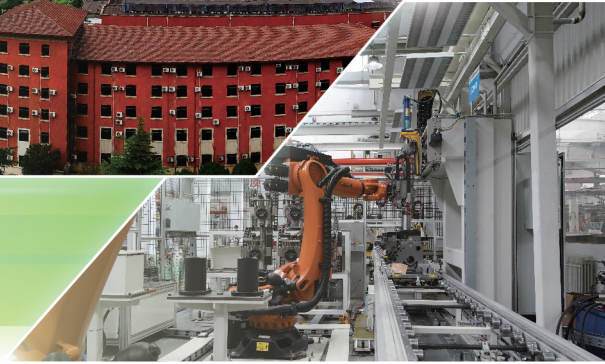




第一拖拉机股份有限公司 FIRST TRACTOR COMPANY LIMITED*

(A joint stock company incorporated in The People's Republic of China with limited liability)

Stock Code: 0038.HK 601038.SH



2019

Environmental, social and Governance Report

Note to the Report

General

This Report is the eighth Environmental, social and Governance Report issued by the First Tractor Company Limited (the Company), which has summarized the performance of the social responsibility by the Company in 2019 and the practical action and performances in respect of sustainable development aiming at enhancing communication between the Company and the related parties.

Basis of Preparation

The Report is prepared in accordance with the Guidelines of Shanghai Stock Exchange for Preparation of Corporate Social Responsibility Report, Notice on Strengthening Listed Companies' Assumption of Social Responsibility and the Guidelines on Environment Information Disclosure by Listed Companies and the Listing Rules of Hong Kong Stock Exchange and the Guidelines on Environment, Social and Governance Report with consideration of the practical conditions of the Company.

Time Range

The time limit of the Report is from January 1 to December 31, 2019 and the valid time of partial information may extend by proper time.

Subject Scope

The subject scope of the Report is First Tractor Company Limited and its subsidiaries.

Information Source

The information in the Report is from the Company's official documents, statistic report and the summary of the implementation of the social responsibilities by the subsidiaries.

Coreference Notice

For the purpose of presentation and reading, First Tractor Company Limited is referred to in the Report as "the Company".

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Social Responsibility Summary

Company Profile and Social Responsibilities

First Tractor Company Limited (hereinafter referred to as the Company) is the unique A+H listed Company in China's farm machinery industry. In June, 1997, the Company successfully issued H-shares (with stock code: 00038) in the overseas market and the stock was listed with Hong Kong Stock Exchange; in August, 2012, the Company conducted IPO of A-shares (with stock code: 601038) in the domestic market which were listed for trading with Shanghai Stock Exchange.

The Company is one of the agricultural machinery manufacturers with biggest scale, most up-to-date technology and most powerful comprehensive strength, is mainly engaged in R & D, manufacture and sales of agricultural machinery, power machinery, etc. The Company has the domestic most complete tractor R & D and manufacture system, with leading products covering "DONGFANGHONG" series big, medium and small roller tractors, caterpillar tractors, diesel engines and spares and parts, etc.

The Company's brands "DONGFANGHONG" and "YTO" are enjoying good reputation both at home and abroad. DONGFANGHONG Brand is a monument in China's agricultural machinery development history, is a tractor brand which enjoys most active demand and has biggest inventory. It is the agricultural machinery brand enjoying best reputation among farmers in China; YTO, as the brand of the Company in participating in the global competition in the overseas market, is an important representative of China's agricultural machinery enterprises "in going to the international market".

The Company firmly grasps the general requirements of the CPC's Party construction in the new era, continuously consolidates and deepens the Party construction work in enterprises, and insists on the combination of the Party construction work and production and operation. As a key agricultural machinery manufacturing backbone enterprises, the Company always keeps in mind Chairman Mao Zedong's famous statement: "the fundamental way out for agriculture lies in mechanization"; earnestly implements the spirit of General Secretary Xi's important instruction - "vigorously promote agricultural mechanization and intelligence, and provide the agricultural modernization with wings of science and technology," adhere to the core value of the "Three Firsts" (produce the first-class products, to foster first-class talents and create the first-class performances) as the lead; accelerate the development process of China's agricultural mechanization, continue to provide users with new technologies, new products, new services, to serve the country's "rural revitalization strategy" and try to be a leader of China's agricultural machinery industry.








The Company actively undertakes and performs its social responsibilities, devotes itself to providing users with the most valuable agricultural equipment package solutions, and has made positive contributions to promoting China's agricultural production and farmers' income. The Company is striving for the goal of "becoming an outstanding global agricultural equipment manufacturer and service supplier", and comprehensively promoting the long-term and maximum benefit of employees, users, partners and other relevant parties.



Stakeholders

The company adheres to win-win cooperation and inclusive development, strives to build a harmonious and symbiotic relationship between stakeholders, promotes the integration of its own value and social value, and promotes the formation of a multi-win situation between the Company and all stakeholders.

The Company continuously improves the level of corporate governance to lay a solid foundation for business development; by practicing the spirit of contract and social responsibility, effectively enhances the ability of sustainable development; various communication mechanisms have been adopted to carry out communication with various stakeholders, so as to have an in-depth understanding of their concerns and demands.

Stakeholders	Expectation of Stakeholders
 Government	to support economic development and serve rural revitalization
 Shareholders	to perfect corporate governance and continuously create value
 Employees	to improve the employees' well-being and help employees in career development
 Users	to supply high efficiency products and innovative service model
 Society	to enthusiastically participate in public welfare and support the tough work of alleviating poverty
 Environment	to promote environmental protection and accelerate green development
 Partners	to conduct faithful and pragmatic cooperation and realize mutual benefit and win-win



Social Achievements (Partial)



DONGFANGHONG-LF2204 Roller Tractor

Description of the Honors The first prize of Agricultural Machinery Science & Technology Award 2019
Award Granting Organization CAAMM,
Chinese Society for Agricultural Machinery



DONGFANGHONG-LX904 Self-driving Tractor

Description of the Honors Annual Product Gold Award of China Agricultural Machinery Industry 2019
Award Granting Organization CAAMM, China Agricultural Mechanization Association (CAMA) China
Agricultural Machinery Distribution Association (CAMDA)



DONGFANGHONG LF1104-C Self-driving Tractor

Description of the Honors Annual "TOP 50" Technology Innovation Award of China Agricultural
Machinery
Award Granting Organization Chinese Society for Agricultural Machinery,
Office of Agricultural Machinery Journal



