

第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code : 0038)

The cover features a complex 3D graphic design. It consists of several green and orange rectangular blocks of varying heights and orientations, some of which are stacked or connected. The blocks are set against a background of a green field with a red tractor, a blue sky, and a green landscape. The text '2017 ENVIRONMENT SOCIAL AND GOVERNMENT' is prominently displayed in the center, with '2017' in a larger font size. The overall design is modern and professional, with a focus on environmental and social themes.

2017
ENVIRONMENT
SOCIAL AND
GOVERNMENT

Introduction

First Tractor Company Limited (the “Company”) is the sole listed company with both A shares and H shares issued in the agricultural machinery industry in the PRC. In June 1997, the Company successfully issued H shares (stock code: 00038) outside of the PRC and was listed on The Stock Exchange of Hong Kong Limited (“HKEx”); In August 2012, the Company issued A shares (stock code: 601038) in the PRC and was listed on the Shanghai Stock Exchange through an initial public offering.

As one of the largest agricultural machinery manufacturers with the most advanced technology and strongest comprehensive strength in the PRC, the Company mainly engages in the research and development, manufacturing and sale of products including agricultural machineries and power machineries. The Company has strong manufacturing ability of the whole industry chain for tractors, the leading products include the “Dong Fanghong” series of hi-powered, mid-powered and low-powered wheeled tractors and crawler tractors, diesel engines and spare parts. “Dong Fanghong” is the best-selling tractor brand with the largest quantity in the PRC and the most trustworthy agricultural machinery brand for Chinese farmers. “Dong Fanghong” has witnessed and ushered the whole process in which the PRC’s agricultural machinery industry grew from the beginning, developed and expanded. “YTO” is an overseas market brand for the Company to participate in global competition, as well as an important representative of the PRC’s agricultural machinery enterprises that “Go Global”.

The Company vigorously enhances corporate governance to lay a solid foundation for business development. It gains insight into concerns and demands of stakeholders and proactively boosts the sustainable development capacity through implementation of development strategies, practice of contract spirit and performance of social responsibilities to achieve its strategic targets and promote all-win results with all stakeholders.

This report comprises four parts, namely, enterprise development, corporate governance, performance of social responsibilities and prospects.





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Part I Enterprise Development

1.1 CORPORATE STRATEGY

Persisting in the strategy of “focusing on the core areas for stronger businesses, being innovation-driven and developing whole-set solutions”, the Company gains strength from upgrading of product technology, is underpinned by promotion of manufacturing level and product quality emphasizes resource integration and improvement of international operation capability and gets safeguards through management reform, synergic enhancement and talent acquirement to maintain the leading advantages of its existing core businesses, develop whole-set agricultural equipment products and innovate business development models. It aims to provide customers with the most valuable whole-set solutions for agricultural equipment and become the leader in agricultural machinery in the PRC, striving to develop into an excellent global agricultural equipment supplier.

The Company keeps its strategic determination and focuses on the establishment of a strategy-led, plan-supported and performance-driven strategy implementation mechanism. With strategic tasks as breakthroughs and annual business plans as carriers, it strengthens strategic coordination and implementation and strives to maintain the leading advantages of existing core businesses. The Company develops whole-set agricultural equipment products and innovates in business development models to lead the transformation and development of the agricultural machinery industry in the PRC and develop into an excellent international agricultural equipment supplier in full sail.

1.2 CORPORATE CULTURE

Following the corporate vision of “being an excellent international agricultural equipment supplier” and the core values of “producing best products, fostering best talents and creating best performance”, the Company sticks to the corporate motto of “quality determines survival and innovation promotes development” and strives to realize the corporate mission of “providing customers with the most valuable whole-set solutions for agricultural equipment”.

1.3 COMPANY’S ACHIEVEMENTS

Awarded programs	Awards and levels	Awarded by
Manufacturing methods and equipment of sophisticated castings made through pattern-less compound forming	Second Prize of National Award for Technological Invention	State Council of the People’s Republic of China
C1402 series of crawler tractors	First Prize of Scientific and Technological Progress Awards of Sinomach	China National Machinery Industry Corporation Ltd. (Sinomach)
Dong Fanghong -MK550/554/600/604/654 wheeled tractors	Second Prize of Scientific and Technological Progress Awards of Sinomach	Sinomach
Dong Fanghong-YT4B4-24 diesel engine	Second Prize of Agricultural Machinery Science and Technology Awards	China Association of Agricultural Machinery Manufacturers Chinese Society for Agricultural Machinery



Part I Enterprise Development

Awarded programs	Awards and levels	Awarded by
Development and application of analysis technology on key compositions of raw and ancillary casting materials	Second Prize of China Machinery Manufacturing Technology Results Awards	China Association of Machinery Manufacturing Technology
“Dong Fanghong” and “YTO” brands	Golden Reputation Award for Corporate and Product Brands	Farmers’ Daily
13th Gold Prize of Round Table of Chinese Boards of Listed Companies	Award of Green Governance Board	Periodical office of Directors & Boards
2017 Golden H share Company Awards	Best Social Responsibility Listed Company	The review committee of 2017 Golden H share Company Awards

Note: Items listed above are only part of the Company’s social achievements

Part II Corporate Governance

2.1 STANDARD OPERATION

Standard operation is a key guarantee to the steady development of the Company. As an A+H share listed company, the Company has established a sound legal person governance structure covering shareholders' meeting, board of directors, board of supervisors and senior management in accordance with the "Company Law", the "Securities Law", the "Basic Standards for Enterprise Internal Control" and other relevant laws and regulations. Shareholders' meeting, board of directors and board of supervisors perform their responsibilities strictly in compliance with the "Articles of Association" and rules of relevant systems, which ensure the efficient and standard operation and scientific decision-making of the Company, safeguards the overall interest of the Company and guarantees the rights of all shareholders, medium and small shareholders in particular.

