutual trust and win-win cooperation and focusing on our business development needs, the Group has formulated internal management documents and established a complete supplier management system to strengthen the management of suppliers. In addition, we continuously grow together with suppliers, engage in fair and open cooperation with suppliers, provide suppliers with various trainings for win-win success.

At the end of 2021, the Group had 2,090 suppliers.

Mainland China	1,957
Hong Kong, Macao, Taiwan and overseas	133

SUPPLIER AUDIT AND MANAGEMENT

The Group has formulated internal documents such as the *Procurement Control Procedures*, the *Approval Procedure for Supplier Access to Auxiliary Products and Product Release*, the *Supplier Management Procedures*, the *Management Procedures for Product Bidding and Procurement*, and the *Measures for Supervision and Administration of Procurement of Auxiliary Products* to standardize the management of the whole process of introducing, selecting, auditing and evaluating suppliers.

While introducing and selecting suppliers, we review and evaluate potential suppliers in terms of product quality, technical ability, key resource and management ability, financial ability, operational risk, and social responsibility. In the stage of supplier audit and evaluation, we conduct preliminary capability audit, process audit and system audit, and score the establishment and implementation of occupational safety, occupational health and environmental management system of new suppliers according to the internal check list of the Group.

We also carry out strict inspections on the products of the existing suppliers. We establish a weekly notification system for incoming inspection, collect details of unqualified incoming inspection, and report and investigate defective product information within the Group. Relevant departments at all levels hold review meetings for defective products regularly, put forward rectification requirements for defective products and conduct reevaluations. We will terminate the cooperation with suppliers involved in serious violation of this requirement.

Meanwhile, we highly value supplier safety risk identification, establish a safety scoring system for suppliers, and regularly review the implementation, including whether to put designated or part-time personnel in charge, whether to conduct internal evaluation regularly, and whether to equip employees with safety equipment. In 2021, the Group audited 200 suppliers and conducted more than 500 suppliers onsite inspections.

In 2021, we adopted the third-party audit mechanism, organized 28 second-party audits of 22 suppliers with frequent problems through third-party auditors, and issued 28 audit reports. Based on the audit results, we made a list of suppliers to be eliminated, and further strengthened management, assessment and rectification measures for the suppliers still in partnership.

5. HIGH-QUALITY OPERATIONS

EMPOWERING SUPPLIERS

The Group makes a point of communicating with suppliers and is committed to developing together with suppliers. We provide diversified training courses for suppliers to strengthen their sustainability and realize the sustainable development of the supply chain.

To strengthen the professional ability of suppliers, we regularly carry out SRM² system training, and PPAP³ research & procurement integrated system training. In 2021, we organized four SRM system training, with about 500 participants per training. We also held 10 PPAP research & procurement integrated system training, with about 200 participants per training.



Case: Sinotruk held Cloud Business Conference

In December 2021, the Group held the Sinotruk 2022 Cloud Business Conference. During the conference, we made every effort to help suppliers by offering suggestions and guidance on improving their management ability. We also put forward requirements for their abilities, such as the quality assurance ability, delivery ability, and cost control ability. We guided suppliers to adhere to compliant and legal operations, and to cooperate with the Group to build a world-class commercial truck supply chain system.

² SMR refers to supplier relationship management.

³ PPAP refers to production part approval process.

5. HIGH-QUALITY OPERATIONS



Case: Ji'nan Transmission Plant improved the synchronization of the supply and demand information

In July 2021, Ji'nan Transmission Plant invited third party service provider to provide training for 124 suppliers with the theme of "supply & demand information synchronization", thus improving the information strength of suppliers and facilitating the exchange of product information between supplier and factory.

During the training, we introduced the advantages and excellent application cases of industrial information system to suppliers, popularized the knowledge about the basic framework and operation process of common information systems, and shared insights into the application of Kanban-based enterprise information management, the information flow in information platform and functional modules of information platform.

This training gave suppliers a deeper understanding of enterprise information management and also well prepared them to actively engage in the "supply & demand information synchronization" of the transmission division.



5. HIGH-QUALITY OPERATIONS

We proactively build a sustainable supply chain, and promote the concept of sustainable development through relationship incentive, information sharing incentive, technical support incentive, and joint development incentive for suppliers, as well as technical transformation in product R&D, production and transportation.



Case: Ji'nan Transmission Plant encouraged suppliers to adopt green packaging

To turn green factory into a reality and reduce the pollution caused by paper packaging and oil pollution to the on-site environment, the Transmission Department relies on the high-stack storage project to promote the reform in packaging mode among suppliers.

Recyclable packaging boxes have the advantages of long service life and being easy to handle and clean. After recyclable packaging materials are adopted by suppliers, the packaging mode changed from "paper packaging + anti-rust oil" to "recyclable material packaging + water-based anti-rust agent", thus reducing paper garbage and oil pollution on the ground.

During the reporting period, Ji'nan Transmission Plant promoted the recyclable packaging for 16 categories of products, including spindle gear, valve, planetary/sun gear, spindle input shaft, idle gear, oil pump, synchronizer, cone hub, piston, oil seal, and fork shaft. The suppliers replaced 12,000 paper packaging boxes with recyclable packaging boxes for delivery, thus greatly improving the green management of the Transmission Department, fulfilling the corporate responsibility of environmental protection, and making contributions to environmental protection, energy saving and emission reduction.



▲ Before and after the adoption of circular packaging by suppliers

6. SAFE OPERATIONS

In strict accordance with the principle of “safety first, prioritizing prevention, and comprehensive management”, the Group continuously improves the safety management system, establishes and improves the occupational health management system, actively organizes safety production training and publicity, implements the responsibility system of safety production throughout the Group, and effectively improves the corporate safety management.

6.1 PRODUCTION SAFETY

This Group continuously promotes the construction of safety management system. We strictly abide by relevant laws and regulations, including the *Work Safety Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, and the *Regulations of Shandong Province on Work Safety*. We have formulated and implemented various work safety management systems and policies, such as the *Management Regulations on Work Safety Responsibility System* and the *Management Regulations on Contingency Plan of Work Safety Accident*, to promote the safety production management in an orderly manner. In 2021, we updated and revised 36 safety management systems and procedures, enhanced the safety management of the Group in a global, systematic and unified manner, as well as provided reliable institutional guarantee for the effective implementation of safety production management.

Meanwhile, the Group further improves the construction of fire control capability and establish the fire safety evaluation system. We also enhance the control of major risks in terms of fire control filing, acceptance, building fire protection, and automatic fire alarm system. Moreover, we establish fire hazard reporting channels, ensure the fire safety of each production division, and further expand the coverage of safety management system.

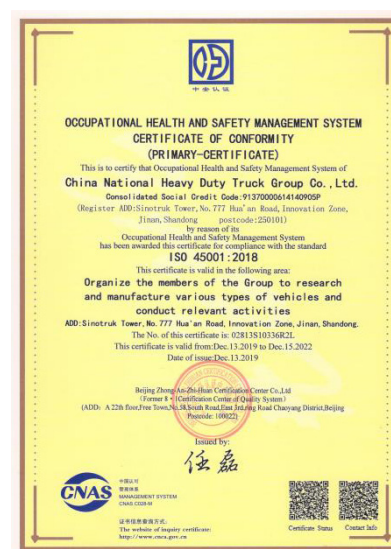
At the group level, we set up the Safety and Environment Protection Department that is responsible for the overall coordination of safety and environmental work for the Group. On the basis of the dual prevention system of classified risk control and identification of potential hazards, we further strengthened hierarchical safety management, and created a safe and stable sustainable development business model. We carried out quarterly safety inspections for all production units, helped relevant production units improve their current safety management, implemented practical and effective measures to solve potential safety risks and problems, and effectively prevented various accidents. With the purpose of achieving long-term safety production, we fully implemented the safety production responsibility system, required the person in charge of each production unit to sign a safety responsibility letter, and assign the responsibility for safety work to relevant personnel. In 2021, the investment of the Group in safety totaled RMB 114,486,900.

6. SAFE OPERATIONS

6.2 OCCUPATIONAL HEALTH AND SAFETY

The Group upholds the policy of “putting emphasis on prevention and combining prevention with treatment”. In accordance with the laws and regulations such as *Law on Prevention and Control of Occupational Disease of the People's Republic of China*, the Group formulated the regulations such as the *Measures for Managing Occupational Health and the Procedures of Labor Protection and Prevention and Control of Occupational Diseases*, so as to strengthen the occupational health management and effectively protect the health and safety of the entire staff.

In 2021, we conducted the internal audit and management review of the occupational health and safety system. The Safety and Environment Protection Department set up a special audit team to audit the workplace and related materials of all units, identified non-compliant issues, and urged relevant units to implement closed-loop rectification. Based on the internal audit findings, we further analyzed the applicability, adequacy and effectiveness of the existing management system, identified the gap, and explored the direction of improvement. In 2021, the Group successfully passed the third-party audit and obtained ISO45001 occupational health and safety management system certification, which was also awarded to 23 of our subsidiaries simultaneously.



▲ Occupational health and safety management system certifications

6. SAFE OPERATIONS

The Group persists in strictly implementing prevention and control measures targeting occupational disease hazards from the source. We actively identify and monitor occupational hazard factors, invite a third-party agency to evaluate the status of occupational hazard factors every three years, and implement prevention and control measures targeting the problems identified. According to the factors of occupational diseases, we establish monitoring archives for employees' personal occupational hazard and sign the notification of occupational hazards. In 2021, the Group had five safety accidents, and 610 working days lost due to work-related injury. There were no any work-related fatality accidents happened in 2021 and 2020 but two work-related fatality accidents in 2019. We, in accordance with laws and regulations, carried out thorough investigation and rectification of all accidents to reduce the risk of accidents and prevent them from happening again.

