

2021

Environmental, social and Governance Report



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Note to the Report

- General**

This Report is the tenth social responsibility report issued by the First Tractor Company Limited (the Company), which has summarized the performance of the social responsibility by the Company in 2021 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, 2021 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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Company Profile

First Tractor Company Limited (hereinafter referred to as the Company) is a key backbone enterprise of agricultural machinery manufacturing in China and the first A+H listed company in the agricultural 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.

As a key construction project during the national "First Five-Year Plan" period, the Company has always adhered to the red gene, kept in mind the development mission, and kept in mind Chairman Mao Zedong's famous assertion that "the fundamental way out of agriculture lies in mechanization", and continued to provide new technologies and new products for China's agricultural development. The Company has become 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 big, medium and small roller tractors, caterpillar tractors, diesel engines and spares and parts, etc. "Dongfanghong" is the most influential and well-known national brand in the history of agricultural machinery development in China, and has become an important time mark for China's national industry to become bigger and stronger.

Since the 19th National Congress of the Communist Party of China, the Company has conscientiously implemented the spirit of General Secretary Xi Jinping's important instructions on "vigorously promoting agricultural mechanization and intelligence, and adding technological wings to agricultural modernization", adhered to the technological upgrading and structural optimization of the industrial chain, and accelerated the key to agricultural machinery and equipment. The Company has further demonstrated its comprehensive advantages in R&D, manufacturing, products, brands, channels, and services by tackling key technical problems, providing strong support for accelerating the development of our country's agricultural machinery and equipment industry, serving the country's "rural revitalization" and realizing agricultural and rural modernization.



Social Achievements (Partial)



The 13th National Agricultural Machinery Customer Satisfaction Brand

Product awarded : DONGFANGHONG Wheel Tractor
Awarders : China Association Of Agricultural Machinery Manufacturers, China Agricultural Mechanization Association, China Agricultural Machinery Distribution Association



Annual “TOP 50” Technology Innovation Award of China Agricultural Machinery

Product awarded : DONGFANGHONG Wheel Tractor Model LW3204
Awarders : Chinese Society for Agricultural Machinery



National quality inspection stable qualified product

Product awarded : DONGFANGHONG Wheel Tractor
Awarders : China Association for Quality Inspection



Annual “TOP 50” Market Leadership Gold Award of China Agricultural Machinery

Product awarded : DONGFANGHONG Wheel Tractor Model LX1504
Awarders : Chinese Society for Agricultural Machinery



The 6th “Golden Hong Kong Stock” —— Best Industrial Manufacturing Company

Awarders : www.zhitongcaijing.com and <http://m.10jqka.com.cn/>



Management of Social Responsibilities

The company always adheres to the correct concept of righteousness and profit, actively undertakes and fulfills social responsibilities, continuously improves the Company's environmental, social and governance (ESG) action performance, effectively improves the relevant governance structure, practices the value concept of social responsibility, and creates a win-win situation for all parties. It will promote the long-term and maximization of the interests of employees, users, partners and other related parties in an all-round way.

The Company's Board of Directors (including the strategy, investment and sustainable development committee of the Board of Directors) has formulated the Company's environmental, social responsibility and governance (ESG) values, codes of conduct and commitments to stakeholders, and reviewed the Company's actual action of environment, social responsibility and governance and performance, monitoring the Company's environmental, social responsibility and governance (ESG) management in regular reports and disclosures.

The management of the Company has confirmed to the Board of Directors the effectiveness of the social responsibility risk management and internal control system. According to the general disclosure requirements of the "Guidelines for Environmental, Social and Governance Report", the identified material environmental, social and governance issues have been included in the "Social Responsibility Report", which aims to disclose on a balanced basis the Company's performance of social responsibilities in its operation performance.





Stakeholders

The company adheres to win-win cooperation and inclusive development, strives to build a harmonious and symbiotic relationship between stakeholders by practicing the spirit of the contract and undertaking social responsibilities, promotes the integration of its own value and social value, promotes the formation of a multi-win situation between the Company and all stakeholders, and effectively enhances sustainable development capability.