DONGFANGHONG Tractor

Description of the Honors The 11th National Agricultural Machinery Customer Satisfaction Brand
Award Granting Organization CAAMM,
China Agricultural Mechanization Association (CAMA)



Brand YTO

Description of the Honors Chinese users' favorite agricultural machinery brand
Award Granting Organization Office of Farmers' Daily



Process and equipment of environment-friendly waterborne coatings used for chassis

Description of the Honors The third prize of China Scientific and Technological Achievements of
Machine-building Process
Award Granting Organization The second prize of China Scientific and Technological Achievements of
Machine-building Process



Part 1

In Compliance with the Innovation-driven Trend, Actively Serve the Nation's "Rural Revitalization Strategy"

The Company insists on taking innovation as the first driving force to lead development, enhances the independent innovation capability of key core technologies, has formed a R & D model with its own characteristics, has achieved a number of product core technology innovation results, and gradually promotes the application of intelligent manufacturing technology, has achieved effective breakthrough in the core technology of leading products represented by power shift, continuously variable transmission, electronic control technology, accelerated the development and application of large-scale, intelligent, environmentally friendly, compound agricultural machinery, effectively make up the shortcomings of agricultural modernization development, and help to implement the "rural revitalization strategy" .

1.1 Science and Technology Research

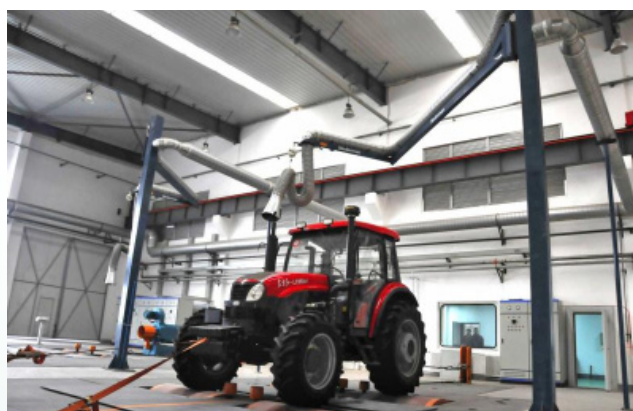
The Company focuses on the breakthrough in the key core technology of its leading products, with product quality improvement as the foundation, with the high-quality service market as the target, with the agricultural equipment intelligence and technological innovation as the orientation, actively solve the tough problems in the development of the agricultural machinery industry to lead China's agricultural equipment technology innovation and industry transformation and upgrading.

Powerful Strength of Scientific Research




Under the guidance of the state's relevant industrial technology policies, the Company strengthens domestic and foreign scientific and technological exchanges and cooperation in the fields of scientific research and innovation such as diesel engine energy conservation and emission reduction, tractor intelligent control, and reasonable allocation of technology research and development resources. The Company focuses on breakthrough in a batch of key common technologies of high efficiency, energy-saving, environmental protection, intelligence, etc., develops a batch of industry-leading products, including energy-saving agricultural diesel engines, power shift / infinitely variable tractors to achieve the transformation of scientific and technological achievements and form industrial scale. At the same time, the Company has built an information management platform covering real-time operation, remote monitoring and dispatching of agricultural machinery, and other functions to accelerate the realization of Intelligent control of agricultural machinery and provide technical support for the development of smart agriculture.

Fruitful Achievements in Scientific Research

The Company presided over the implementation of a number of major national science and technology projects, including "Research on intelligent design technology of agricultural machinery equipment", "Development of new energy-saving and environment-friendly agricultural engines", "Research on quality inspection technology of agricultural machinery equipment manufacturing process", etc.; carried out R & D on various projects, including LW2304 / LW4004 continuously variable tractor, LF3204 heavy-duty wheel tractors, tractor intelligence technology, a full range of National IV tractors, etc. and has filled a number of domestic technological gaps.



Patents

-  including 7 inventions
-  50 utility models
-  9 designs

Industry Standards

The Company participated in the formulation of 16 national, industry and group standards of which 13 were presided over in preparation

Reinforcing R & D Exchange and Cooperation

The Company has conducted out technical exchanges with domestic universities such as China Agricultural University, Jilin University, Wuhan University of Technology, Jiangsu University, Henan University of Science and Technology, etc., and has carried out technological consultation and cooperation with international renowned product design consulting institutions such as AVL of Austria, Ricardo of UK, Southwest Research Institute of USA, focusing on scientific and technological exchanges on and joint research and development of power shift transmission systems, continuously variable tractor efficiency and performances and the control systems, non-road diesel engine technology development routes, etc.

Honorably Winning the Title of "National Industrial Design Center"

Case 

In December 2019, at the awarding ceremony of the fourth batch of national industrial design centers, the Company's R & D Institute – Luoyang Tractor Research Institute Co., Ltd. was awarded "National Industrial Design Center".



Cooperation with Internationally Renowned Product Design Consulting Agencies

Case 

In October 2019, part of the Company's R & D personnel visited the Ricardo in the UK, and both parties carried out product technology exchanges.



1.2 Production and Manufacture

Intelligent Manufacture

In view of the characteristics of multiple varieties and customized production of modern agricultural machinery and equipment, the Company has taken the application of sensors and RFID, Internet of Things, industrial big data, etc. as the entry point, studied the integrated application of production process control, production environment testing, manufacture process tracking, and remote diagnosis of manufacture equipment failure as well as the related information and data interconnection. By the realization of networking collaboration for MES, PLM, SCM, ERP, etc., the Company carried out the whole product life cycle management of product design, manufacture, management, etc., established of a new model of multi-variety and customized mixed line production of modern agricultural machinery and equipment, formed an intelligent manufacturing technology system with agricultural machinery industry as the orientation to drive the overall improvement of the level of intelligent manufacture in China's agricultural machinery industry.

Integration of Informatization and Industrialization

The Company actively carries out in-depth integration and development of informatization and industrialization, and continuously improves the intensive sharing capability of informatization; accelerates the construction of agricultural machinery operation platform, improves the application of spare parts e-commerce system, implements the construction of SCM supply chain system platform, improves the information management and control capabilities; implements the upgrading and restructuring of the ERP data center, promotes the response speed of ERP, and builds the full life cycle service capability of agricultural equipment.

1.3 Product Innovation

The Company adheres to the combination of technological innovation and product innovation, takes the intelligence of agricultural equipment and technological innovation as the starting point, accelerates the adjustment of product structure, focuses on improving market competitiveness, and speeds up the development of complete set of competitive agricultural machinery equipment and agricultural engineering services.