The Company strictly prevents insider transactions, performs approval procedures on connected transactions and fulfills commitments in the course of operation. It gives full play to the roles of independent directors, safeguards the interests of medium and small investors and vigorously prevents competition to avoid benefit conflicts, prevent relevant benefits transfer and practically safeguard the legitimate interests of the listed company.

The Company was awarded the "Award of Green Governance Board" at the 13th "Gold Prize of Round Table" of Chinese Boards of Listed Companies.



2.2 RISK CONTROL

The Company constantly intensifies the risk management mechanism. In 2017, it adopted the following measures to boost the prevention of operation risks. Firstly, it optimized the risk alert control system and explicitly defined three-tier risk management to improve the delicacy management on risks. Secondly, it focused on risk management and control in key sectors and conducted effectiveness appraisal on trading business, capitals and sales collection to strengthen the pertinence and effectiveness of risk management and control. Thirdly, it carried out dynamic monitoring and alert on risks and advanced classified dynamic management on major operation risks on a monthly basis to deepen vertical supervision and enhance alert effects.

2.3 ANTI-CORRUPTION

The Company increases anti-corruption efforts and signs the statement of responsibility with functional departments and relevant units. Leaders at all levels consciously act as promoters and performers in anti-corruption construction as guaranteed by the reinforced mechanism. Firstly, it prepared and distributed the "Integrity Manual" and signed the annual commitment on integrity operation with leaders to specify requirements on compliance with disciplines and rules. Secondly, it strengthened publicity and education to consolidate the moral defenses against corruption featuring "disinclined to corrupt". The Company launched the "Month for Anti-Corruption Publicity and Education Activities" and established "Clean First Tractor", a WeChat official account, to create a cultural atmosphere on integrity. Thirdly, it highlighted key aspects to conduct supervision and inspection around duty performance, supervision and restriction, regulated use of power and improvement of system implementation so as to exercise supervision and monitoring over major tasks and to strengthen the advancing of system implementation.

In order to effectively prevent commercial bribes, the Company has signed the "Integrity Agreement" with all suppliers. As at 31 December 2017, the Company was in compliance with relevant laws and regulations on anti-corruption and anti-money laundering. There was no act concerning corruption, bribery, blackmail, fraud and money laundering, nor were there any litigations arising therefrom.

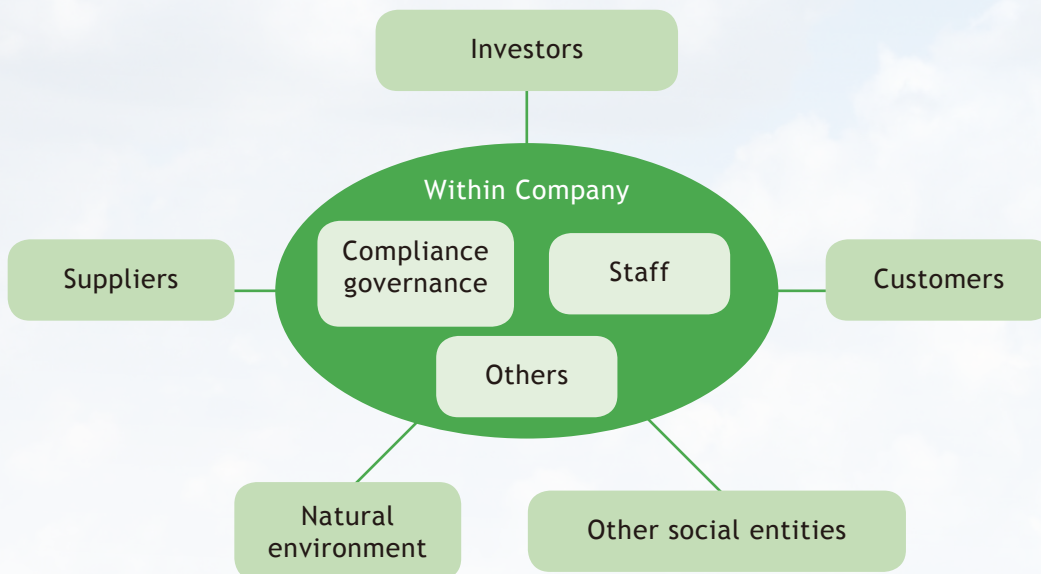


Part III Performance of Social Responsibilities

3.1 STAKEHOLDERS

The Company vigorously enhances corporate governance to lay a solid foundation for business development. Upon gaining insight into concerns and demands of relevant parties, the Company proactively boosts the sustainable development capacity through implementation of development strategies, practice of contract spirit and performance of social responsibilities to achieve its strategic targets and promote shared benefits with all relevant parties.