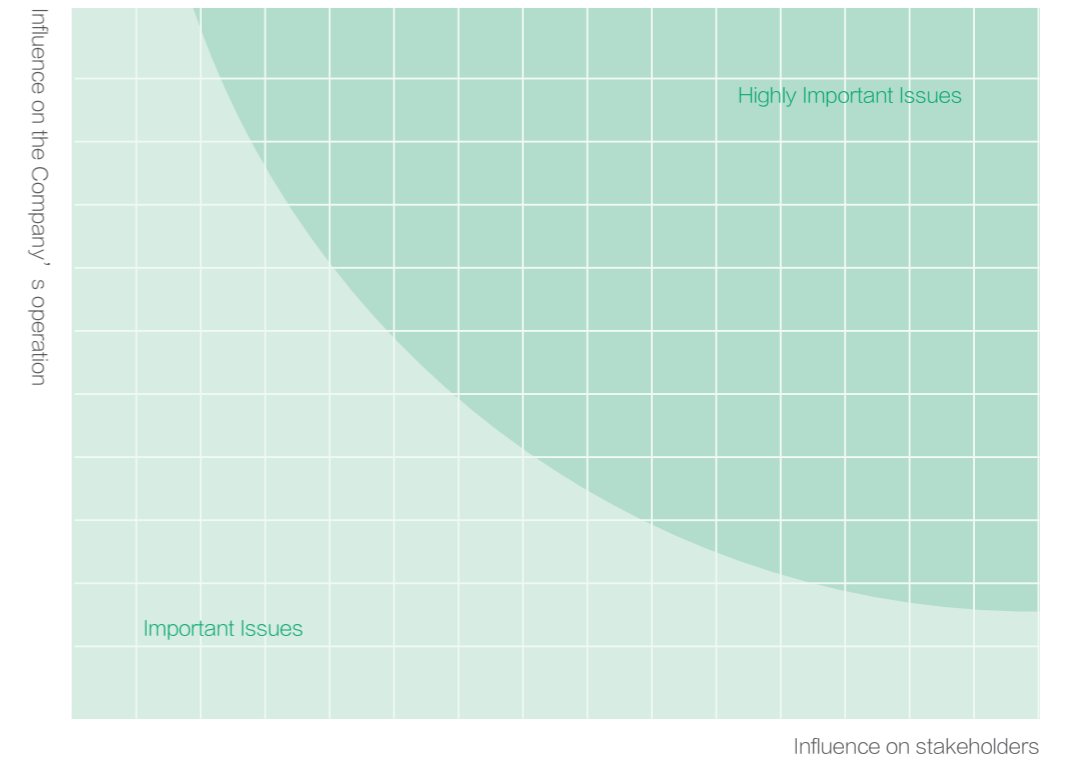
The Company actively communicates with various stakeholders to gain an in-depth understanding of their concerns and demands; improves communication and feedback channels, and incorporates the expectations and demands of all parties into the Company's entire decision-making process.

Stakeholders	Expectation/Appeal	Response /Feedback
Government	Supporting Economic Development Serving rural revitalization	Implementing industrial policies Boosting local economic development Contribution to taxes, etc.
Shareholder	Improving Corporate Governance Constantly creating value	General Meeting Information Disclosure Returns to shareholders
Users	Supplying high efficiency products Innovative Service Model	High Quality and High Efficiency Products Safeguarding consumers' rights and interests Improving after-sale services
Employees	Improving employees' well-being Helping employees in career development	Remuneration and welfare Protection of rights and interests Development opportunities
Environment	Insist on being environmentally friendly Promoting green development	Upgrading emission standards Energy-saving and cost-reduction Environmental protection
Society	Being enthusiastic about social welfare Giving back to the society with love	Implementing employee support measures Creating a harmonious and happy enterprise Expanding the achievements of poverty alleviation
Partners	Integrity and pragmatic cooperation To achieve mutual benefit and win-win	Introduction of open and transparent suppliers Collaborative and efficient supply chain collaboration Inclusive and mutually beneficial industrial cooperation platform



Identification of Important Issues

Focusing on the expectations and demands of various stakeholders, the Company conducts in-depth communication and investigation, and collects the concerns of various stakeholders. On this basis, the company comprehensively ranks various social responsibility issues from the two dimensions of the impact on business operations and the impact on stakeholders, so as to reflect the impact of business operations on the environment, society, etc., and to better respond the expectations and demands of various stakeholders.