The Group highly values the health of employees, implements the health examination system for employees, and offers regular physical checkup to all employees, so as to protect their health rights and interests. Moreover, we publicize health concepts through bulletin boards and warning signs to raise the awareness of occupational health among employees. In addition to the prevention and control of various occupational health risks, the Group adopts a multi-pronged approach and provides employees with high-quality labor protection articles. We also continuously promote the optimization and transformation of production equipment and facilities, thereby fundamentally reducing the impact of occupational hazard factors on employees' health.



Case: Ji'nan Commercial Vehicle Company implements the source prevention and control measures of occupational disease hazards

In accordance with relevant laws, Ji'nan Commercial Vehicle Company transferred the employees with occupational contraindication, so as to achieve early prevention, early identification, and early treatment of serious diseases and chronic diseases. The company also took prevention and control measures to effectively protect the occupational health of employees and prevent the occurrence of occupational diseases.

In June 2021, Ji'nan Commercial Vehicle Company organized occupational health checkup for 1,454 operators on the job, and announced the physical checkup results in accordance with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*. The company also established personal archives about occupational hazard to reflect the "people-oriented" corporate culture and fully protect the legitimate rights and interests of employees.



▲ Occupational health checkup organized by Ji'nan Commercial Vehicle Company

6. SAFE OPERATIONS

6.3 FOSTERING SAFETY CULTURE

The Group adheres to the safety principle of “ensuring safety with education”, actively improves the safety training system, organizes various safety culture construction activities, promotes the concept of health and safety, enhances the safety quality of employees, and facilitates the long-term development of enterprise safety.

Focusing on the construction of safety awareness, we publicize and study the *Law of the People's Republic of China on Work Safety*, the *Regulations of Shandong Province on Work Safety* and other laws and regulations, so as to improve the safety responsibility awareness of employees and promote safety training.

The Group actively organizes various forms of safety education and training. We further improve the online training platform, develop online courses, innovate training forms, and establish the column called “Voice of Safety and Environment” and “Tips on Safety and Environment”. We also encourage all the staff to acquire knowledge about safety, environmental protection, and fire control, and build a strong atmosphere of safety education. At the same time, we carry out pre-job safety education and training for new employees, strengthen safety publicity and warning education, and establish safety training files for all employees, and enhance their awareness of safety protection. In 2021, the EHS training of the Group totaled 260,678 hours.

While improving the safety awareness and skills of employees, we continuously strengthen the construction of safety management team. In 2021, the Group organized qualification training for the personnel including the principal persons in charge of manufacturing units, leaders responsible for safety production, and full-time management personnel in Ji'nan. A total of 660 people obtained the safety management qualification certificate after taking the examination, and 100% of the safety management personnel work with certificates.



Case: Ji'nan Truck Company held safety lectures

To popularize health knowledge and create a harmonious atmosphere for safety production, Ji'nan Truck Company organized a special lecture on safety and health education and popularization of first aid related knowledge on 27 September 2021.

The specialist of Shandong Station of Safety and Health Education, was invited to give lectures and explained the emergency measures and first aid related knowledge, such as self-rescue, rescue and stimulated first aid for people in drowning, electric shock, and faint, the prevention of respiratory infections and seasonal infectious diseases, occupational safety knowledge and protection measures, and cardiovascular and cerebrovascular diseases prevention and treatment.

By promoting the knowledge about safety and health, guiding the staff to establish a correct value on health, and improving the health knowledge of employees, we formed a healthy and positive working atmosphere and environment.



▲ Special lecture on safety and health education and first aid-related knowledge popularization by Ji'nan Truck Company

6. SAFE OPERATIONS

We highly value the publicity of safety culture, and carry out the production safety month activity themed “reminding people around”. In 2021, we won the honor of “the unit with excellent organization” of “Production Safety Month” in Ji’nan. In addition, we organized the “119” Fire Protection Publicity Month and “9.28” Fire Protection Publicity Week in accordance with the requirements of the government and the fire safety work arrangements of the Group. We further improved the ability of emergency response and reinforced the safety management of the Group through diverse measures such as education, training, inspection, drill, and competition. In 2021, 3,278 employees participated in the fire safety emergency evacuation drill.



Case: The Safety & Environment Department organized fire safety evacuation drill

To implement the fire safety work of the Group, we cooperated with Shandong Provincial Fire Corps to organize a joint fire evacuation and rescue drill in Sinotruk Science & Technology Building in September 2021. The fire corps, brigade and team dispatched 39 fire trucks and 280 fire fighters, and also made joint actions with social rescue organizations. Through full preparation, elaborate planning and proper arrangements, we successfully completed the evacuation drill, strengthened the fire safety awareness of the employees in the science and technology park, as well as showed them how to use fire equipment and how to escape and make self-rescue in the case of crisis.



▲ Fire safety drill

7. GREEN OPERATIONS

The Group actively responds to the national “dual-carbon” strategy and the national call for carbon reduction and environmental protection. We adhere to green operation, fulfill our environmental responsibilities, and pursue the sustainability of development and operation. We believe in the business philosophy of “lucid waters and lush mountains are invaluable assets”, actively identify and respond to the risks and opportunities brought by climate change, and continuously strengthen waste and energy resources management. In this way, we contribute to the industry in the area of carbon reduction and environmental protection.

7.1 TACKLING CLIMATE RISKS

In 2021, with the guidance of the Task Force on Climate-Related Financial Disclosures (TCFD), we actively identified and tackled the transition risks and physical risks presented by climate change to the Group. Based on the business and operation characteristics of the Group, we formulated special measures to address climate risks, and improved our ability to adapt to climate change, thus controlling the impact of climate change on our business operations.

LIST OF IDENTIFIED CLIMATE CHANGE RISKS

Risk category	Specific risk	Risk description	Risk response
Transition risk	Policy and legal risks	<ul style="list-style-type: none"> The setting of the national “dual carbon” targets and the kickoff of the national carbon emission trading market placed greater requirements for carbon emission. If the Group is included in the carbon trading system in the future, additional costs may be incurred due to insufficient carbon quota; Changes in relevant carbon trading policies and systems restrict carbon-emission indexes, and the park where the plants are located may take energy consumption control measures such as power restriction, resulting in a decrease in production capacity; As international and domestic regulatory agencies and capital market rating indexes increase the disclosure related requirements on environmental information, the Group needs to continuously improve the disclosure of environmental information in terms of completeness and accuracy. Otherwise, the Group may face compliance risks. 	<ul style="list-style-type: none"> To mitigate the impact of related policies on our operations, the Group closely follows the carbon trading and carbon disclosure related policies, strengthens communication with various regulatory agencies, and formulate and adjust the greenhouse gas management mode in a timely manner according to policy guidelines and carbon market conditions; To actively respond to the national call for green development and seize the opportunity of national low-carbon energy transition, the Group will change energy use plans as required, actively introduce renewable energy, and advance the energy structure transformation.

7. GREEN OPERATIONS

Risk category	Specific risk	Risk description	Risk response
Technical risk		<ul style="list-style-type: none"> In the context of the national “dual carbon” targets, the Group needs to increase investment in energy saving and carbon emission reduction, and apply more energy saving and environmental protection technologies and facilities, so as to reduce carbon emissions, so as to prevent the influences to our production and sales; The Group needs to increase the R&D spending on new energy vehicles. Due to the shorter cycle of technology iteration, it involves a higher investment in R&D compared with traditional vehicles. 	<ul style="list-style-type: none"> The Group plans to identify climate change risks with reference to technical factors, actively engage in energy-saving and emission reduction practices, continuously transform and improve existing technologies, actively introduce and develop new technologies, and optimize operation strategies to handle technical risks; The Group will actively promote the R&D and application of new energy vehicles in the future.
Market risk		<ul style="list-style-type: none"> In the context of the national “dual carbon” targets, the Group needs to identify changes in customer preferences and needs in a timely manner, so as to prevent the loss of revenue and market share; In response to the national call for low-carbon travel, customers may reduce their demand for traditional energy-powered vehicles due to their preference for low-carbon energy saving; Due to the increase in the price of traditional energy and fossil energy, the cost and selling price of products may increase. 	<ul style="list-style-type: none"> The Group highly values the communication with customers and stakeholders. Oriented towards consumer preferences and needs, the Group conducts regular evaluation surveys, and makes timely adjustments to business operations; Practicing the concept of sustainable development, the Group plans to increase the proportion of renewable energy in our production bases and help to achieve the “dual carbon” targets.

7. GREEN OPERATIONS

Risk category	Specific risk	Risk description	Risk response
Physical risk	Reputation risk	<ul style="list-style-type: none"> As climate change receives worldwide attention, the efforts made by the heavy duty truck industry to reduce carbon emissions are closely watched by all stakeholders. The failure to carry out low-carbon emission reduction in an effective and timely manner will have a negative impact on the corporate image and operating income of the Group. 	<ul style="list-style-type: none"> The Group always upholds the concept of green development, strictly abides by the existing laws and regulations, implements the relevant policies, and conducts annual self-evaluation. The Group also tailors future plans and goals to the current trend, and makes blueprint for low-carbon development.
	Acute risk	<ul style="list-style-type: none"> Typhoon, extreme rainfall, flood and other extreme weather conditions may damage the sewage discharge equipment of the plant and pose a threat the surrounding environment; The occurrence of extremely hot weather and extremely cold weather events may increase the probability of employee health and safety risks. 	<ul style="list-style-type: none"> The Group gradually formulates emergency rescue plans for extreme climate change, such as flood, lightning, cold wave, typhoon and high temperature, to ensure the continuous business operations under extreme conditions.
	Chronic risk	<ul style="list-style-type: none"> Scenarios such as global warming and water shortage may damage the existing production and operation equipment and facilities, increase the maintenance cost, and affect the production efficiency of the plant. 	<ul style="list-style-type: none"> The Group plans to increase the R&D spending to improve production efficiency and reduce energy-efficiency ratio.