Chart of Stakeholders of the Company



Part III Performance of Social Responsibilities

3.2 SCIENTIFIC AND TECHNOLOGICAL INNOVATION

In 2017, the Company continued the research and development on intelligent, high-efficient and energy-saving agricultural machinery equipment such as power shift, continuously variable transmission and self-driving tractors and electronic control diesel engines, having made remarkable achievements in key technology innovation in major fields. It had ten new national programs during the year, of which, nine were selected into the “2017 National Key Research and Development Programs”, including the technology integration and demonstration application of BDS-based agricultural machinery navigation operation, the information collection, fault early warning and remote diagnosis technology on tractors operation and the technology study and system development on complete tractors inspection, and the “application of new model in intelligent manufacturing of modern cockpit” was selected as a program of the Ministry of Industry and Information Technology (MIIT) for the application of new models in intelligent manufacturing.



In 2017, the Company applied for 136 patents, comprised of 21 for inventions, 96 for utility models and 19 for exterior design; was granted 155 patent licenses, comprised of 27 for inventions, 115 for utility models and 13 for exterior design; participated in the formulation and revision of 22 national, industry and group standards, 11 of which were advanced under the leadership of the Company.

As a leading enterprise in the agricultural machinery industry in the PRC, the Company insists on the “innovation-driven” strategy, consistently improves technology innovation system and speeds up in product technology upgrading. In recent years, it has continuously filled high-end technical gaps in the agricultural machinery industry and shouldered responsibilities in agricultural modernization development and technical progress in the agricultural machinery industry in our country.





Part III Performance of Social Responsibilities

3.3 INVESTORS PROTECTION

- **Information disclosure**

The Company strictly implements the registration system on personnel in possession of insider information. While advancing businesses, it prudently controls the planning, negotiation, decision-making, information disclosure and other key aspects and the timing of significant matters, strictly limits the scope of persons in possession of insider information, and prevents and controls insider transactions.

As an A+H share listed company, it stringently follows the “Listing Rules” of Shanghai- and Hong Kong-based stock exchanges, carefully discloses information and highlights simultaneous information disclosure in domestic and overseas market. In 2017, the Company published 4 regular reports and 45 temporary announcements in the A-share market and released a total of 128 announcements, circulars and other materials in both Chinese and English and 32 overseas regulatory announcements in the H-share market, and recorded nil fault therefrom.

- **Management of investor relations**

The Company emphasizes the management of investor relations and has specially formulated the “System for Management of Investor Relations” to standardize the management of investor relations. On the basis of making proper information disclosure, it communicates with the capital market and investors on the operation and development of the Company through various channels to enhance the operation transparency of the Company on a continuous basis.

The Company always highlights the protection of investors’ legitimate interests and attaches high importance to the management and maintenance of investor relations. Firstly, it establishes smooth communication mechanisms with investors, learns about investors’ concerns through various channels and actively makes responses and explanations. At the same time, it proactively conveys information about the Company to the capital market through results presentations, roadshows and other activities. Secondly, it guarantees the exercise of shareholders’ rights and properly carries out work with regard to the protection of investors. Besides, it pays special attention to the safeguarding of the rights and interests of medium and small shareholders, and has included relevant provisions in this regard in the “Articles of Association” and the rules of procedure of shareholders’ meeting to guarantee medium and small shareholders’ entitlements to meetings, information and votes.

- **Profit distribution and buy-back of H shares**

Upholding the concept of value investment, the Company focuses on reasonable return for investors while taking into account the sustainable development of the Company in its profit distribution policy. It distributes cash bonus to investors every year provided that the conditions for bonus distribution shall be satisfied. The average bonus proportion exceeded 30% (including buy-back capitals included into bonus) in recent three years. As an A+H share listed company, the Company implemented the buy-back of H shares upon approval at the shareholders’ meeting in view of the fact that its H-share stock price had been lower than the net asset for a long term and bought back a total of 10.05 million H shares in 2016–2017. Thanks to the buy-back, returns for shareholders were increased and recognition from investors was enhanced.

Part III Performance of Social Responsibilities

3.4 STAFF DEVELOPMENT

- **Talent concept**

The Company implements the strategy of “thriving by building a strong talent pool” and insists on the talent concept of “people-oriented attitude in career and development, provide opportunities to the aspiring, stage for the competent, and incentives to the accomplisher”. While strictly abiding by relevant laws and regulations, it established a scientific, fair and sophisticated talent employment and management system. Meanwhile, the Company prepared diversified training programs for the staff and offered them abundant career development choices based on their demands to provide staff with a platform to show their talents and facilitate a win-win situation of corporate development and staff development.

- **Staff structure**

Specialty Category	Specialty composition	Educational Background	
	Number of persons (person)	Education level	Number of persons (person)
Production personnel	6,329	Master degree and higher	352
Sales personnel	798	Bachelor degree	2,281
Technical personnel	1,557	Associate degree	2,081
Administrative personnel	1,729	Lower educational qualification	5,954
Service personnel	255	/	/
Total	10,668	Total	10,668

- **Remuneration and welfare**

The Company has developed and strictly implemented the “Salary Payment Method”. It implements a basic salary system based on the wage of the job position combined with the notion of “distribution according to work done and distribution based on production factors”. For personnel of different types, the Company, based on their job nature, has formulated their respective distribution patterns such as annual salary system, performance-based salary in job position system, piece-rate system, time-rate system, project-based commission system and negotiated salary system to motivate the initiative of personnel from different positions effectively and protect the legal rights and interests of all staff.