In 2019, the Company did a good job in the application and transformation of scientific and technological achievements in its leading products – tractors , effectively carried out the series of power shift products, the commercialization of continuously variable transmission products, the development of MK power steering tractors, the development of 90–130 horsepower light-duty paddy field tractors.

1. Northeast and Northwest China

In the dry field regions, according to the users' operation purpose, the Company provides model products that meet the users' needs for a variety of operations such as rotary tillage, seeding, transportation, etc., and has developed LX704 / 904 narrow wheelbase model products and 150–200 Hp light load operation products.

In the regions mainly engaged in subsoiling, deep tilling, ploughing and other operations, on the basis of LD1804 / LD2104 and LX2004d1 / LX2204d products, the Company has launched LX2204d1 / LX2404–D new products and improved the product portfolio of heavy-duty operations.

2. Winter Wheat Region

In the dry field operation area, the LY1404 series of products are popularized to meet the needs of users with "one machine for multiple uses", the big wheel tractor series of over 150 Hp are further enriched. The Company provides suitable models for users in winter wheat regions.

In the regions mainly engaged in rotary tillage operations, the Company brings the advantages of two-wheel drive models in terms of operating efficiency and adaptability into full play, popularizes Model LY1400 products, and enrich the two-wheel drive model product series to meet the needs of the users for rotary tillage operations.

3. South China

In order to meet the differentiated needs of users, the Company popularized diversified tractor products SG504 / 604 / 604G, SK304 / 504 / 504G / 604G, ME604, MF50 / 55/60 for paddy field, orchard, mountain, transportation, etc. to satisfy users' different types of needs such as paddy field operations, forest and fruit planting, hilly and mountainous operations and transportation.



In April 2019, a total of 185 DONGFANGHONG LX904 self-driving tractors were delivered to Horqin Left Middle Banner, Tongliao City, Inner Mongolia Autonomous Region, for the construction of the project of field planting digital agriculture demonstration area. The delivered DONGFANGHONG LX904 self-driving tractors have adopted "beet planting agronomic customized tractor + Beidou automatic driving", which can achieve precise operation up to 2.5 cm and automatic operation in the whole process, which has effectively improved the average yield and sugar yield of sugar beet and promoted local development of sugar beet planting and processing industries.

This project is the first large-scale application of self-driving tractor in China, which has adapted itself to the demand trend of agriculture in terms of high efficiency, low cost and low pollution, and promoted the development of intelligent agricultural machinery, precision agriculture and intelligent agriculture in China.



1.4 Product Quality Upgrade

The Company implements the quality concept of "zero quality defects and international standards". On the basis of implementing the PRC Product Quality Law and GB / T19001-2016, IATF16949 standards, and meeting third-party quality management system certification standards, the Company continues to improve quality management system, strictly implements "Quality Improvement Management Measures", has issued "Quality Management System Operation Management Measures" and "Quality Management System Evaluation Guidelines" for implementation, strengthened quality objectives and quality responsibility awareness, enhanced quality management system construction, and improved quality system management level. The Company ensures the safety of related products during the operation and provides users with high-quality products and excellent services.

The Company focuses on the market and users' demands, innovates the quality management mechanism, implements the "quality products project", continuously optimizes product performances and reliability, and takes a leading position in technical strength and quality of its major products in the industry. In 2019, the Company concentrated on implementing product quality improvement projects involving 12 major items and more than 280 small items, which effectively shortened the time for solving product quality problems and established a rapid response mechanism for product quality. Through hard work, the Company's leading products show a trend of continuous optimization in terms of number of failure, product reliability MTBF (mean time between failures), external quality loss rate and other indicators and users' satisfaction with product quality has been improved significantly.

The Company has Created the Most "Quiet" Tractor in China

The Company has successfully developed the DONGFANGHONG-LY1004 high-quality tractor by carrying out "the Project of High-quality Products". This tractor model is much better than the industry level in terms of dB. The noise close to the driver's ear may be less than 80.5 dB under field operation condition. Its relevant technical parameters are the best among domestic tractors, and can reach the international frontline level. It is the most "quiet" tractor among the home-made tractors.



1.5 Contribution to the Industry

Supporting Jiangxi DONGFANGHONG "Revitalization Cup" Agricultural Machinery Vocational Skill Competition 2019 as the Title Sponsor

Case 

Jiangxi DONGFANGHONG "Revitalization Cup" Agricultural Machinery Vocational Skill Competition 2019 with the Company's title was successfully held in September 2019 in Yingtan, Jiangxi. The said competition attached more attention to regional selection. The qualification trials were carried out in Ganzhou, Shangrao, Pingxiang and other places in Jiangxi Province. After various levels of competition, three representative teams with total over 200 agricultural machinery operators were elected in the qualification trials and participated in the provincial competition, of whom 50% were born in the 1980s and 1990s. The said agricultural machinery vocational skill competition has played a powerful role of demonstration and leading in promoting the growth of China's professional farmer team, the development of agricultural machinery social service organizations, and the cultivation of agricultural machinery application-oriented talents.



Carrying out the national initiative and training agricultural maintenance personnel for the countries along the "Belt and Road"

Case 

Entrusted by the Ministry of Commerce, the company and the China Academy of Agricultural Mechanization Science jointly implemented the project of the "Belt and Road" National Agricultural Mechanization Application and Extension Training Course. Since July 2019 when the project started, more than 170 agricultural machinery commissioners and maintenance technicians from Sudan, Seychelles, Nigeria, Philippines, etc. have visited the Company for training, visiting, communications. Such practices as classroom lectures, visits and surveys, practical operation and business discussions have deepened mutual learning and friendship, and trained professional talents for the application of agricultural mechanization in the countries along the "Belt and Road".





Part 2

Creating a Compliance and Orderly Development Environment and Promoting Benefit Maximization of all Parties Concerned

The Company always adheres to the correct concept of justice and profit, constantly improves the corporate governance and communication mechanism, abides by the commitments of responsibility to various stakeholders, creates a compliant and orderly development environment, eliminates the occurrence of irregular operating phenomena, and promotes the Company and various stakeholders to achieve multi-win development and continuously enhances value creation and sustainable development capabilities.