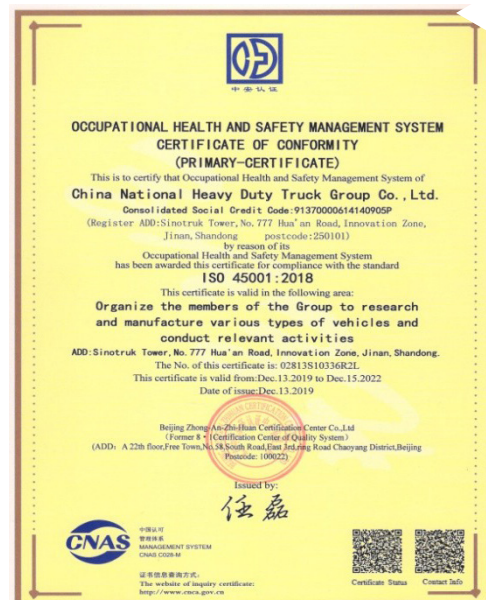
7. GREEN OPERATIONS

7.2 EMISSION MANAGEMENT

The Group always upholds the concept of green development, strictly abides by relevant national laws and regulations, improves and implements internal rules and regulations, establishes the environmental system, and standardizes the daily production process. We also regulate the emissions of the “three wastes” (waste gas, wastewater and waste residues) in accordance with relevant standards. We have achieved the “three wastes” compliance emission rate of 100% and hazardous waste compliance transfer rate of 100%. With the aim to continuously improve our environmental performance, we actively provide comprehensive technical support for all branches and divisions in all aspects of environmental protection projects, establish a long-term mechanism of pollution prevention and control, and reduce the “three wastes” from the source.

7.2.1 BUILDING ENVIRONMENTAL SYSTEM

The Group is committed to green development, updates the environmental management instructions and procedures in a timely manner, and continuously improves the environmental management system. We encourage all member enterprises to vigorously build the environmental management system and obtain relevant certification, effectively improve the operation of the environmental management system at the group level, and fulfill the commitment to sustainability with practical actions. In 2021, CNHTC successfully passed the audit of the environmental management system and obtained the ISO14001 environmental management system certification, and our 23 subsidiaries also obtained the environmental management system certification. During the reporting period, there were no environmental pollution accidents within the Group.



7. GREEN OPERATIONS

7.2.2 WASTE GAS EMISSION

The Group strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and local emission standards, formulates the *Regulations on the Administration of Air Pollutants*, as well as identifies and monitors the air pollutants, such as smoke and dust, nitrogen oxides, sulfur dioxide, and volatile organic compounds (VOCs), generated in the production and operation of the subsidiaries. We regularly invite qualified third-party agencies to monitor the waste gas emission and to ensure that all emission standards are met.

We also continuously adopt treatment measures and advanced production and treatment technologies to address fugitive emissions. Through diverse efforts, we have effectively put exhaust emissions under control, and turned green production into a reality.

In 2021, key measures adopted by each subsidiary to control waste gas emissions.

- Fujian Haixi Company introduced dust purification equipment, so as to improve the workshop smoke and dust treatment, reduce its negative impact on the surrounding environment, and protect the occupational health of employees;
- To further reduce the improper emissions of volatile organic compounds (VOCs), Ji'nan Axle Company collected the waste gas of VOCs, and transmitted the waste gas to the treatment equipment through the pipeline. The company also adopted the technique of two-stage activated carbon adsorption, thus effectively reducing organic waste gas emissions and protecting the ecological environment;
- Ji'nan Engine Plant greatly reduced the emissions of VOCs in January 2021 by replacing all the oil paint with water-based paint;
- Ji'nan Commercial Vehicle Company required the Processing Department to control the waste gas generated in the production process. The emissions from the car body spray would go through the RTO treatment before being discharged. The emissions of waste gas were also monitored in a real-time manner;
- Ji'nan Rubber & Plastic Parts Company adopted the treatment process of activated carbon adsorption plus low-temperature plasma, to upgrade and improve the existing collection pipeline. The injection-related waste gas collection and treatment facilities were also added to transfer the hazardous warehouse waste gas into the waste gas treatment equipment to control emissions effectively.

7. GREEN OPERATIONS

Waste gas emissions of the Group in 2021

Indicator of waste gas	Unit	2021	2020
Smoke and dust	Ton	67.97	64.48
Sulfur dioxide	Ton	5.81	6.54
Nitrogen oxides	Ton	26.75	92.52
Benzene	Ton	0.56	1.43
Methylbenzene	Ton	4.12	4.58
Xylene	Ton	12.79	21.28
Non-methane hydrocarbon	Ton	96.37	86.17



Case: Ji'nan Molding Plant conducted dust removal project for environmental protection

In 2021, Ji'nan Molding Plant carried out the dust removal project, in which many pieces of outdated dust-removing equipment in the forging workshop were updated and improved.

The 16-ton forging hammer of the No.2 Forging Department was equipped with two sets of dust removal systems, thus realizing the orderly collection of smoke, dust and other waste gases. The air volume per system reached 25,000 m³/h. Thanks to the combination of cyclone dust collector and water cleaning, we effectively removed the waste gas and foul odor in the workshop, improved the air quality, and reduced the unorganized emissions of smoke and dust. Emissions of sulphur dioxide and nitrogen oxide have been reduced by more than 50 per cent.



▲ The 16-ton forging hammer equipped with two sets of dust removal systems in the No.2 Forging Department

7. GREEN OPERATIONS



Case: Ji'nan Rubber & Plastic Parts Company carried out intensified treatment to reduce waste gas emissions

Ji'nan Rubber & Plastic Parts Company continued efforts towards intensified treatment, thus reducing waste gas emissions from the source and protecting environmental quality.

To improve the ineffective waste gas collection in the vulcanization workshop, we transformed and upgraded the gas-collecting hood of the vulcanization waste gas. Specifically, we changed the gas-collecting hoods of 68 vulcanizing machines into the closed track-typed collection mode, which ensured the air volume and airtightness at the terminal and reduced unorganized emissions. Benzene emissions from exhaust gases decreased by more than 50 per cent.

The newly-added full-automatic welding line was equipped with the welding fume treatment equipment with the air volume of 50,000 m³/h, thus reducing the manual welding spots, increasing the air volume at the welding fume collection end, and improving the welding fume collection effect in the workshop.

A total of 5 old shot blasting machines with poor airtightness were eliminated, and 4 new chain-type shot blasting machines were introduced to address the unorganized diffusion of smoke and dust inside and outside the workshop.



Case: Ji'nan Axle Company optimized the waste gas collection process

In 2021, based on the axle shell anti-rust production process, Ji'nan Axle Company effectively collected the volatile organic compounds (VOCs), through such means as building paint rooms and adding more gas-collecting hoods. VOCs were also transmitted to the volatile organic waste gas treatment equipment through the pipeline. The two-stage activated carbon adsorption process was adopted for the effective treatment of VOCs.



▲ The collector of the waste gas from axle shell anti-rust process

7. GREEN OPERATIONS



Case: Ji'nan Axle Company optimized the waste gas collection process

In addition, we collected the volatile organic waste gas generated from the regulating pool of sewage treatment station, the comprehensive regulating pool of inclined-pipe settling tank, primary sedimentation tank, hydrolysis acidification pool, sludge thickener tank, and sludge pressure filter. We also adopted the treatment mode of "prewash + biological filtration & deodorization" with a treatment efficiency of above 90%, thus effectively controlling the emission of VOCs.



▲ The waste gas collection device of sewage tank in sewage treatment station

7. GREEN OPERATIONS

7.2.3 WASTEWATER DISCHARGE

In strict compliance with the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the Group is devoted to comprehensively controlling the discharge of sewage and wastewater generated in the production process.

The wastewater of the Group mainly includes the production wastewater and domestic sewage in the production area. We encourage all member enterprises to carry out intensified treatment of wastewater, and require all units to set up sewage treatment facilities in the production area for the pretreatment of production wastewater. We install the online sewage indicator monitoring system at the discharge outlets. We also build online connections with provincial and municipal environmental protection departments to achieve real-time monitoring of chemical oxygen demand (COD), ammonia nitrogen emission concentration and other pollutant indicators. In this way, we realize the whole process of production sewage control, and ensure that wastewater discharge standards are met.

Wastewater discharge of the Group in 2021

Indicator of wastewater discharge	unit	2021	2020
Wastewater	Ton	2,166,683.98	2,196,776.00
COD	Ton	87.64	88.02
Ammonia nitrogen	Ton	4.61	5.79



Case: Ji'nan Rubber & Plastic Parts Company introduced pickling & phosphating pretreatment facilities

In 2021, Ji'nan Rubber & Plastic Parts Company introduced a set of pickling and phosphating pretreatment equipment, so as to conduct pretreatment of pickling and phosphating wastewater generated in production, reduce pollution factors such as COD and total phosphorus in wastewater. The company also introduce sewage into the treatment station for secondary treatment, thus reducing drug use and sludge production.

The annual sludge production in 2021 was reduced by 74.3 tons compared with that in 2020, and the cost of hazardous waste disposal was effectively decreased.

7. GREEN OPERATIONS

7.2.4 WASTE MANAGEMENT

The Group upholds the principle of minimal, resourceful and harmless pollution prevention and treatment. In strict accordance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes* and other laws and regulations, we standardize the collection, storage and disposal management of solid wastes in daily production, and further reduce the environmental impact.

Our solid wastes discharged mainly include the general wastes and hazardous wastes generated in the daily production and operation, as well as domestic wastes arising from the office area of the factory.

For general wastes and domestic wastes, we proactively implement garbage classification.

As for domestic garbage and other unrecyclable garbage, we work in cooperation with municipal and environment protection authorities to collect and deal with such garbage. As for wastes with high recycling value, such as metal waste, dust and welding residue, we implement classified collection and recycling, so as to achieve comprehensive utilization of resources, reduce waste discharge, improve resource utilization efficiency, and further realize sustainable production and operation.

Our hazardous wastes mainly include waste paint, phosphating residue, waste mineral oil, used oil barrel, and dry sludge generated in the production process. Besides adopting special treatment measures, we require all member enterprises to strictly abide by the laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, and to ensure the disposal of hazardous wastes in accordance with the *Standards for Pollution Control on Hazardous Waste Storage* and our *Standardized Management of Hazardous Waste*.