The Company pays for basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance, unemployment insurance and housing provident fund in full and on time for registered staff according to the law to ensure the implementation of staff’s social insurance benefits. On this basis, the Company has initiated the occupational pension system since 2010 in the affiliated enterprises where conditions permit to provide supplements and guarantees to meet the demands of retired staff for higher quality life.



Part III Performance of Social Responsibilities

The Company has perfected and carried out the “Administrative Measures for Staff Allowance”, implemented the system of special allowances and subsidies including food allowance, heating fee, high-temperature allowance, night duty allowance and technical grade allowance to tally with the tenet of “people-oriented”.

- **Protection of rights and interests**

The Company earnestly follows through the “Labor Law”, the “Labor Contract Law”, and the “Regulation on the Implementation of the Employment Contract Law” as well as other relevant laws and regulations and has further standardized the employment system. It never discriminates any candidates because of their gender, ethnic group and age and provides all staff with fair employment opportunities and harmonious working environment. Meanwhile, it strengthens the construction of employment rules and regulations and enhances the management of labor contracts. The signing rate of labor contracts reaches 100%. The Company firmly resists and fights against any forms of discriminations and forced labor, and does not have any improper punitive measures, child labor or forced labor.

The Company implements the standard working hour system with 8 hours a day and 40 hours a week. Based on the working nature of positions or production characteristics, it adopts the comprehensive calculation of working hours system or the irregular working hours system according to laws. It fully protects the rights of staff to have breaks and holidays and enables its employments to enjoy various statutory paid leaves including statutory holidays, annual leave, marriage leave, family visit leave, compassionate leave, maternity leave, sick leave, work injury leave, etc. Meanwhile, The Labor Union Organization of the Company actively performed the duty of rights protection according to laws to ensure the rights and interests of the staff are preserved.

- **Development opportunity**

Aiming at enhancing staff quality, the Company has built a training resource sharing platform and carries out stratified and classified training courses for employees at different occupational stages. It has explored case lecture, business discussion, position practice, growth sharing and other types of trainings to improve the training effectiveness. In addition, it has established and improved the training experience sharing, training effects appraisal, submission of cases application and other types of training results verification to boost the transformation of training results. In 2017, the Company organized more than 1,000 training courses with over 43,000 attendances and an average training time of over 10 hours for each employee.

The Company has emphasized the building of development platforms for the staff and provides diversified career growth channels to achieve common development of staff and the enterprise. It offers the staff career growth channels in three categories, namely skills operation, professional management and engineering technology, at five levels (namely manager, director, Class II expert, Class I expert and chief experts). The Company has also established one workshop of national technical masters (國家級技能大師工作室) and two workshops of Heluo craftsmen (河洛工匠工作室) to create favorable conditions for the cultivation of high-skilled talents. In 2017, the Company successfully recommended 55 talents of various types to our country, provinces and cities as well as the industry.

Part III Performance of Social Responsibilities

3.5 COOPERATION FOR WIN-WIN RESULTS

- **Supply chain management**

The Company insists on the “honest, cooperative, sharing and win-win” procurement concept and strengthens the standard management on the introduction, exit, cooperation, optimization and evaluation of suppliers to create a fair, transparent, standard and professional procurement management mechanism and improve the operational efficiency of the purchase-supply chain. The Company continues the interactive coordination with suppliers to consistently enhance the operational efficiency of the purchase-supply chain. In 2017, the Company conducted communications with key advantageous suppliers on technology and quality through exchanges with senior management of strategic supplier partners to promote the application of new technologies and new products, which effectively facilitated the industrial technology upgrading of suppliers.

The Company has formulated and implemented the strict “Management Measures for Suppliers” to ensure that the suppliers the Company cooperated with are qualified enterprises established and operated legally. It was specified in the “Compliance Operation Agreement” entered into with suppliers that both parties shall fulfill social responsibilities in terms of quality, environmental protection, safety and intellectual property. The Company values long-term cooperation and development with suppliers. In 2017, the Company maintained long-term cooperation with approximately 870 suppliers mainly located in Henan, Hebei, Shandong, Jiangsu and other provinces. The Company has been advancing the sustainable development of industrial chains in surrounding areas, which has effectively facilitated the industrial upgrading and social employment.

- **Product quality and services**

In consistent adherence to the idea of “zero-defect quality, internationalized standard”, the Company makes innovation in quality management approaches and enhances quality targets and quality liability awareness to catch up with international advanced levels, improve product technology and quality and provide users with high-quality products and services. It implements the GB/T19001-2016 standard to ameliorate the quality management system and improve the in-process quality management in a comprehensive manner and has passed the third-party quality certification.

The Company firmly sets up the marketing concept of “creating value for users”, kicks off work aiming for “providing users with high cost-effective products”, and adheres to market-driven and user-oriented development on a consistent basis to constantly boost the market competitiveness of the leading products. In close compliance with laws and regulations on advertising and publicity, the Company ensures the delivery of true and reliable information to consumers in the sale of products without false promotion. Meanwhile, the Company applies the domestically well-known trademark of “Dong Fanghong” as logo to its products, which is clear without counterfeiting other product logos.