Highly Important Issues

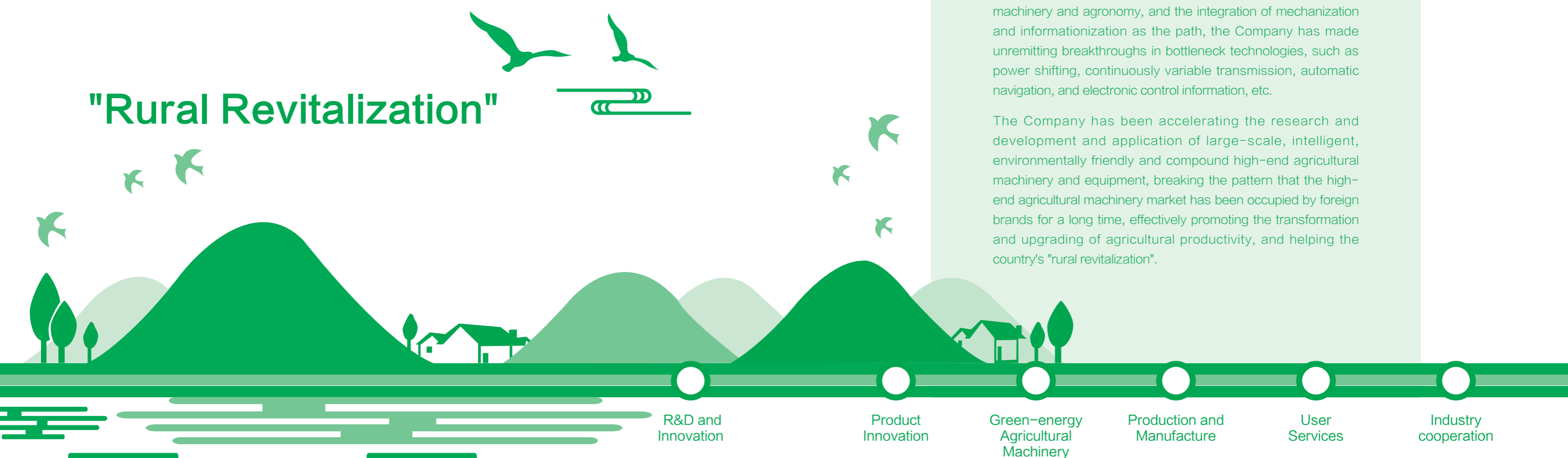
Product innovation, quality assurance, customer service/
Environmental protection, safe production, occupational health/
Corporate governance, compliance management, anti-corruption/
Growth of employees, remuneration and welfare, protection of rights and interests

Important Issues

Manufacturing, energy saving and consumption reduction,
Caring for employees/ skills training,
Win-win cooperation, Industry cooperation

The Practice of Development

"Rural Revitalization"



The Company adheres to innovation-driven development, continues to increase investment in research and development, and actively meets the needs of our country's agricultural modernization development. Taking the integration of agricultural machinery and agronomy, and the integration of mechanization and informationization as the path, the Company has made unremitting breakthroughs in bottleneck technologies, such as power shifting, continuously variable transmission, automatic navigation, and electronic control information, etc.

The Company has been accelerating the research and development and application of large-scale, intelligent, environmentally friendly and compound high-end agricultural machinery and equipment, breaking the pattern that the high-end agricultural machinery market has been occupied by foreign brands for a long time, effectively promoting the transformation and upgrading of agricultural productivity, and helping the country's "rural revitalization".