Disposal measures of hazardous wastes

A special warehouse shall be established for the storage of hazardous wastes, and the signage of hazardous waste shall be set up or pasted at conspicuous positions.

Hazardous wastes generated in production and operation shall be reported and registered on line.

The transfer table system for hazardous waste shall be established in compliance with the *Measures for the Management of Hazardous Waste Transfer Manifest* and shall be strictly implemented.

Units involved in producing wastes shall keep hazardous waste management ledger and take rigorous safety measures.

Hazardous waste produced by tier-two units shall be in the charge of specially assigned personnel for categorized management. Qualified organizations shall be chosen via tendering for the transfer and treatment of the wastes.

7. GREEN OPERATIONS

Waste discharge of the Group in 2021

Indicator of waste discharge	Unit	2021	2020
Amount of hazardous waste discharge	Ton	8,503.80	9,046.00
Intensity of hazardous waste discharge	Ton/revenue (RMB million)	0.091	0.092
Amount of non-hazardous waste discharge	Ton	177,487.15	243,173.00
Intensity of non-hazardous waste discharge	Ton/revenue (RMB million)	1.90	2.48

7.2.5 NOISE CONTROL

With reference to the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*, the Group has formulated the regulations on the management of noise emission and strictly controlled the noise generated in production and operation. We require all noise-making departments of the subsidiaries to identify noise spots, strictly control the noise source and put forward the special governance plan. In addition, we scientifically deploy production facilities, and regularly employ professional institutions to measure noise in accordance with environment protection rules, so as to minimize the impact of noise on the surrounding environment and employees' health and safety.

We encourage member enterprises to actively promote and adopt advanced technology and process during design, and select production equipment and parts with low noise while ensuring production quality. As for mechanical equipment and motor vehicles with large noise and vibration, we proactively promote and adopt advanced technology and process, and vigorously introduce shockproof and noise-reducing facilities, so as to meet noise emission requirements at the factory boundary.

7. GREEN OPERATIONS

7.3 USE OF RESOURCES

Guided by the concept of high-quality environmental governance and sustainable green development, and taking energy conservation and consumption reduction as its main task, the Group always pursues low-carbon development as its leading concept for resource management, strictly sets and regularly updates energy-saving and water-saving targets, and continuously improves resource utilization rate and explores the recycling of resources in every aspect of daily operation, so as to build an exemplary resource-saving enterprise.

Energy use targets of the Group in 2022

Energy	Unit	Targeted value
Electricity	10MWh/vehicle	0.42
Natural gas	10,000 m ³ /vehicle	0.24
Water	Ton/vehicle	15.83
Heat	GJ/vehicle	0.09

Target for the energy consumption per 10,000 yuan of industrial output value

Indicator category	Indicator name	Indicator explanation	Calculated by	Targeted value
Energy	Energy consumption per RMB10,000 of industrial output value	Energy consumed by the enterprise per each RMB10,000 of industrial output value (kgce)	Comprehensive energy consumption converted into standard coal equivalent / industrial output value*1000	22

7.3.1 ENERGY USE

The Group always adheres to the resource management philosophy of green, low-carbon, and eco-friendly development. Upholding the operation principle that combines energy conservation by law, planned control and technical advancement with potential exploitation of existing resources, the Group has been establishing an energy management system and building up a three-tier energy management network so as to fully achieve institutionalized and systematic energy management at different levels from the Group to subsidiaries.

With a comprehensive and sound energy management system, the construction of energy conservation system can be participated by all staff through tiered management. Led by leaders in the Group, all subsidiaries are required to actively implement energy conservation. Energy conservation steering groups are established, and designated officers are assigned in work shifts and groups to be responsible for energy conservation. We implement an energy use registration system, under which key energy use units of subsidiaries shall regularly compile and prepare a report on the *Record of Energy Purchase, Consumption and Inventory*. In addition, the Group closely monitors and regularly reviews the energy consumption of each subsidiary and incorporates the energy consumption in their operational performance evaluation, to mobilize all subsidiaries to engage in energy conservation.

7. GREEN OPERATIONS

The Group requires all subsidiaries to proactively eliminate obsolete energy-intensive equipment and processes with high emissions in the production process and actively promote and adopt new energy-saving and environment-friendly equipment, technologies, processes and materials to improve energy efficiency. The Group encourages subsidiaries to actively promote the knowledge of energy conservation and emission reduction and sets up special funds every year for energy-saving technology development, energy-saving technology upgrading, energy-saving publicity and training, in a bid to enhance employees' awareness of energy conservation and emission reduction, fully implement the concept of emission reduction and promote the development of green enterprises.

Energy Consumption of the Group in 2021

Energy	Unit	2021	2020
<u>Direct energy</u>			
Natural gas	m ³	41,191,900.99	36,670,381.00
Gasoline	ton	54.25	27.57
Diesel	ton	12,269.16	14,094.96
Liquefied petroleum gas	m ³	751.79	787.26
Kerosene	ton	28.58	62.16
<u>Indirect energy</u>			
Electricity	MWh	750,074.63	963,315.20
Steam	ton	122,370.42	127,935.51
Purchased heat	GJ	101,028.04	152,317.75
Total comprehensive energy consumption	tce	175,971.28	202,490.78
Energy consumption intensity	tce/revenue (RMB million)	1.88	2.06

Greenhouse Gas ("GHG") Emissions of the Group in 2021

GHG Emissions	Unit	2021	2020
Scope I (Direct)	tCO ₂ e	131,161.37	127,109.00
Scope II (Indirect)	tCO ₂ e	505,995.41	643,517.00
Total GHG emissions	tCO ₂ e	637,156.78	770,626.00
GHG emissions intensity	tCO ₂ e/revenue (RMB million)	6.82	7.79

7. GREEN OPERATIONS



Case: Ji'nan Transmission Shaft Company carried out lighting upgrading program

In response to the national call for low-carbon development and emission reduction, Ji'nan Transmission Shaft Company actively carried out the lighting upgrading program by replacing the damaged metal halide lamps or the lamps that weren't bright enough with LED lamps in the plant buildings.

In 2021, the company has replaced 220 LED lamps in total, which can save 158,000 kwh of electricity and RMB123,000, and reduce 51 tce of energy consumption, 158 tons of carbon dioxide emissions, 4.75 tons of sulfur dioxide emissions and 2.38 tons of nitrogen oxides emissions, thus reducing energy consumption and emissions and implementing the concept of low-carbon development.



▲ Image Lighting upgrading program of Ji'nan Transmission Shaft Company



Case: Sinotruk International held a learning mobilization meeting for "Energy Conservation Publicity Week"

Sinotruk International actively publicizes the knowledge of energy conservation and emissions reduction to enhance the employees' awareness. On 11 June 2021, Sinotruk International held a learning mobilization meeting for "Energy Conservation Publicity Week" to publicize the concepts of green development and environmental protection, and energy conservation and emissions reduction to employees, and called on everyone to take actions based on their duties. Focusing on cost reduction and efficiency increase, and starting from daily routines such as saving a drop of water, a piece of paper and a kilowatt hour of electricity, we expect to expand energy conservation and emissions reduction to the benefit accounting of each project, so as to create a working atmosphere of energy conservation and emissions reduction in all respects.



▲ The learning mobilization meeting of Sinotruk International for "Energy Conservation Publicity Week"

7. GREEN OPERATIONS

7.3.2 WATER CONSERVATION

The Group strictly follows the *Law of the People's Republic of China on Water*, implementing water resource management rules and measures in the Group, exploring and developing new water-saving and environmental protection technologies, actively formulating and regularly updating water-saving objectives, and enhancing production units' water use management, so as to maximize the water recycling rate of the Group and make it an exemplary water-saving automobile enterprise.

The water supply of the Group is mainly municipal water. The Group does not have any issue in sourcing water that is fit for purpose.

Main measures of the Group for water use management during the reporting period:

- The Group requires all subsidiaries to fully evaluate their potential for improving the utilization efficiency of water resources according to their actual production and operation conditions, formulate scientific water use plans and targets, and link the water resources consumption indicators with the performance evaluation of managers, so as to continuously improve utilization efficiency of water resources.
- The Group strictly implements the accountability system and reward and punishment system for water conservation, implements multi-level measurement and management and maintains water use ledger. Efforts have also been made to monitor water use in regular and irregular manner, break down monthly targets, conduct monitoring at intervals of ten days, and perform month-end monitoring and assessment, so as to eliminate unnecessary loss of water resources;
- We require production departments to strengthen on-site inspection, regularly monitor the use of water resources and timely solve problems once found, preventing all kinds of wastage, such as leaking and dripping.
- As for newly-built, expanded and rebuilt projects, we require that the relevant department shall take water conservation into overall consideration in the preliminary design stage, implement water-saving measures, and actively use water-saving facilities and utensils, so as to maximize the reuse rate of industrial water.
- In the daily production and operation, the Group encourages the reuse and recycling of water resources, and actively improves and adopts new equipment, technologies and processes for saving water and reducing consumption. The Group requires the production departments to synchronize the construction of water-saving facilities with the main work construction, so as to realize the multiple use of water resources.

Water consumption of the Group in 2021

Indicator	Unit	2021	2020
Municipal water	Ton	3,742,993.15	3,392,709.00
Underground water	Ton	1,282,673.00	1,433,856.00
Total consumption	Ton	5,025,666.15	4,826,565.00
Water consumption intensity	Ton/revenue (RMB million)	53.83	49.15

7. GREEN OPERATIONS



Case: Ji'nan Transmission Shaft Company reused water resources

Ji'nan Transmission Shaft Company attaches great importance to the use of water resources and is committed to reducing water consumption and improving water utilization. In 2021, the Company took measures to reuse water. It adopted facilities to reuse reclaimed water, using the reclaimed water generated during the production for greening and park cleaning, so as to reduce the use of new water and improve the reuse rate of water resources. In 2021, Ji'nan Transmission Shaft Company achieved a water reuse rate of 95.64%.