Part III Performance of Social Responsibilities



The Company follows changes in users' demands and speeds up the promotion and application of new products.

In 2017, the Company realized a sales volume of 48,300 units of hi-powered and mid-powered wheeled tractors, ranking first in the industry and a sales volume of 103,600 units of supporting diesel engines, maintaining its leading position in the agricultural non-road machinery supporting parts sector.

The Company ensures the safety of relevant products in the course of operation. It attaches great importance to the construction of service outlets and has over 1,700 service outlets across 31 province, autonomous regions and municipalities across the country. The Company fully implements the two-year service policies with "3 after-sale guarantee services" on main units and diesel engines. Its establishment of service systems and service standards also lead the industry. Users can be covered by insurance and receive considerate services in time no matter where they buy the machines or work. All service stations are on duty 24 hours a day in farming seasons and provide users with effective services in time around the clock to ensure timely solutions for possible quality problems or malfunctions of products. Having established user profiles for all products sold, the Company is able to conduct regular visits to provide convenient maintenance on whole machine and advance follow-up product services. It also guarantees the lawful and legitimate use of relevant information of all users to protect the privacy of consumers.

In 2017, the Company established a professional service team to carry out large-scale and professional service activities and provide users with "one-stop" touring services on farming fields in peak farming seasons such as the periods for "summer harvest, seeding and management of crops" and "autumn harvest, ploughing and seeding of crops". The Company answered 13,500 consulting telephone calls from users and provided over 8,200 dispatch services with the participation of over 2,600 service vehicles and over 4,000 service staff. Over 11,000 hi-powered and mid-powered tractors and other types of agricultural machinery received services during the year.

Part III Performance of Social Responsibilities

3.6 SAFETY AND ENVIRONMENTAL PROTECTION

- **Production Safety**

Holding the concept of safe development, the Company has implemented the “Production Safety Law” of the PRC, strictly complied with regulations on production safety including the “Regulation on the Safety Management of Agricultural Machinery” and the “Measures for Supervision and Management of “Three Simultaneities” for the Safety Devices of Construction Projects”. Promoting the idea of “cherishing life and prioritizing safety”, the Company has always adhered to the policy of “prioritizing safety, focusing on prevention and conducting comprehensive rectification”. In 2017, the Company adopted the following measures to enhance its production safety management: Firstly, it revised 25 administrative regulations including the “Measures for Safety Supervision and Management of Hazard Sources”, the “Management Measures for Contingency Plans for Production Safety Accidents” and the “Management Measures for “Five Simultaneities” in Production Safety”, thus laying a sound foundation at the system level for improving safety management. Secondly, it firmly carried out special activities for rectification of potential safety hazards, and completed the defect rectification project for the electricity transmission and distribution system, the rectification and reinforcement work for the potential safety hazards of the plant buildings and the calibration of the overload limiters of 435 cranes. Thirdly, it consolidated the achievements made in special rectification of hazardous chemicals, focused on dynamic supervision, management and control of safety production, and devoted more efforts to rectifying potential safety hazards, so as to minimize risks endangering production safety and effectively prevent major production safety accidents. Fourthly, it aroused safety awareness of the staff through various forms of publicity. Throughout the year, the Company organized 13 activities such as safety knowledge competition, safety-themed fun sports games, safety speeches in workshops, arranged over 10,000 employees to study safety knowledge displayed on panels, and handed out more than 300 brochures and over 3,000 pamphlets on production safety.

In the year of 2017, no work-related fatality was reported in the Company, nor was any working day lost therefor.

- **Occupational Health**

Conscientiously carrying through the “Law on Prevention and Control of Occupational Diseases”, the Company has earnestly fulfilled its corporate duty to prevent and control occupational diseases. Insisting on the principle of “putting prevention first, combining prevention with control and comprehensive management”, the Company strictly implemented the “Measures for Supervision and Management of “Three Simultaneities” for Protective Facilities against Occupational Diseases in Construction Projects”, “Provisions on the Supervision and Management of Occupational Health at Work Sites” and other relevant laws and regulations related to occupational health. The Company has also revised the “Management Measures for the Occupational Health” to strengthen source prevention and control as well as process management and control of occupational diseases and protect occupational health of the staff members.





Part III Performance of Social Responsibilities

In 2017, the Company proactively carried out the “five checks, five rectifications and five promotions” for occupational health, to strengthen its corporate responsibility in respect of occupational health and improve the prevention, control and management system of occupational health. In an effort to realize effective prevention and control of occupational hazards, the Company organized evaluation of new projects in three aspects concerning occupational hazards to ensure that the prevention and control measures against occupational hazards are ready for operation and application at the start of the projects; actively took measures against cooking fumes of the production units and the Company to improve the environmental quality of the work place; arranged health checkups for all staff working at operation places exposed to occupational hazards and conducted dynamic supervision on environmental quality there; enhanced supervision on purchase, use, replacement of labor protection articles; and strengthened the operation management of protective facilities against occupational hazards, such as the ventilation, dust removal, detoxification and cooling facilities.