2.1 Corporate Governance

To Improve the Company's Standard Operation Level

The Company revised and improved the Company's "Articles of Association", "Rules of Procedure for Board Meetings" and "Rules of Procedure for General Meetings" in accordance with the newly revised "Company Law", "Guidelines for the Governance of Listed Companies" and "Guidelines for Listed Companies <Articles of Association", and further standardized the corporate governance structure system with the Company's "Articles" as the core. The Company's General Meeting, the Board of Directors, and the Board of Supervisors perform their duties in accordance with the Company's "Articles of Association" and related systems, ensure the Company's standardized operation and scientific decision-making, and as well as protection of the rights and interests of all shareholders, especially the minority shareholders.

In 2019, the Company held a total of 11 board meetings (including board meetings by communication), and a total of 39 resolutions were formed. All directors of the Company made independent, objective and fair judgment on the bills considered by the Board of Directors with integrity, diligence and due diligence, exercised their rights and performed their duties according to law.

Efficiently Disclosing Information with High Quality

The Company follows the "Listing Rules" of Shanghai and Hong Kong and relevant regulatory requirements, strictly performs its information disclosure obligations, and insists on the principle that "the Company would rather disclose more than less in the contents of announcements, would rather spend more time than less in preparation of announcements and would rather make strict demand than easy demand on itself in announcements", treat both domestic and foreign investors equally, ensure shareholders and potential investors may understand important information such as the Company's operation status in a timely, accurate and comprehensive manner, and effectively protect the interests of investors.

To Build Good Relationship with Investors

The Company pays attention to communication with investors, conducts two-way communications with investors through multiple channels and at various levels, and applies various channels such as the general meeting, online investor reception, and e-interactive network platform to understand the information that investors are interested in, answer investors' questions, promote investors' understanding of the Company's operation conditions, and establish long-term trust and interaction between investors and the Company.

When considering major issues that affect the interests of small and medium investors, the Company strictly abides by the regulatory rules and counts the votes of small and medium investors individually to ensure that all shareholders, especially minority shareholders, enjoy equal status and can fully exercise their rights.



2.2 Compliance Operation

Risk Prevention

The Company effectively improves the operational risk prevention ability by strengthening early risk warning and monitoring and improving internal control measures, and consolidates the bottom-line of prevention against significant risks.

During 2019, the Company effectively carried out the investigation and rectification of major risk events in the fields of investment, guarantees, major business operations, and special business operations to eliminate hidden trouble of business risks and restrain the occurrence of major risk events; meanwhile, around sudden risk events, the Company reinforced the risk early warning, established a coordination mechanism, improved the response plan, and prevented the occurrence and expansion of risk events.

Anti-corruption

The Company promoted the construction of the Party conduct and of an honest and clean government and the anti-corruption work, formulated and implemented the “Measures for Implementation of the Party Conduct and Clean Government Construction Responsibility System” , put the comprehensive and strict governance of the Party and its work style, and discipline construction in the Party building work responsibility list, and continued to strengthen the construction of the Party conduct and of an honest and clean government and the anti-corruption work, strengthened the supervision and accountability, consolidated anti-corruption work responsibilities, and created a good business atmosphere.

Enhancing Supervision and Oversight

The Company revised the system of the duty treatment to leaders and business expenditures, paid close attention to key areas and key links of production and operation, carried out extensive warning publicity and education at important time points, and carried out special supervision and inspection on issues such as performance of business performance, business expenditures, and violation of the spirit of the eight regulations of the central government, and gave zero tolerance for violation of discipline and law.

Prevention and Control of Corruption Risks

The Company carried out self-examination and self-correction of leaders, spouses, children and their spouses in business-run enterprises to prevent problems such as “relying on the Company and consuming the Company” and conveying benefits; comprehensively sorted out and investigated issues concerning the appointment of close relatives of leaders and part-time jobs of social groups, and implemented the system of appointment avoidance and part-time job control.

Enhancing Warning Education

The Company carried out the "Honesty Publicity and Education Month" activity, conducted the test of “Honesty Knowledge You Should Know” and the Collective Integrity Talks for newly elected leaders; signed the letter of commitment for honest work, conducted regular warning education, and promoted the leaders to be alerted and learn lessons from these activities .

The Company complies with anti-corruption and anti-money laundering laws and regulations. In 2019, there were no crimes of corruption, bribery, extortion, fraud or money laundering, and there were no lawsuits arising from the above matters either.

2.3 Cooperation and Win-Win

Cooperation with Suppliers

The Company adheres to the supplier management policy of "development and optimization, continuous improvement, integrity and win-win, and growing together", and fostered a cooperation mechanism of "integrity, openness, efficiency, and win-win", which covered the whole process management from supplier introduction, cooperation, control, evaluation, optimization, and finally exit.

The Company has integrated the ideology of social responsibility into the whole process of supply chain, and at the stage of investigating suppliers, pays close attention to the qualifications in connection with environmental protection, quality, safety, transportation, warehousing, etc. at the stage of ; after establishing the cooperation of the supply chain, the Company has specified the responsibilities by means of the Compliance Operation Agreement, including environmental protection, legitimate employment, legitimate tax payment, paying taxes according to the law, occupation safety, occupation health, protection of intellectual property, etc., influenced and driven suppliers to implement social responsibilities, fostered and established supply chain cooperative relationship with sustainable development.

The Company implements a standardized, accurate, fair and objective performance evaluation of suppliers. The evaluation items include the delivery qualification rate, the quality warranty and compensation rate, quality integrity, and delivery accuracy rate. The Company has formed a complete supplier evaluation mechanism and implements dynamic optimization of suppliers based on the evaluation results. In 2019, the Company had a long-term cooperation with more than 800 suppliers, mainly distributed in Henan, Hebei, Shandong, Jiangsu, Zhejiang and other provinces, which has driven the development of the industrial chain and promoted social employment.

Serving Customers

The company adheres to the service tenet of "creating value for users", strives to unblock the two important links of sales channels and after-sales services, and builds a coordinated, efficient, and rapid service response mechanism and has minimized the users' downtime.

In 2019, the Company strengthened the construction of the service system, enriched service resources, improved service networks, enhanced service ability, expanded the application of service information technology, and created a service response system based on "big data, cloud platforms, and Internet of Things". The Company determined key service areas, effectively allocated service spare parts, personnel, motor vehicles and other resources by analyzing the flow of users based on the positioning information from the intelligent agricultural machinery platform in order to achieve comprehensive coordination of product supply and after-sales service and supply of spare parts and provide users with timely and efficient service guarantees.