Case: Ji'nan Engine Plant strengthened the management of condensate water recovery and reuse

Ji'nan Engine Plant continued to strengthen the management of condensate water recovery and reuse. In the heating season, it tried to make the most of the condensate water and changed the water of each circulating water tank in batches, saving a total of about RMB 637,900 in water fees and sewage treatment fees in 2021.

7. GREEN OPERATIONS

7.3.3 PACKAGING MATERIALS USE

The packaging materials consumed by the Group mainly include plastic, timber, iron box, and carton board used during the sale of gearbox and engine. We take the benefit and sustainability of packaging materials into overall consideration, and actively explore the reduction and recycling of various packaging materials.

We encourage the use of reusable station appliances in transportation and packaging, and promote reusable packaging for product/components and actively explored the recycling of packing materials in the workshop to maximize the recycling rate of materials. In 2021, the Group adopted recycled packaging for 50 products.

The use of packing materials of the Group in 2021

Packing Materials	Unit	2021	2020
Plastic	Ton	1,846.37	2,128.00
Wood	Ton	2,808.8	3,988.00
Iron Box	Ton	0	752.00
Corrugated paper	Ton	1,138.42	2,882.90
			(As restated)
Paperboard	Ton	14	730.00

8. HARMONIOUS OPERATIONS

We believe that employees are the inexhaustible driving force to promote the sustainable development of enterprises. We fully protect the legitimate rights and interests of employees, establish a sound employee promotion system, build professional learning platforms, and implement measures to care for employees, pursuing the shared growth of employees and enterprises. In addition, we actively undertake social responsibility, do our best to give back to the society and participate in building a better community.

8.1 EMPLOYEE RECRUITMENT

When recruiting talents, the Group strictly complies with related national laws and regulations, such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and the *Regulation on the Implementation of the Employment Contract Law of the People's Republic of China*, and applies the rules and regulations we have formulated, including the *Management Procedures for Social Recruitment*, the *Administrative Measures for the Reception and Placement of PhD Graduates* and the *Administrative Measures for the Reception, Placement and Probation of Graduates*, earnestly safeguarding the basic rights and interests of employees and creating an equal and diversified workplace environment.

We adhere to the principle of open and fair competition and continuously improve the standards of talent recruitment. We recruit competitive talents through open, fair, merit-based social or campus recruitment. We ensure that no one is discriminated by their gender, region, ethnicity, religion, age, pregnancy or marital status, disability and political affiliation, thereby providing strong support for the scientific establishment of talent pool.

We have carried out industry-university-research cooperation on a global basis. In the past few years, we have successively established strategic partnerships with 11 world-famous universities and top scientific research institutes, and taken a solid step in vertical cooperation innovation. We have recruited 1,743 outstanding graduates, including 641 masters and 32 doctors from universities and colleges in China included in the "Double First-Class" initiative and overseas prestigious universities. We absorb 364 new hires through social recruitment. We have employed more high-level talents, especially more excellent high-level talents than ever. At present, we have 2,662 R & D employees, an increase of 495 compared with 2020.

By the end of 2021, the Group had a total of 28,502 full time employees and no part-time employee among which 3,514 were newly hired during the reporting period.

Employees by age in 2021

30 or below	7,296
31-50	19,435
51 and above	1,771

8. HARMONIOUS OPERATIONS

Employees by gender in 2021

Male	24,185
Female	4,317

Employees by region in 2021

Chinese Mainland	28,141
Overseas	361

We comply with the *Regulations Banning Child Labor*. To avoid overtime work, which is under stringent control of the Group and requires approval from supervisors. Where overtime work is required, the Group pays employees or arrange compensatory leave in lieu. For the employees in the subsidiaries whom the system of standard working hours is not applicable to due to characteristics of positions, the system of flexible working hours can be implemented. Prior to implementation, the applicable work system is examined and approved by the subsidiary and then submitted by the competent department for the approval of local labor administration departments. By the end of 2021, the Group had signed labor contracts with all employees. There was no employment discrimination, child labor or forced labor in 2021.

In daily work, the Group prohibits any form of discrimination and resolutely protects the legitimate rights and interests of all employees. They are encouraged to report any form of discrimination, harassment or unfair treatment promptly for further investigation. The information of the whistleblower will be effectively protected. In response to the reported problems, we carry out investigation truthfully and deal with them in accordance with laws and internal regulations. In 2021, there were no reported cases of discriminatory behavior, harassment or unlawful treatment in the workplace.

In order to further strengthen employment management, we focused on employee turnover. We made statistical analysis on the loss of employees, summarized the causes, and put forward improvement measures accordingly in a bid to retain talent. In 2021, 1,698 employees left the Group, representing a turnover rate of 6.22%.

8. HARMONIOUS OPERATIONS

Employee turnover of the Group in 2021

Category		Number	Turnover rate
By gender	Male	1,464	5.36%
	Female	234	0.86%
By region	Chinese Mainland	1,681	6.16%
	Overseas	17	0.06%
By age	30 and below	820	3.00%
	31-50	802	2.94%
	50 and above	76	0.28%

We keep improving our reasonable and diversified remuneration structure. In compliance with the *Administrative Rules for the Filing for and Payment of Social Security Premiums*, the Group files for and funds social insurance for each employee, including the basic pension fund, basic medical insurance, unemployment insurance, work-related injury insurance and childbirth insurance. Employees are entitled to such statutory holidays as the New Year Holiday, the Spring Festival, the Dragon Boat Festival in accordance with relevant provisions of the State Council of the People's Republic of China. According to the prevailing national and local policies and regulations, employees are granted marriage leave, compassionate leave, and maternity leave etc. Meanwhile, employees are entitled to paid annual leave. We have been comprehensively building and improving the employee remuneration and benefits system.

8.2 EMPLOYEE GROWTH

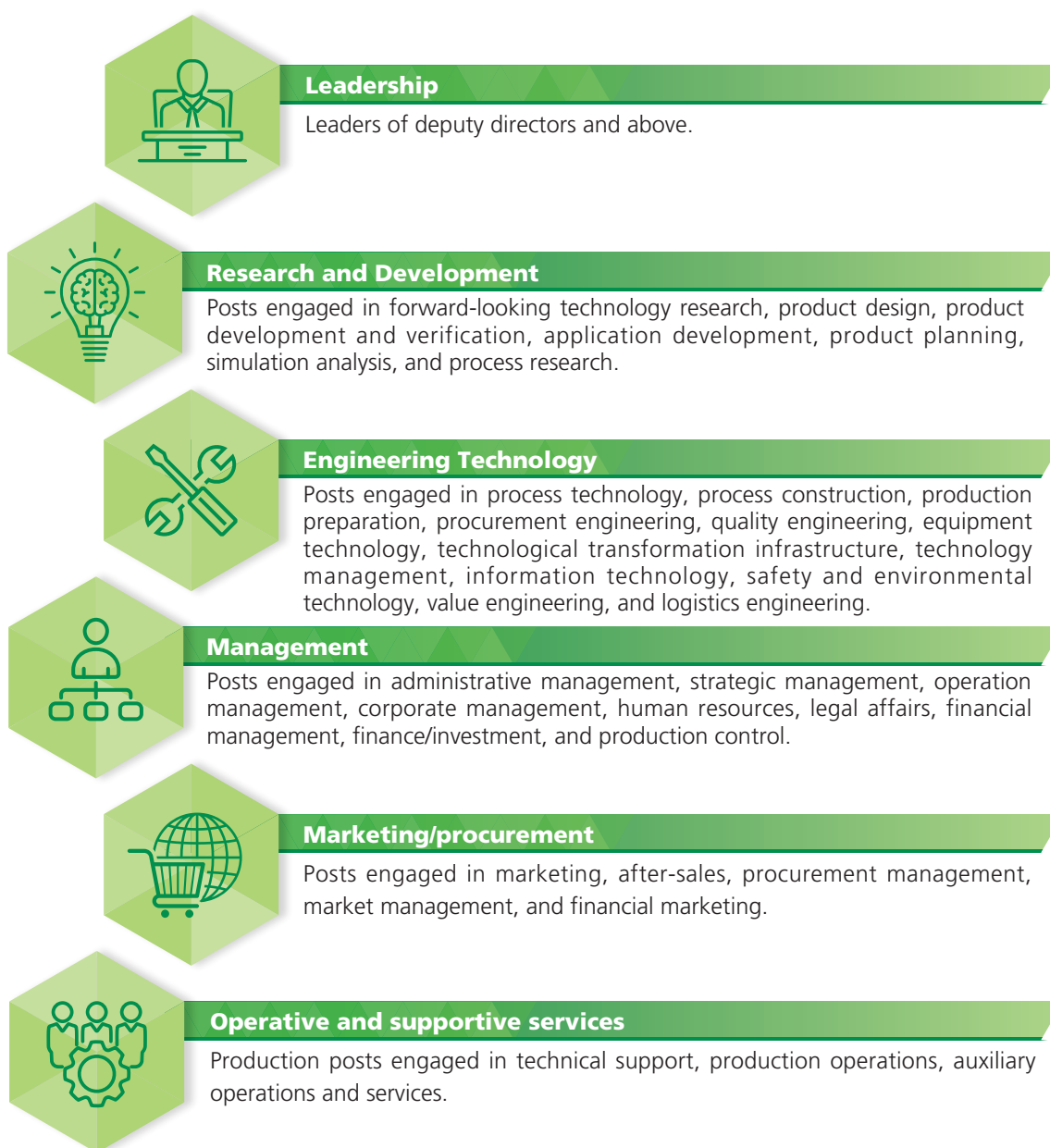
The Group highly values the growth and development of all employees. It has built a smooth promotion channel and sound training mechanism in the Group and provided employees with opportunities and platforms for targeted training, hence maximize their personal value.