- **Environmental Protection**

The Company conscientiously implemented the “Atmospheric Pollution Prevention Law”, the “Law on Prevention and Control of Environmental Pollution by Solid Waste”, the “Environmental Impact Assessment Law of Construction Projects” and other laws and regulations. Meanwhile, it formulated the internal management regulations such as the “Management Provisions on Identification and Rectification of Production Safety Hazards”, the “Provisions on Safety Management of Hazardous Chemicals” and “Management Measures for Technical Projects on Safety and Environmental Protection” to earnestly fulfill its social responsibility on environmental protection and promote sustainable green development. In 2017, the implementation rate for the “Three Simultaneities” in environmental protection of the Company’s construction projects was 100%, and no environmental pollution accident was reported.

In order to fulfill its environmental protection responsibilities, the Company has carried out, among others, the followings:

Firstly, it implemented pollution rectification, prevention and control projects. In 2017, the Company conducted environmental protection upgrade and renovation for 5 sewage pumping stations and 13 sewage pressure pipes to ensure “zero” discharge of pollutants from its industrial waste water. Secondly, it exerted strict control over total emission of pollutants. In 2017, through strengthening operation management of air pollution control facilities, the Company managed to reduce its emission of soot (dust) in industrial waste gas, sulfur dioxide and NO_x by 41%, 84.4%, and 67.8%, respectively, as compared with the same period last year. Thirdly, it conducted comprehensive utilization of general solid waste. In 2017, the comprehensive utilization rate of general solid waste such as scrap iron and waste sand was 59%. Fourthly, it followed stringent procedures in disposal of hazardous waste. In 2017, the Company engaged qualified hazardous waste contractors to dispose of all its hazardous waste, with compliance rate of 100%.

Part III Performance of Social Responsibilities

• Clean Energy and Energy Conservation

The Company fully implemented the “Energy Conservation Law” and other laws and regulations, and formulated and implemented the “Management Provisions on Energy Accounting”, the “Management Provisions on Evaluation of Energy-Saving Targets”, the “Management Provisions on Energy Consumption Quota of Key Energy-Consuming Equipment” and other energy management rules and regulations, so that management of energy conservation could be carried out in compliance with laws and regulations and the energy-saving targets and responsibilities of the Company could be assigned specifically, thus enabling energy conservation and consumption reduction to be integrated into the production and operation.

In 2017, the Company’s comprehensive energy consumption was 53,887 tons of standard coal, representing a decrease of 10.5% as compared with the same period last year; water consumption was 1,077,000 tons, representing a decrease of 16.6% as compared with the same period last year; water consumption per RMB10,000 output value was 1.61 tons, representing a decrease of 3% as compared with the same period last year. In 2017, the Company strengthened recycling of water resources, and 320,000 tons of reclaimed water was reused, representing an increase 1.69% as compared with the same period last year. The Company is sourcing water from municipal supplies and has no concerns on usage and purchase of water resources.

• Disclosure of Key Indicators

① Emission of gas pollutants

Indicator	Data	Explanation
Soot (dust) pollutants in industrial waste gas	43 tons	
Intensity of soot (dust) pollutants in industrial waste gas	64.24 grams/ RMB10,000 output value	
Emission of sulphur dioxide	3.1 tons	Decreased by 84.4% as compared with the same period last year
Emission intensity of sulphur dioxide	4.63 grams/ RMB10,000 output value	
Emission of NOx	25.4 tons	
Emission intensity of NOx	37.94 grams/ RMB10,000 output value	





Part III Performance of Social Responsibilities

Indicator	Data	Explanation
Total emission of greenhouse gas (direct)	/	As purchased electricity is the major energy used in the operation of the Company and the amount of carbon dioxide directly generated from combustion and vehicles driving is rather small as compared with that generated indirectly from purchasing energy, the direct emission is of little significance. In the meantime, the Company does not produce other greenhouse gases directly. Therefore, the Company mainly focuses on the indirect emission of carbon dioxide.
Indirect emission of carbon dioxide in greenhouse gas	144,875.20 tons	As the carbon dioxide indirectly generated from the Company's consumption of energy like electricity and steam during its production and operation can't be measured and calculated accurately, the figure on emission of carbon was converted from the consumption of standard coal (1 ton of standard coal generates approximately 2.6885319 tons of carbon dioxide.)
Indirect emission intensity of carbon dioxide in greenhouse gas	216.42 kilograms/RMB10,000 output value	The data was obtained indirectly.

Part III Performance of Social Responsibilities

② Disposal of hazardous solid waste and discharge of waste water

Indicator	Data	Explanation
Hazardous waste generated by the Company	603.8 tons	The Company engaged qualified hazardous waste contractors to dispose of all its hazardous waste, with compliance rate of 100%.
Intensity of hazardous waste generated by the Company	902 grams/ RMB10,000 output value	
Industrial waste water generated	0	With sophisticated waste water treatment facilities, the Company achieved “zero” discharge of waste water.