Meanwhile, on the basis of ensuring application of all customers' information in a legal and rule-compliance way, the Company practically and effectively protects the consumers' privacy, has established files of product users by 100% and has done a good job in after-sale services to users. The Company strictly complies with the law and regulations concerning advertisement and promotion, ensures to provide true and reliable information to the consumers in process of product sales and there exists no false advertisement. The Company's products take the domestically well-known brand "DONGFANGHONG" as the logo. The logo is clear and there exists no action of faking any other product logo.

Using the "DONGFANGHONG Business" APP to Provide Users with Timely After-sale Service

Case 

The Company developed and launched the "DONGFANGHONG Business" mobile APP to improve the timeliness and convenience of service stations and service personnel in online submission of maintenance work orders. The staff of the service station carried out maintenance order operations through this mobile APP, and realized the entire information management and visual supervision of user after-sales service (repair application-reception-order delivery-order acceptance- starting- arrival- repairing), which have effectively improved after-sale service quality.





Part 3

Adhering to Green Development and Help to Win the Tough Battle of Pollution Control

The Company has firmly established a win-win concept of economic benefit, safety and environmental protection benefit, earnestly implements the national decision-making and deployment on safe production, environmental protection and energy conservation and emission reduction, continuously strengthens green development awareness, vigorously develops a circular economy, continuously reduces unit energy consumption and effectively prevents safe production risks and ensures the occupational health of all employees.

3.1 Environmental Protection

The Company conscientiously implements China's "Law for Environmental Protection Law", "Law for Air Pollution Prevention and Control", "Law for Solid Waste Pollution Prevention and Control", "Law for Construction Project Environmental Impact Assessment" and other laws and regulations, has established its energy conservation and emission reduction organization, specified the duties of environmental protection of various departments and practically implemented the social responsibility for environmental protection.

In 2019, the Company invested nearly CNY 20 million in the construction and maintenance of environmental protection equipment and facilities. The Company has greatly reduced pollutant emissions by improvement of the standards for control of organic waste gas from coating, welding fume and casting system pollution; reduced water pollutant discharge by separation of rain water from waste water inside the factory, recycling all the industrial waste water after being collected and treated; practiced standardized management of hazardous wastes, set up storage areas of hazardous wastes in a reasonable way; entrusted qualified organizations for harmless disposal of all hazardous wastes and ensured them not to be discharged.

All the Company's pollution prevention and control facilities have been in stable operation, and the Company has reached the national or local emission standards in pollutant discharging. No report has revealed that the Company has ever been punished for its violation of any rules and regulations concerning environmental protection during any environmental protection investigation or secret inspection activities conducted by any national, provincial or municipal authority.

3.2 Clean Operations and Energy Saving

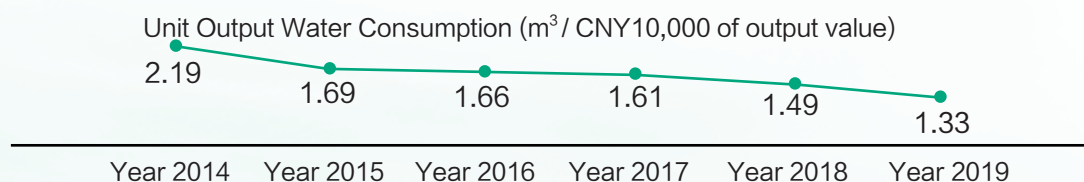
The Company implements the PRC "Energy Conservation Law" and other laws and regulations, has amended the "Measures for Management of Energy Conservation Work", the "Measures for Management of Energy Statistics", the "Measures for Management of the Key Energy-consuming Equipment" and other regulations, standardized the energy consumption process management and monitoring statistical system and promoted the improvement of energy efficiency.

The Company continuously did a good job in energy-saving management and control, in response to market conditions and changes in the Company's production and sales, timely controlled energy consumption and indicator changes, strengthened refined energy-saving management, improved the level of energy-saving and consumption reduction in the manufacturing process, and continuously improved energy efficiency.

Continuous Improvement of Water Resource Utilization Level

Case 

The Company applies the municipal water supply. With the continuous enhancement of water resources protection, the Company's water-saving facilities have been increasingly improved with addition of drainage pipe network, pipe well, water-saving awareness is continuously enhanced, and lift pump, etc. The Company has continuously strengthened the management of water resources, effectively improved the rate of water return, and the Company's water resources utilization level has been increased year by year.



Carrying out Low-carbon Publicity and Advocating Green Life

Case 

The Company makes use of the important time such as the "June 5th" World Environment Day, applies the electronic screen, the exhibition board and the OA office system and other platforms to publicize the national conditions of energy resources and relevant national energy-saving policies and regulations, and vigorously advocates the green production conception and low-carbon lifestyle among the employees.



Indicators Disclosure

① Gas pollutants discharging

Description	Data	Note
Industrial waste gas pollutant smoke and dust	34.46 tons	
Industrial waste gas pollutant smoke and dust	64.15 g/CNY 10,000 of output value	
Sulfur dioxide emissions	3.04 tons	
Density of sulfur dioxide emissions	5.66 g/CNY 10,000 of output value	
Nox emission	17.37 tons	
Density of Nox emission	32.33 g/CNY 10,000 of output value	
Total greenhouse gas emissions	117145.35 tons	
Indirection emission of carbon dioxide in greenhouse gas	91345.04 tons	The Company consumes electricity, steam and other energy sources in the production and operation process, and the indirectly generated carbon dioxide cannot be accurately measured. The Company calculates the data by converting the standard coal consumption into carbon emissions. (1 ton of standard coal produces about 2.6885319 tons of carbon dioxide.)
Density of indirection emission of carbon dioxide in greenhouse gas	170.04 kg/CNY 10,000 of output value	These data were also indirectly obtained.

② Hazardous solid wastes and sewage discharge

Description	Data	Note
Volume of hazardous wastes generated by the Company	381.29 tons	All was entrusted to an organization qualified for treating hazardous wastes, and the compliance rate was 100%.
Density of the hazardous wastes generated by the Company	709.76 g/CNY 10,000 of output value	
Emissions from industrial wastewater	0	The Company has a complete sewage treatment facility to ensure "zero" emissions of wastewater.