EMPLOYEE PROMOTION

Upholding the concept of "putting each employee in the right position to tap their full potential", the Group has developed a fair and just performance evaluation system driven by performance and based on the post map. We have built a clear point-based promotion path. In order to encourage researchers to create greater value, we have established a dynamic and exceptional promotion mechanism for technological R&D personnel to expand their promotion space.

8. HARMONIOUS OPERATIONS

The Group has provided multiple career development channels for employees. For professionals in management and technology, we offer them a channel to be promoted as management and technical experts. For employees in operational posts, we provide them with two channels to grow into a skilled specialist or a “gold-and-blue-collar worker”. We began to recruit skilled talents, including technicians, senior technicians and chief technicians, totaling 1,828. Guided by the *Interim Regulations on the Management of the Selection and Appointment of Leaders*, we have combined open competition and organizational selection to provide all-round support for the building of the leadership team and the training of managers.



▲ The post map of the Group

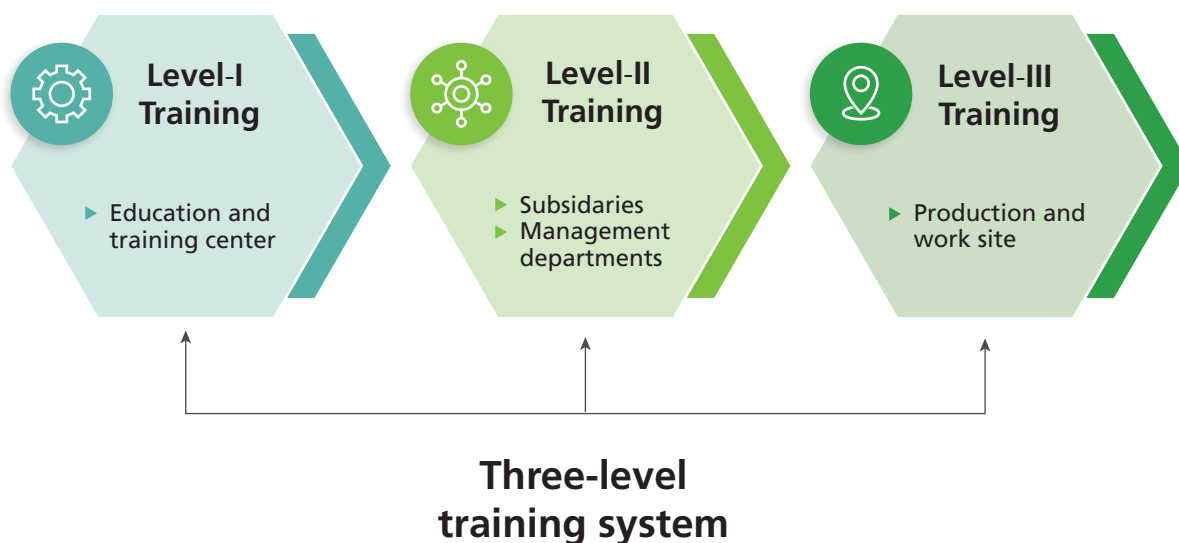
8. HARMONIOUS OPERATIONS

EMPLOYEE TRAINING

The Group is committed to providing employees with all-round training in line with job requirements and career goal planning, providing the core driving force for corporate development and optimizing talent reserve.

We have formulated the *Procedures for Training Management*, the *Internal Trainer Management Process* and other relevant documents. We have been building a three-level training system and a strong team of trainers to comprehensively improve the quality of training and continuously improve our supportive services.

Considering business characteristics and development needs, the Group has established and improved the training system in multiple fields such as corporate culture, digital transformation, going global, and smart growth, and formulated a highly timely, practical and scientific training plan to comprehensively improve the abilities and awareness of employees at all levels. We actively explore diversified training methods, combining online and offline training. The Group has attached great importance to the building of an online learning platform “Sinotruk Cloud Academy” for employees, which provides built-in courses and the courses on products, management and professional skills independently developed by subsidiaries, in a bid to establish a regular learning mechanism for employees.



8. HARMONIOUS OPERATIONS

Guided by the spirit of craftsmanship, we aim to cultivate more “Sinotruk craftsmen”. Through technical competitions, we guide and encourage all employees to excel in their posts, study scientific and cultural knowledge assiduously, and strive to improve operation skills, making efforts to cultivate “Sinotruk craftsmen” and build a team of highly-skilled talents. In 2021, the Group actively carried out vocational skills competitions such as “One Hundred Technical Contests for Ten Thousand Employees” and “100 Days of Hard Work to Make Breakthroughs”, which promoted mutual learning among employees, formed a healthy competitive relationship, and stimulated employees to learn professional skills.



▲ Improving vocational skills



Case: Ji'nan Transmission Plant provided special training to make employees “Develop through on-the-job training and make more contributions to the enterprise”

In September 2021, in order to help new employees quickly get familiar with the Group’s business and culture, Ji’nan Transmission Plant provided a special training named “Develop through on-the-job training and make more contributions to the enterprise” for fresh graduates, which helped the employees gain a stronger sense of identity. The questionnaire after the training shows that new employees spoke highly of the preparation of training materials, class performance and training achievements.

8. HARMONIOUS OPERATIONS



Case: Ji'nan Engine Plant provided a series of training on specific vocational skills

Ji'nan Engine Plant highly values the development of employees' personal quality and vocational skills. In 2021, it provided a number of training sessions on specific vocational skills, such as "Technical Training for Use, Maintenance and Fault Diagnosis of Hydraulic System", "Project Management Training", and "Training to Improve the Special Skill of Disassembling and Analyzing a Faulty Engine". The training sessions were closely related with the production of the enterprise. Considering the operation conditions of the equipment, the trainers have effectively integrated working principle of the equipment and the practical application knowledge, which was very helpful for the employees to analyze and solve practical problems and accumulated rich experience for carrying out their own work.



▲ Training on Hydraulic System



▲ Training on Project Management



▲ Training to improve special skills of disassembling and analyzing a faulty engine

8. HARMONIOUS OPERATIONS



Case: Ji'nan Truck Company held the first lesson-polishing meeting of internal trainers

In order to improve the training skills of internal trainers, improve the effectiveness and training quality of internal training courses, and create a high-quality team of internal trainers and efficient online and offline classes, Ji'nan Truck Company held the launch and evaluation meeting for the first lesson-polishing meeting of internal trainers in March 2021.

Starting from polishing the training courses of internal trainers, Ji'nan Truck Company strengthened internal training. It organized a team of content commentators, blind commentators, professional commentators and mass commentators, who commented on the training presentation and training content of internal trainers one by one, and put forward valuable suggestions for the internal trainers participating in the collective discussion, which can help them to improve themselves and their training in a targeted way. The internal trainers are expected to be cultivated into outstanding training stars on the platform with excellent training courses.



▲ The lesson-polishing meeting of internal trainers

8. HARMONIOUS OPERATIONS

The Group's training in 2021 has covered all employees, with a training proportion of 100%.

Employee training of the Group in 2021

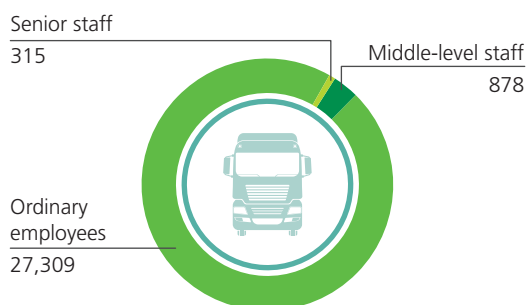
Trained employees by gender (persons)



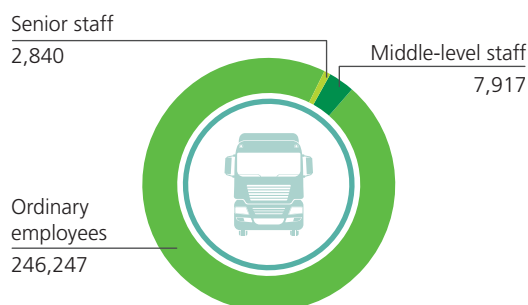
Training hours obtained by gender (hours)



Trained employees by employment type (persons)



Training hours by employment type (hours)



8.3 CARING FOR EMPLOYEES

Upholding the people-oriented concept, the Group cares for the physical and mental health of employees and tries to create a warm working and living environment for employees to continuously improve their sense of identity, belonging and happiness. We have carried out a variety of activities to enrich employees' life in leisure time and help them balance work and life. For the employees in difficulty, we provide them with care and assistance to help them overcome difficulties.

8. HARMONIOUS OPERATIONS

EMPLOYEE CARE

The Group attaches great importance to the organizational construction of trade unions, fully implements the trade union system in units at all levels, and implements democratic management through the whole process of production, operation and management. Trade unions at all levels actively make suggestions and monitor the progress of relevant work in raising employees' income, improving their living conditions, solving the problems of dining and shuttle bus to effectively protect their basic rights, interests and welfare, and improve and enrich employees' cultural life in leisure time. The trade union of Ji'nan Commercial Vehicle Company won the title of "Top Ten Employees' Home Trusted by Employees" in Ji'nan in 2021.

We pay close attention to the working environment of front-line employees, and regularly distribute masks, sterilizing alcohol and other personal protective supplies and disinfectants during the pandemic, so as to effectively protect the health and safety of employees. In order to ensure the safety and health of employees in production and operation in summer, we provide all employees with heatstroke prevention and cooling food and drinks such as watermelon, mung bean soup and plum syrup, and prepare loving medical kits for first aid in emergencies such as heatstroke.



▲ "Hot Summer Employee Care" activity

8. HARMONIOUS OPERATIONS

In order to thoroughly implement the requirements of “doing practical things for the masses” and further stimulate and mobilize all employees, the Group carried out inclusive activities to benefit all on-the-job employees, who are provided with holiday benefits and blessings for the Spring Festival, Mid-Autumn Festival and other traditional festivals, and are also provided with birthday cake coupons to let them feel warmth and care. We launched the “Sinotruk Jiayuan” marriage service brand and successively hosted three social events for singles; We also actively organized young employees to participate in 15 social events such as “Meeting in the Beautiful Spring City to Build a Youth Dream Together”, and “Getting-together in Innovation Zone of Ji’nan to Enjoy Youth with Rising China Cultural Tide”. We helped two young R&D engineers fulfil their dreams by organizing six HOWO heavy trucks to be wedding vehicles and made continuous efforts to carry out various activities frequently to help single employees expand their “Circles of Friends”. We regard serving young employees well as a “big business”.