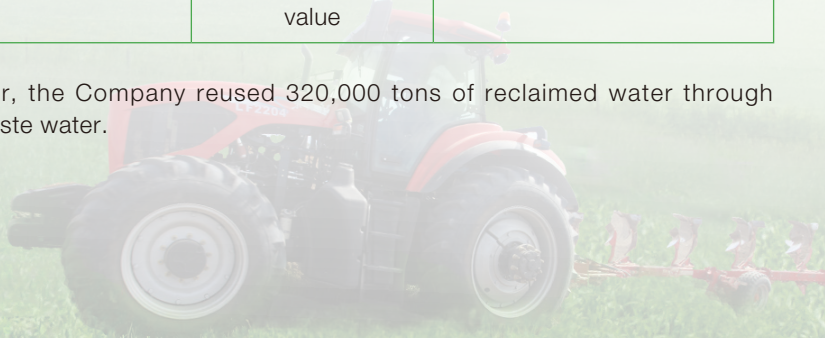
③ Generation of non-hazardous solid waste

Annual production of general solid waste like scrap iron and waste sand	34,140 tons	20,130 tons of general solid waste has been converted into useful materials after comprehensive utilization by the Company, and the comprehensive utilization rate is 59%.
Annual production intensity of general solid waste like scrap iron and waste sand	51 kilograms/ RMB10,000 output value	

④ Water consumption

Consumption of water by the Company	1,077,000 tons	Decreased by 16.6% as compared with the same period last year; in particular, 320,000 tons of reclaimed water was reused.
Water consumption intensity	1.61 tons/ RMB10,000 output value	

During the year, the Company reused 320,000 tons of reclaimed water through treatment of waste water.





Part III Performance of Social Responsibilities

⑤ Energy consumption

Indicator	Data	Explanation
Comprehensive energy consumption	Equivalent to 53,887 tons of standard coal	Decreased by 10.5% as compared with the same period last year
Comprehensive energy consumption (intensity)	0.0805 tons of standard coal/RMB10,000 output value	
Of which: electricity (total consumption)	213,080,000KWh	
Electricity (intensity)	318 KWh/RMB10,000 output value	
Heat (total consumption)	392,756GJ	The Company's heat consumption mainly represents steam.
Heat (intensity)	0.586GJ/RMB10,000 output value	

The majority of the energy consumption of the Company arises from direct consumption in production, while only a tiny percentage arises from electricity consumption for office purposes.

⑥ Consumption of packaging materials

Indicator	Data	Explanation
Total consumption of packaging materials used for finished products and consumption per unit thereof	/	As packaging materials are rarely used in the operation of the Company, the consumption of which does not constitute a key indicator requiring disclosure.

Part III Performance of Social Responsibilities

3.7 COMMUNITY AND PUBLIC WELFARE

- **Harmonious Community**

In 2017, centering on staff demands, the Company has effectively integrated various resources. Firstly, the Company built the “Happiness No. 10 (幸福10號)” modern life service platform and launched service programs including the happy study, university for the elderly, psychological counseling center, yoga gym and table tennis gym; secondly, the Company devoted efforts into coordination of the new 79,000m² heating equipment installation project to enlarge the heating coverage; thirdly, the Company offered a 20% discount in respect of the children care and education fee for the children of all enrolled employees.



“Happiness No. 10 (幸福10號)” Modern Life Service Platform of the Company (Interior of the Happy Study)

- **Poverty Alleviation**

As for the poverty alleviation in 2017, the Company insisted on the “blood hematopoiesis model”. A “Dongfanghong” tractor- ploughing team was set up in Zhifang Village, Tantou Town, Luanchuan County, Luoyang, Henan Province to support local agricultural development and the Company organized over 100 visits in total to 19 poverty families in the village to show our solicitude; in Huaibin County, Xinyang, Henan Province, the Company organized ten major assistance programs for poverty alleviation, laying a solid foundation for the smooth progress of poverty alleviation in the county.





Part III Performance of Social Responsibilities

- **Caring Activities**

The Company strengthened the construction of employee assistance system. Firstly, the Company gave full play to the five major assistance foundations by providing assistance to 1,280 employees throughout the year in the form of relief fund amounting to over RMB1.8 million, representing an increase of 19% over last year; secondly, the Company organised charity fund donation in which a total of RMB560,000 was raised, representing an increase of 4.5% over last year; thirdly, it organized consoling visits the enterprises in financial difficulties and model workers on “two festivals”, and provided an aggregate of RMB400,000 as consolation money, representing an increase of 56% over last year.

The “Care for Dongfanghong (情系東方紅)” campaign was carried out on an ongoing basis. Firstly, the Company organised the thanksgiving activity themed “Thank you, Mom, Dad and our Factory” for the 258 children of its employees. These children were enrolled by universities in 2017. During the activity, the children visited their parents’ positions and received a “Dongfanghong” luggage trunk and 30 children were granted “Dongfanghong” future fund totalling RMB120,000; secondly, the Company organised the children of its employees who are studying at universities to work part-time in the summer vocation to earn their first salary in their life and guided them to set up the attitude about labor; thirdly, the “Love Mummy House (愛心媽咪小屋)” opened for operation, providing a convenient, comfortable, cozy and private rest area for the female workers in pregnancy or lactation period.