③ Discharge of pollutants from key pollution discharging enterprises

Description	Data	Note
Flu gas (PM) from the casting & forging company	Monthly average concentration: 7.82mg/m ³ total volume: 30.93 tons	In flu gas discharging, the Company implements the Circular on Printing and Issuing the Special Proposal of Luoyang for Industrial Pollution Control 2019 which specifies the PM concentration limit of 10mg/m ³

④ Generation of harmless solid wastes

Description	Data	Note
Annual output of general solid wastes such as iron scraps and waste sand	22323 tons	Of which 17044 tons have been converted into usable materials through the Company's comprehensive utilization, and the comprehensive utilization rate is 76.35%.
Density of the general solid wastes such as iron scraps and waste sand	20.71 kg/CNY 10,000 of output value	

⑤ Resource consumption

Description	Data	Note
Up-process water consumption	716663 tons	
Density of water consumption	1.334 ton/CNY 10,000 of output value	

The Company recycled and applied 160,000 tons of mid-process water by waste water treatment during the reporting year.

⑥ Energy consumption

Description	Data	Note
Comprehensive energy consumption	40506 tons of standard coal	
Comprehensive energy consumption (density)	0.0754 tons of standard coal/CNY 10,000 of output value	
Where: electric power (total volume)	18.163 million kwh	
Electric power (density)	33.8 kwh/CNY 10,000 of output value	
Heat (total volume)	341,758 million KJ	
Heat (density)	0.6362 million KJ/CNY 10,000 of output value	The heat the Company consumes is mainly steam

⑦ Packing material consumption

Description	Data	Note
The total amount of packaging materials used in finished products and the amount per unit	/	In the course of business operation, very few packaging materials are applied, which is not an important event necessary to be disclosed.

3.3 Green Agricultural Machinery

In order to win the battle of pollution prevention and control and the battle for the blue sky defense with firm determination, China continues to promote the switch and upgrading of emission standards for non-road diesel engines, and is planning to implement the switch of national emission standards for non-road diesel engines. The Company has actively accelerated the preparation work for switching to the National IV Full Series from the aspects of R & D, manufacturing and marketing, etc., and significantly reduced the exhaust harmful substances and fuel consumption of “DONGFANGHONG” Non-road National IV diesel engines, etc.

In 2019, the Company conducted more than 50 bench calibrations and more than 80 complete calibrations for “DONGFANGHONG” non-road National IV diesel engine, with a total of more than 4,000 hours of testing, and fully completed the development of DONGFANGHONG LR YM series non-road National IV diesel engine. The Company has now the comprehensive switching ability and the capacity to form a complete set of diesel engines. In May, the first DONGFANGHONG big wheel tractor equipped with DONGFANGHONG National IV diesel engine was put on the market on experimental basis, which marked that the Company went to the forefront in the R & D and application field of non-road National IV agricultural machinery in China.

Various tests for DONGFANGHONG National IV Diesel Engine were carried out smoothly **Case**

From January to March 2019, the “severe cold” calibration of ECU / DCU data was completed in Huma County, Heilongjiang, including the test items for key components of the fuel system, DPF and SCR. From July to October, the “high altitude” calibration work at an altitude of 1700m / 2580m / 3000m in Menyuan County, Qinghai Province was completed, including start-up test, free acceleration test, driving stability test and other tests. At the same time, combined with “high temperature” calibration work in the laboratory, a total of more than 30 typical diesel engines of different varieties were launched to the market for field test, with the power ranging from 90 Hp to 260 Hp. The validation regions included 12 provinces such as Heilongjiang, Inner Mongolia, Henan, Hainan, etc. which showed good performance of the products.



3.4 Safety Production

The Company firmly implements the PRC “Safety Production Law” and other safety production laws, regulations and technical standards, carries forward the idea of “Life First, Safety First” , advocates the safety culture of “Life being priceless, security being a blessing” , enhanced the implementation of the safety responsibility, actively carries out the construction of “the dual prevention system” in safety production in order to create a safe, stable and harmonious environment for the Company’ s production and operation.

In 2019, the Company published more than 160 safety reports, safety knowledge and warning education on the WeChat public platform of safety and environmental protection, compiled the Safety Culture Manual which has spread safety concept and standardized employees’ behavior; adhered to the construction of safety standards of workshop and shift positions, and continued to improve the ability to prevent safety risks at the grass-roots level.

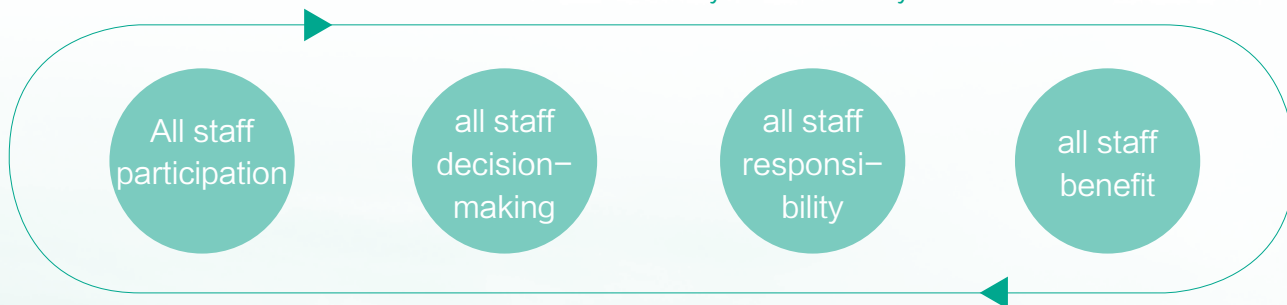
The number of work-related deaths in 2019 was 0, and no working day was lost due to such event. .

The Company organized and carried out safety production publicity and education activities Case

The Company organized various forms of work safety publicity and education activities such as “Production Safety Month” , and extensively carried out a series of activities such as safety signing ceremony, safety knowledge contest and safety keynote speech to enhance employees’ self-safety awareness.



Construction of the “Dual Prevention System” for Safety Production



3.5 Occupational Health

The Company conscientiously implements the Law of the Peoples Republic of China on Prevention and Control of Occupational Diseases, has earnestly fulfilled the enterprise’ s main body responsibility for occupational disease prevention and control, revised and improved the Measures for Occupational Health Management, strictly implements the Company’ s measures for occupational disease prevention, declares occupational disease hazards in accordance with the law, has set up occupational disease hazard notification columns, dynamically detects occupational hazards in the workplace, regularly organizes occupational hazard physical examination, reasonably distributes labor protection supplies, organizes and implements workplace environment improvement projects, carries out monitoring of occupational disease hazard factors, controls operators’ health monitoring, and effectively protects employees’ occupational health. There was no occupational disease case discovered in 2019.