▲ Giving birthday cake coupons to employees

The Group has formulated the *Management Measures for Employee Relief Fund* and has established a charity fund to provide timely support for the employees who have difficulties in life caused by accidents, acute and serious illnesses and other misfortunes that happened to themselves or their family members, and to award the role models who behave righteously in helping others and who make caring donations. We visited employees to better understand their living conditions and to help those in difficulties timely and effectively. In 2021, with the charity fund we helped 1,302 employees in need with RMB 1.7552 million granted.

8. HARMONIOUS OPERATIONS

Overview of visiting and helping employees in difficulties in 2021:

- During the Spring Festival, we visited and helped 102 households in difficulties with RMB 194,500 granted;
- On the Children's Day, we visited and helped 17 children of our employees who had difficulties in life caused by acute and serious illnesses of their children with RMB 66,500 granted.
- In August, we launched a program for helping students and helped the children of eight employees in financial difficulties with RMB 22,500 granted;
- On the eve of the Mid-Autumn Festival, the Group launched a program to visit employees in difficulties. A total of 84 employees were visited and RMB102,000 was offered to them.



The Group has specially formulated a series of care measures for female employees. We set up "Moms' Rooms" in departments of the Group, and regularly launch special programs for female employees to comprehensively protect the rights and interests of female employees and ensure their physical and mental health. On 8 March, we organized and held a symposium to celebrate International Women's Day and commend model female employees for their outstanding performance. We have also carried out activities such as giving a law popularization lecture during the "Women Workers' Rights Protection Month", "Afternoon Tea Celebrating 8 March" and "Lecture on the Women's Power in the Workplace" to express our gratitude to female employees.

In 2021, we launched 32 programs for female employees at all levels, benefiting over 5000 female employees.



▲ Symposium to celebrate International Women's Day and commend model female employees

8. HARMONIOUS OPERATIONS

RECREATIONAL, SPORTS AND CULTURAL ACTIVITIES

The Group has provided employees with varied recreational, sports and cultural activities to help employees balance their lives and work, relieve work pressure and promote physical and mental health of employees. In 2021, taking the opportunity to celebrate the 100th anniversary of the founding of the CPC, the Group held a series of cultural and sports activities, including celebrations of the centenary of the CPC, Youth Cultural Activities, sports competitions such as basketball competitions and table tennis competitions, painting and calligraphy exhibitions, and other activities, all of which have motivated employees and stimulated their creative enthusiasm.



Case: Youth cultural activities of the Group

In 2021, the Group produced and launched varied high-quality cultural video products such as Sinotruk's Long Long Time Ago, On Entering the 100th Spring, May You Stay Forever Young and Stars and Sea. The cumulative number of views of those videos on a single platform reached 107,000, becoming the annual cultural pops. Guided by the creative idea of "Showing positive energy, great feelings and youth by stories in daily life", they have expressed the passionate and unswerving feelings of our employees. In addition, there were a series of other cultural and sports activities, such as the Happy Ox Year Reception Hall, a live broadcast to celebrate new year with young employees who stayed in Ji'nan during the Spring Festival, the youth speech contest of Do it in a Responsible Way and Do It Well and To Show Fire-like Youth with Our Passion, a team building activity for young employees, which focused on young employees to inject new energy to honor corporate culture.



▲ Speech Contest



Case: The Group launched the activity themed with "Following the CPC Forever and Forging Ahead in a New Journey" to solicit calligraphy and painting works from employees

In 2021, in order to celebrate the 100th birthday of the CPC, we launched an activity, named Following the CPC Forever and Forging Ahead in a New Journey, collecting calligraphy and painting works of employees. More than 260 works were recommended by various departments of the Group and the secondary tier trade unions. From different perspectives, the works show the outstanding achievements of Sinotruk that forges ahead with determined and continuous reform and innovation in recent years and showcase how all the employees get united to overcome difficulties and make breakthroughs tenaciously and passionately. They also express the sincere feelings and good wishes of employees who love the CPC, China and Sinotruk.



▲ Excellent examples

8. HARMONIOUS OPERATIONS

We regularly participate in, organize or hold basketball competitions, table tennis competitions, tug of war and other sports competitions, providing opportunities for employees to exercise, promote their exchanges, and enhance their sense of honor and cohesion.



Case: The Group carries out varied sports competitions

In May 2021, the Fourth “CATARC Cup” China Automobile Industry Basketball Association (the North China division), hosted by China Automotive Technology and Research Center Co., Ltd. (CATARC) and undertaken by the Testing and Certification Division of CATARC, was successfully held in Tianjin. The team of the Group performed well and ranked among the top four in North China division.



▲ The Group participating in and organizing sports competitions

8. HARMONIOUS OPERATIONS

8.4 CONTRIBUTING TO COMMUNITY

The Group actively assumes its corporate social responsibility (CSR), and seriously provides voluntary service in the construction of a harmonious society, improving people's livelihood, serving enterprises, participating in pandemic prevention and control and advocating a low-carbon lifestyle, giving back to the society with action and love.

We established the "Sinotruk Group Voluntary Service Alliance" in 2018. Currently, the alliance has 11,315 registered volunteers, who actively provide voluntary service. It has become an important platform to promote our corporate culture. In 2021, the alliance carried out 107 volunteering service activities to guide employees to carry forward the spirit of great love while serving the society and fulfilling their social responsibility.

In 2021, we invested a total of 30,500 hours and RMB 300,000 in social service. We actively took measures to help needy employees and care for all staff with a total of more than RMB 40 million invested, making efforts to build a harmonious Sinotruk. The Youth Volunteer Service Team of Sinotruk International was rated as an "Advanced Youth Volunteer Service Team in Ji'nan", and the volunteer service of "Walking with Children" caring for left-behind children, provided by Ji'nan Truck Company was rated as an "Advanced Project of Youth Volunteer Service in Ji'nan". Sinotruk has been awarded the honorary titles of "Outstanding Unit in Organizing Unpaid Blood Donation in Shandong Province" and "Loving Unit of Qilu Public Welfare Blood Donation Alliance".



Case: The Group launched unpaid blood donation activities

In order to fulfil its CSR, the Group led all cadres and other employees to carry forward the spirit of great love and launched the unpaid blood donation programs in 2021, with a total of 622 participants and a blood donation volume of more than 190,000 ml.



▲ Unpaid blood donation

The Group strives to build a beautiful community by actively making contributions to the community construction and sharing warmth and love with the masses in the community. We regularly visit residents in the community to better understand their conditions and opinions, and actively participate in the joint construction of the community by providing intellectual services and material support as a responsible enterprise. We have carried out ice and snow removal activities in extreme weather. At the end of 2021, Ji'nan suffered two blizzards. The young volunteers in the Group actively cleaned the snow on the roads to effectively ensure the smooth and safe travel of residents.

8. HARMONIOUS OPERATIONS



Case: The Group launched the program of jointly building the community

In March 2021, based on our in-depth research into the community, the Group signed the Agreement on Getting Stationed and Jointly Building the Community in 2021 with Shun'ao Community, Shunhua Street, Gaoxin District of Ji'nan, and launched the program to work together to jointly build a new harmonious and prosperous community.

In September, we carried out the thematic activity of "One Helmet and One Belt Initiative" together with the community, advocating civilized transportation and safe travel. In order to get prepared for building a civilized city, a total of nearly 100 young volunteers were organized to visit over 800 households in the community in October, and more than 800 questionnaires were distributed to solicit residents' opinions and suggestions on the building of a civilized city and a civilized community. To provide convenience services, we provided the community with six "Convenience Service Cabinets" (including cabinets, convenient maintenance tools and umbrellas) which were very popular with the residents. In 2021, we organized more than 40 young volunteers to carry out eight voluntary activities to direct the traffic and guide the pedestrians at the rush hour at the important traffic intersection of Jingshi Road in Ji'nan, contributing to the building of a National Civilized City with our actions.



▲ Volunteers visit respondents



▲ Convenient service cabinets



▲ Volunteers help maintain traffic order

8. HARMONIOUS OPERATIONS



Case: Ji'nan Commercial Vehicle Company launched activities to provide voluntary teaching and donate school supplies

In May 2021, more than 20 employees of Ji'nan Commercial Vehicle Company launched activities to provide voluntary teaching to Dashuijing Primary School of Ji'nan. We also donated some books, exercise books, footballs, badmintons and other school supplies to enrich students' life. The activity was not only to care for the vulnerable groups, but also was intended to let more employees join in the similar activities to help more people in need. We expect to constantly improve the comprehensive quality and expand the inner horizons of employees in this way, so as to produce a friendly, helpful, united and enterprising atmosphere.



▲ Support education with donations

We always concern about what happen around us. Whenever disasters happen, we try to help the disaster areas and the affected people timely. We pay close attention to the progress of the disasters and the living conditions of the people in the disaster areas, caring for them with warmth and love.



Case: Sinotruk rushed to rescue Xinxiang, Henan Province

In July 2021, many places in Henan Province were stricken by heavy rain, and hearts of people all over the country went out to those affected. At the news, the Group immediately contacted the relevant departments in the disaster areas to learn about their demands, after which we urgently gathered relief supplies and set out to send the relief supplies to Xinxiang City timely. By the evening of 25 July 2021, all the relief supplies to be delivered by the Group had been loaded to the vehicles, which converged in Puyang city, fully loaded with instant noodles, mineral water and other supplies urgently needed by the people in the disaster areas. Those vehicles of the Group set out to Xinxiang City together. On the morning of 26 July they arrived smoothly and handed over the supplies to the relevant departments, providing timely assistance to the front line of flood fighting and the affected people.