Thanksgiving activity themed “Thank you, Mom, Dad and our Factory”

Part IV Prospects

As a leading enterprise in the agricultural machinery industry of the PRC, the Company will continue to improve the supervision and management system of corporate social responsibility and always regards the fulfillment of social responsibility as an important indicator pursued by the Company so as to better exert its leading role in the industry. It will strictly comply with social morality and commercial ethics and accept the supervision of social public. While pursuing economic benefits and safeguarding the rights of shareholders, it will pay more attention to the legitimate interests of creditors and employees. Meanwhile, it will dedicate to the achievement of mutual benefits and a win-win situation with suppliers and customers. The Company will keep on technological innovation, increase research and development efforts for new energy and new product technologies, vigorously promote clean production and proactively develop circular economy to promote harmonious development of enterprise and society. Moreover, the Company will enthusiastically participate in public welfare to convey the positive effects of corporate development.

Looking into 2018, the Company will face both opportunities and challenges. Given the industry situation, the Company will firmly keep its social responsibility in mind at all times, adhere to the development goal of “becoming an excellent international agricultural equipment supplier” and implement the concepts of sustainable and scientific development. While paying attention to the interests of itself and all shareholders, it will give sufficient consideration to the common interests of stakeholders including the employees, suppliers, customers, consumers and community, thus promoting social and economic sustainable development.





Appendix: Content Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

“Comply or explain” Provisions		Disclosed in
Aspect A1: Emissions	<p>General Disclosure</p> <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</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note:</i> Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	3.6 Safety and Environmental Protection – Environmental Protection
	<p>KPI A1.1</p> <p>The types of emissions and respective emissions data.</p>	3.6 Safety and Environmental Protection – Disclosure of Key Indicators – ① Emission of gas pollutants
	<p>KPI A1.2</p> <p>Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	3.6 Safety and Environmental Protection – Disclosure of Key Indicators – ① Emission of gas pollutants
	<p>KPI A1.3</p> <p>Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	3.6 Safety and Environmental Protection – Disclosure of Key Indicators – ② Disposal of hazardous solid waste and discharge of waste water
	<p>KPI A1.4</p> <p>Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	3.6 Safety and Environmental Protection – Disclosure of Key Indicators – ③ Generation of non-hazardous solid waste
	<p>KPI A1.5</p> <p>Description of measures to mitigate emissions and results achieved.</p>	3.6 Safety and Environmental Protection – Environmental Protection
	<p>KPI A1.6</p> <p>Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.</p>	3.6 Safety and Environmental Protection – Environmental Protection
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note:</i> Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	3.6 Safety and Environmental Protection – Clean Energy and Energy Conservation

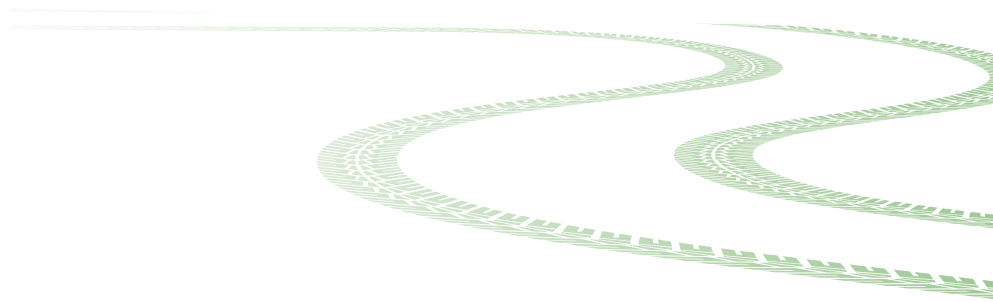
Appendix: Content Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

“Comply or explain” Provisions		Disclosed in
KPI 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).	3.6 Safety and Environmental Protection – Clean Energy and Energy Conservation 3.6 Safety and Environmental Protection – Disclosure of Key Indicators – ⑤ Energy consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.6 Safety and Environmental Protection – Disclosure of Key Indicators – ④ Water consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	3.6 Safety and Environmental Protection – Clean Energy and Energy Conservation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.6 Safety and Environmental Protection – Clean Energy and Energy Conservation
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.6 Safety and Environmental Protection – Disclosure of Key Indicators – ⑥ Consumption of packaging materials
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer’s significant impact on the environment and natural resources	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.6 Safety and Environmental Protection – Environmental Protection
Aspect 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.	3.4 Staff Development – Talent Concept, Protection of Rights and Interests, Remuneration and Welfare, Development Opportunity
Aspect 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.	3.6 Safety and Environmental Protection – Occupational Health



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“Comply or explain” Provisions		Disclosed in
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note:</i> Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	3.4 Staff Development – Development Opportunity
Aspect B4: Labour Standards 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</p> <p>relating to preventing child and forced labour.</p>	3.4 Staff Development – Protection of Rights and Interests
Aspect B5: Supply Chain Management	<p>General Disclosure</p> <p>Policies on managing environmental and social risks of the supply chain.</p>	3.5 Cooperation for Win-Win Results – Supply Chain Management
Aspect B6: Product Responsibility	<p>General Disclosure</p> <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</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	3.5 Cooperation for Win-Win Results – Product Quality and Services
Aspect B7: Anticorruption	<p>General Disclosure</p> <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</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	2.3 Anti-Corruption
Aspect B8: Community Investment	<p>General Disclosure</p> <p>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.</p>	3.7 Community and Public Welfare – Harmonious Community



第一拖拉机股份有限公司
FIRST TRACTOR COMPANY LIMITED