Part 4

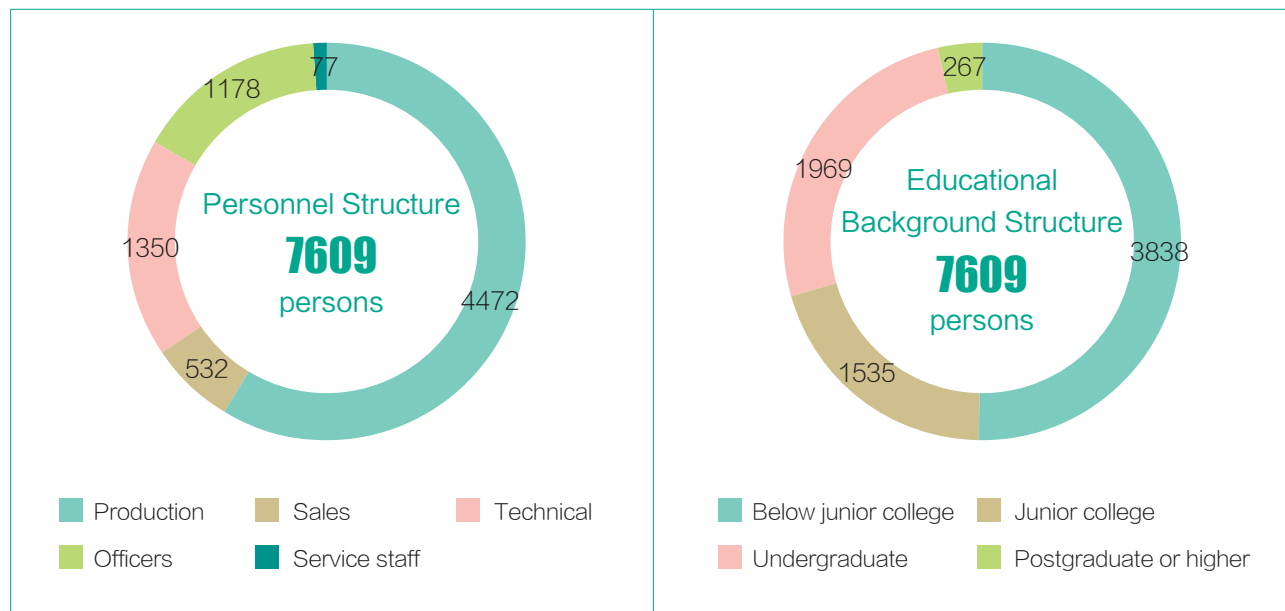
Being committed to harmonious sharing and mutual development, and actively implementing targeted poverty alleviation

The Company adheres to the principle of “people-orientation” , pays attention to protecting the legitimate rights and interests of employees, optimizes the incentive mechanism for employees, expands the channels for employees’ career development, and strives to share the development results with employees. Meanwhile, the Company promoted the harmonious integration of economic benefit and social benefit of the enterprise, enthusiastically participated in social public welfare undertakings, participated in the construction of harmonious communities, implemented on winning the tough battle against poverty, and transmitted the positive energy of enterprise development.

4.1 Growth of Employees

The Company implemented the strategy of “invigorating the enterprise with talents” , adhered to the talent concept of “people-oriented business, people-oriented development, giving opportunities to those who want to work, stage to those who are capable to work, and incentive to those who have done the work successfully” , provided all kinds of employees with a stage to display their talents, and formed a win-win situation for the development of the Company and the growth of employees.

Structure of Employees



Remuneration and welfare

The Company has formulated and strictly carried out the “Measures for Payment of Wages” , adhered to the organic combination of “Distribution according to work and distribution according to production factors” , implemented a basic wage system with based on the post wage system as the principal, formulated a diversified salary distribution system according to the work characteristics of different types of personnel, mainly including negotiated wages system, piecework based wages system, project commission wages system, annual salary system, time rate system and post performance pay system, and has effectively safeguarded the legitimate rights and interests of employees. In 2019, the Company formulated and implemented the special incentive policy based on the actual production and operation, with the guidance of efficiency improvement and based on the principle of “goal + increment” , increased the positive incentive force, and enhanced the work enthusiasm and creativity of the employees.

The Company pays the premium of basic pension insurance, basic medical insurance, work injury insurance, maternity insurance, unemployment insurance and housing accumulation fund on time and in full to ensure the implementation of employee social insurance benefits. The Company continued to pay attention to the work and life of employees, strictly implemented the subsidy system, and paid subsidies in aspects of food, heating, high-temperature work, night shift, and technical level, so as to enhance the sense of belonging of employees and enhanced the cohesion of the team.

Protection of Rights and Interest

The Company strictly implemented the relevant laws and regulations such as the Labor Law, the Labor Contract Law and the Regulations for Implementation of the Labor Contract Law, standardized the employment mechanism of the enterprise, and strengthened the construction of employment system. The Company does not discriminate against any applicant due to gender, ethnicity, age, etc. All employees sign labor contracts according to law, and there exists no such condition as use of child labor or forced labor. The Company's trade union actively performs its duties of safeguarding rights according to law to ensure that employees' rights and interests are protected.

The Company implements a standard working hour system with 8 hours of work per day and 40 hours per week. At the same time, according to the nature of work or production characteristics, the comprehensive calculation of working hours or irregular working system is implemented according to law. The Company fully protects employees' right to rest and vacation. Employees are entitled to various statutory paid holidays, including statutory holidays, annual leave, marriage leave, family leave, funeral leave, maternity leave, sick leave, and work-related injury leave, etc.

The Company attached great importance to the employment work of the disabled, promoted the employment of the disabled and protected the rights and interests of the disabled. A total of 88 disabled persons have been employed by the Company. The Company timely coordinated to solve the problems encountered in the employment process of the disabled, and regularly reported to the local government on the arrangement work of the disabled.

Development Opportunity

The Company has provided diversified career growth channels for employees. In addition to the operation and management channels, the Company has set up professional career growth channels, which are divided into three categories: engineering and technology, professional management and skill operation. In the category of engineering and technology, chief expert, Rank I expert, Rank II expert and director engineer have been established; in the category of professional management, Rank I expert, Rank II expert and director manager have been established; in the category of skill operation, chief technician and director technician have been established. With the establishment of career growth channel, the Company has built a platform for the growth of all kinds of employees and strives to realize the common development of employees and enterprises.