DEFINITIONS

In this report, the expressions below shall have the following meanings unless the context indicates otherwise.

Abbreviation	Reporting Specification
"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of the Company
"Chengdu Wangpai Company"	Sinotruk Chengdu Wangpai Commercial Vehicle Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"China" or "the PRC"	The People's Republic of China, and for the purpose of this report, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
"Chongqing Light Vehicle Company"	Sinotruk (Chongqing) Light Vehicle Co., Ltd., a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company
"CNHTC" or "Parent Company"	China National Heavy Duty Truck Group Co., Ltd., a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company during the year ended 31 December 2021 and the controlling shareholder (as defined in the Listing Rules) of the Company
"Company" or "Sinotruk"	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 03808)
"Datong Gear Company"	Sinotruk Datong Gear Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"ESG"	environmental, social and governance
"Fujian Haixi Company"	Sinotruk Fujian Haixi Truck Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"Group" or "We"	Sinotruk and its subsidiaries
"Hangzhou Engine Company"	Sinotruk Hangzhou Engine Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"HDT(s)"	heavy duty truck(s) and medium-heavy duty truck(s)
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hubei Huawei Company"	Sinotruk Hubei Huawei Special Vehicle Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company

DEFINITIONS

Abbreviation

Reporting Specification

"Ji'nan Axle Company"	Sinotruk (Ji'nan) Axle Co., Ltd. (formerly known as "Sinotruk Ji'nan Axle & Transmission Co., Ltd."), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"Ji'nan Commercial Vehicle Company"	Sinotruk Ji'nan Commercial Vehicle Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan Engine Plant"	Engine plant of Sinotruk Ji'nan Power Co., Ltd.
"Ji'nan Fuqiang Power Company"	Sinotruk Ji'nan Fuqiang Power Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan HOWO Bus Company"	Sinotruk Ji'nan HOWO Bus Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan Light Truck Company"	Sinotruk Ji'nan Light Truck Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan Molding Plant"	Molding plant of Sinotruk Ji'nan Power Co., Ltd.
"Ji'nan Rubber & Plastic Parts Company"	Sinotruk Ji'nan Rubber & Plastic Parts Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan Transmission Shaft Company"	Sinotruk (Ji'nan) Transmission Shaft Co., Ltd. (formerly known as "Sinotruk (Ji'nan) Auto Parts Co., Ltd."), a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan Transmission Plant"	Transmission plant of Sinotruk Ji'nan Power Co., Ltd.
"Ji'nan Truck Company"	Sinotruk Ji'nan Truck Co., Ltd., a joint stock company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares are listed on the Shenzhen Stock Exchange (stock code: 000951)
"Ji'ning Commercial Vehicle Company"	Sinotruk Ji'ning Commercial Vehicle Co., Ltd., a company incorporated under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"LDT(s)"	light duty truck(s)
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Liuzhou Yunli Company"	Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd., a company incorporated under the laws of the PRC with limited liability and a non-wholly owned subsidiary of the Company (and Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. is its subsidiary.)

DEFINITIONS

Abbreviation

“Mianyang Special Vehicle Company”

“Sinotruk International”

“Stock Exchange”

“Weihai Commercial Vehicle Company”

Reporting Specification

Sinotruk Mianyang Special Vehicle Co., Ltd., a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company

Sinotruk International, a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company

The Stock Exchange of Hong Kong Limited

Sinotruk (Weihai) Commercial Vehicle Co., LTD., a company incorporated under the laws of the PRC with limited liability and a wholly owned subsidiary of the Company

HKEX ESG REPORTING GUIDANCE

Subject Areas, Aspects, General Disclosures and KPIs			Index (page number)
Environmental	General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p> <p><i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>	42-51
	A1.1	The types of emissions and respective emissions data.	42-49
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	51
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	49
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	49
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	42-47
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	48-49

HKEX ESG REPORTING GUIDANCE

Subject Areas, Aspects, General Disclosures and KPIs			Index (page number)
Environmental	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>	50-55
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	51
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	53
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	50-52
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	50, 53-54
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	55
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	42-49
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	42-49
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	39-41
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	39-41

HKEX ESG REPORTING GUIDANCE

Subject Areas, Aspects, General Disclosures and KPIs			Index (page number)
Social 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.	56-58
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	56-57
	B1.2	Employee turnover rate by gender, age group and geographical region.	58
B2: Health and Safety	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.	34-38
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	36
	B2.2	Lost days due to work injury.	36
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	34-38
B3: Development And Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>	58-64
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	64
	B3.2	The average training hours completed per employee by gender and employee category.	64

HKEX ESG REPORTING GUIDANCE

Subject Areas, Aspects, General Disclosures and KPIs			Index (page number)
Social B4: Labour Standards	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.	56-58
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	56-58
	B4.2	Description of steps taken to eliminate such practices when discovered.	56-58
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	30-33
	B5.1	Number of suppliers by geographical region.	30
	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.	30-33
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	30-33
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	30-33
B6: Product Responsibility	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.	18-29
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	22
	B6.2	Number of products and service related complaints received and how they are dealt with.	27
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	18
	B6.4	Description of quality assurance process and recall procedures.	19-23
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	29

HKEX ESG REPORTING GUIDANCE

Subject Areas, Aspects, General Disclosures and KPIs			Index (page number)
Social B7: Anti- corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	12-13
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	13
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	12-13
	B7.3	Description of anti-corruption training provided to directors and staff.	13
B8: Community Investment	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.	70-72
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	70-72
	B8.2	Resources contributed (e.g. money or time) to the focus area.	70-72

READER FEEDBACK FORM

Dear readers:

Thank you very much for your attention and support to the sustainable development of Sinotruk (Hong Kong) Limited. To provide you with more professional and valuable environmental, social and governance information and improve the quality of our sustainability report, we welcome you to answer the relevant questions in the feedback form.

- 1. Are you satisfied with this report? Please make your comments.**
- 2. Do you think that our social responsibilities have been fully disclosed in this report?**
- 3. Has the information you would like to know been fully disclosed in this report?**
- 4. Do you have any suggestions to help improve this report?**

Your Information

Name

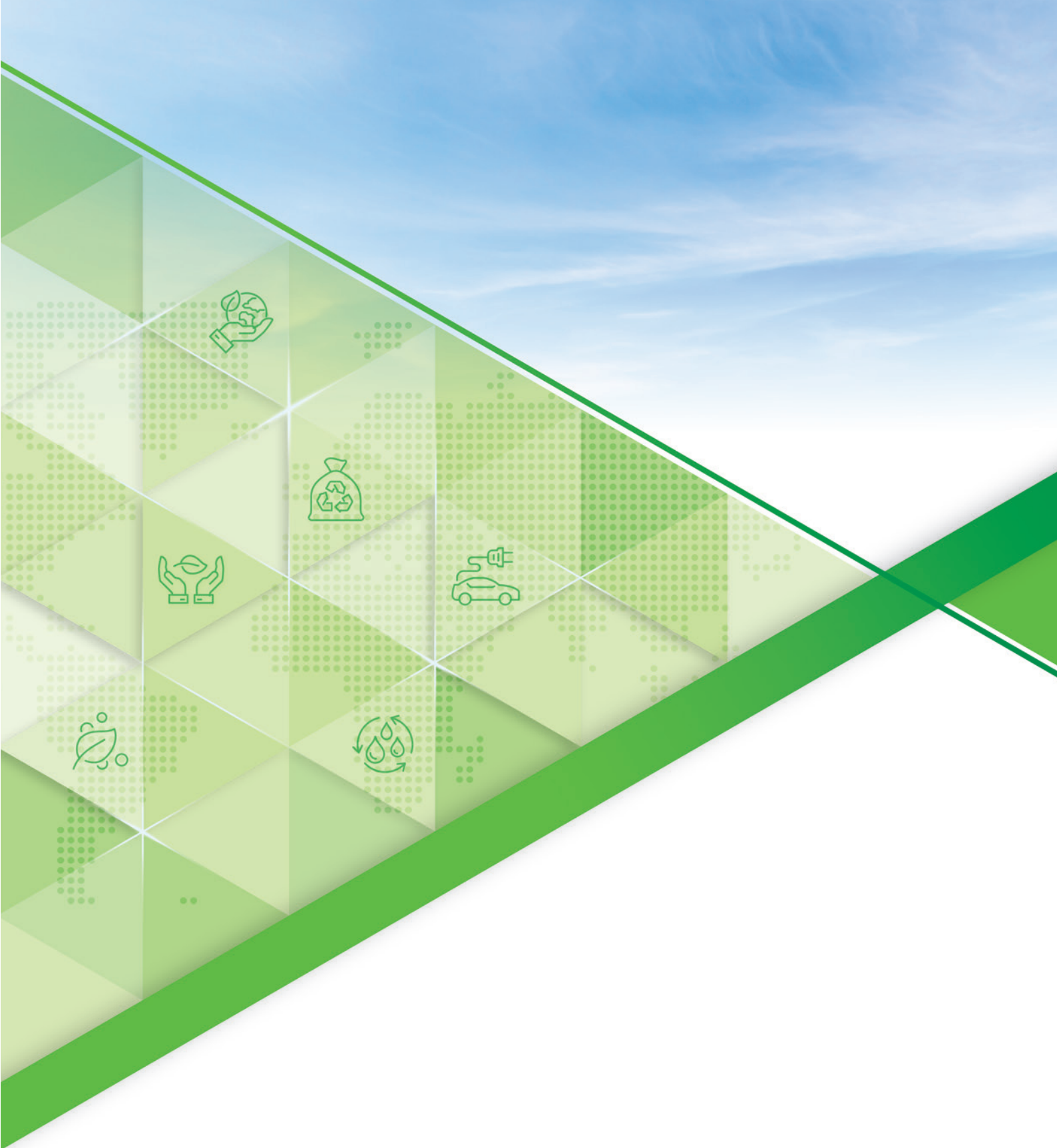
Company

Title

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Tel

Email



中国重汽
SINOTRUK