The Company has established a talent promotion mechanism, and actively applied for national, provincial and municipal honors for all kinds of outstanding talents. In the Company, there are 1 person from the National Ten Million Talents Project, 7 persons enjoying the special allowance of the State Council, 4 “National Technical Experts” , more than 20 persons being excellent experts, academic and technical leaders, technical experts of Henan Province, over 50 leading talents, top-notch talents, outstanding contribution talents, excellent experts, technical experts, etc. of Luoyang, that have enhanced the sense of honor and sense of gain of various excellent talents.

Establishing a Comprehensive Staff Training System



The Company has provided all-round training and learning opportunities for its employees. With the platform of internal training institute as the carrier, the Company has established a training system for skilled personnel, management personnel, technical personnel and marketing personnel in a hierarchical manner to cultivate talents suitable for the development of the enterprise itself. In 2019, through the combination of “going out” with “inviting in” , the Company vigorously carried out various training work, created favorable conditions for the improvement of employees’ capability and formed a comprehensive and systematic pattern of talent development.

The Company continuously paid attention to the growth and development of new employees, and explored and innovated from the aspects of curriculum design and organization according to the characteristics of the new generation. In the induction training, the training forms, with combination of tutor guidance, visiting and learning, post practice and classroom learning, promoted conversion of thinking and role, and stimulated the enthusiasm of new employees daring to think and act in their jobs.



The Company extensively carried out the labor skill competition activities with the theme of “being a good master and making achievements in the new era”, further improved the measures of training, using and motivating skilled talents, and built a team of highly skilled talents to support the high-quality development of the enterprise.

In 2019, the Company held more than 90 labor skill competitions for more than 40 jobs, including welders, CNC lathe operators; held excellent team leader training class, and promoted the continuous improvement of team construction level in a way of combining theory with practice; actively carried out activities such as “online learning, online training and answering questions”, organized 16 special skill improvement activities such as demonstration of unique skills and technical Q&A, and applied for national vocational qualification certificates for the 19 qualified employees who won the labor skill competitions.



4.2 Taking Care of Employees

Cultural Activities

The Company carried out employees’ cultural activities extensively with the theme of “Chinese Dream, the Beauty of Work” to enrich the cultural life of employees, promote the construction of enterprise culture, and shape the inner spiritual quality of employees.

The Company held the sixth season of the “Chinese Dream, the Beauty of Work” speech contest at which contestants told their own heart-touching stories to show the employees’ lofty professional spirit based on the posts and professional dedication from their own work and life experience; the Company held an “Ode to the Motherland” chorus with the theme of “never forgetting the original intention, keeping the mission in mind”, at which the performers sang aloud, showing a full of high morale and aggressive style; the Company organized “the most beautiful family, the most beautiful mother” story sharing and award ceremony, with the creating of civilized families as the driving force to cite the moral model families and promote the traditional virtues of the Chinese nation.



Support and Relief

The Company revised the “Measures for Management of Support and Relief” , brought the Company’ s support and relief fund into active role, further lowered the threshold of support, expanded the scope of relief. In the reporting year, the Company financially supported 377 employees and provided various types of relief money amounting to CNY 960,000. In the Spring Festival and other traditional festivals, the Company visited and condoled the model workers, needy employees and other groups and deliver warm.

The Company gave full play to the role of “DONGFANGHONG Future Fund” , creatively carried out the Golden Autumn Education Assistance Plan, arranged partial service posts to support the employees’ children studying in colleges and universities and carry out practice during the summer holidays. This directional support project had a positive effect on promoting the accumulation of social practice experience of helping the children of workers, and was highly evaluated by the Company’ s employees and the trade union organization at high level.

4.3 Poverty-alleviation Program

The Company implemented the decision and deployment of the CPC Central Committee on winning the battle against poverty and fully understood the importance and urgency of decisive battle against poverty, paid attention to the combination of poverty alleviation with prompting ambition and prompting intelligence, paid attention to the “self-blood-making” ability in the poverty alleviation areas, prepared scientific supporting plan and poverty-alleviation measures, and adopted measures such as policy publicity, support and assistance, industrial support, and skills promotion to promote poverty alleviation; effectively enhanced the ability of the poor to free themselves from poverty and develop themselves.

Zhifang Village, Tantou Town, Luanchuan County, Luoyang City, Henan Province, the Company's Designated Sister Unit of Poverty Alleviation

Case 

In 2019, the Company regularly organized “one-to-one” targeted poverty alleviation by visiting villages and families in poverty areas. Based on the causes of poverty and the actual situation of poor households, the Company formulated plans and measures for poverty alleviation by classification, and provided household supplies and student learning supplies equivalent to CNY 40,000 cash; actively did a good job of “industrial poverty alleviation” by developing agricultural products processing industry with local characteristics, directly acquired agricultural and sideline products worth CNY 790,000 in the village; for the tractors and other agricultural machinery donated in the previous period, more than CNY 20,000 was invested in continuous tracked maintenance and repairing, and training for local agricultural machinery operators. More than 240 acres of wheat were harvested and 270 acres of wheat straw were bundled to help increase agricultural production and income.



Through continuous targeted support to the village, the incidence of poverty in the village was reduced to 0.34% by the end of 2019, a decrease of 0.82 percentage point from the previous year. In the next step, the Company shall focus on various precise support measures, continue to consolidate and expand the achievements of poverty alleviation, and realize poverty alleviation and rural revitalization, make the “two overall planning” of both poor people and non-poor people, determine the victory in the tough fight for poverty alleviation and comprehensively build a well-off society.

Looking Forward to the Future

Agricultural mechanization and agricultural machinery and equipment industry are important foundations for transforming agricultural development method and improving agricultural and rural productivity. The Company shall adhere to international vision and international standards and actively meet the needs of China's agricultural modernization development. Surrounding the solution to "bottlenecks" key technology problems, focusing on the shortcomings and weaknesses, the Company shall implement precise tackling, and achieve independent controllability of key core technologies, promote the transformation of the agricultural machinery and equipment industry to high-quality development, truly become an important guarantee for "letting Chinese people hold their rice bowls in their own hands" and provide strong support for the implementation of the "Rural Revitalization Strategy" and the realization of agricultural and rural modernization.

The Company shall continue to enhance its sense of social responsibility, improve its corporate social responsibility supervision and management system, and continue to build the Company into "Value-Creating YTO, Innovative YTO, Green YTO, Responsible YTO, Happy YTO", promote the formation of a multi-win situation among the interested parties, including the Company and its employees, customers, shareholders and partners, and promote the realization of the sustainable development of the economy, the society and the environment.