1.1 R&D and Innovation

The Company has effectively improved the technical system of autonomous intelligent agricultural machinery equipment, and has participated in the completion of a number of key R&D and innovation projects above the provincial and ministerial level, focused on key R&D fields such as the key technology of tractor drive train, tractor intelligent control technologies, and diesel engine energy-saving and emission reduction technology, broken through a number of technical bottlenecks restricting the development of the industry such as the power exchange gear, hybrid, continuously variable transmission, tractor and diesel engine matching, diesel engine emission control, road identification intelligent control system.

Transformation of scientific and technological achievements:

Guided by relevant national industrial policies, the Company has effectively grasped the urgent market demand for major products such as power shift tractors, hybrid tractors, continuously variable tractors, and non-road National IV diesel engines, and successfully developed "Dongfanghong" LF2204E Power shift tractors, HB2204 hybrid tractors, LW3204/LW2304 continuously variable heavy-duty tractors, "Dongfanghong" YTN5/YTN7 diesel engines and other leading products in the industry, has realized the transformation of scientific and technological achievements and formed an industrial scale.

Precision agriculture services: The Company actively promotes the development of precision agriculture and the demonstration application of intelligent agricultural machinery, and strengthens R&D and innovation around automatic assisted driving, unmanned driving, and information network platforms, and provides intelligent equipment and information support for precision agriculture. The company has completed the product verification and complete machine identification of 50-220 horsepower self-driving tractors, carried out demonstration applications of unmanned operations and precision agriculture, and formulated and formed a full-process plan for unmanned tractor operations for the construction of smart farms.



The Company participated in the cooperative research and exchange of national key R&D projects

Case

The Company participated in the cooperative research and exchange of national key R&D projects, and actively undertook research and development projects, including "the research and system development of tractor inspection technology", "the integration and demonstration application of agricultural machinery navigation operation technology based on Beidou Navigation", "the integration and creation of new products for hilly and mountain tractors", etc. and successfully completed the project acceptance work. The projects all met the national acceptance requirements of the country. They have great significance for improving the technical level of China's intelligent agricultural machinery equipment.



The Company took the lead in establishment of "Henan Agricultural Machinery Equipment Industry Research Institute"

Case

In order to accelerate the implementation of the innovation-driven strategy, give full play to the main role of enterprises in technological innovation, and create a first-class innovation chain, innovation platform, innovation system, and innovation culture, the Henan Provincial Government has decided to establish the first group of Henan Provincial Industrial Research Institutes.

The Henan Agricultural Machinery Equipment Industry Research Institute, which was established with the Company as the initiator, was listed as one of the first 10 Henan Provincial Industrial Research Institutes and was officially unveiled in October 2021. The Industrial Research Institute is committed to building itself into an innovative consortium integrated with R & D, industrialization and engineering.



1.2 Product Innovation

The Company insists on deep cultivation of the market, with combination of users' plowing needs, workload, agronomic characteristics, etc., enriches the functions and configurations of existing products, and constantly introduces new products and expands product series to meet users' diversified agricultural machinery operation needs.



Large-wheel tractor: The Company has insight into the customized needs of the regional market, and launched the LP2204-LP2604 series of tractors serving large farms in Xinjiang and Northeast China. It has multiple functional modules such as power reversing, crawling gear, and electronically controlled suspension. It has strong adaptability and high efficiency, and can meet the needs of single or combined heavy-duty operations such as ploughing, harrowing, sowing, and rotating. In the winter wheat growing regions, the LX1504d1/LX1504d2 series of products are promoted for the user's pursuit of multi-purpose and economical features; for the needs of light-load operations, the LX1504-S/LX1604-S (professional version) wheeled tractor is promoted to reduce turning radius for increased traction. In order to meet the needs of aquaculture operations in special areas, the design and trial production of LX804/904/1204 tidal flat tractors were completed, and small batches were sold, filling the gap in the domestic tidal flat tractor field.



Mid-wheel tractor: The Company effectively promotes the optimization and upgrade of mid-wheel tractor products and power expansion, continuously enriches product configuration, broadens product application scope, and launches a variety of differentiated mid-wheel tractors for different regional markets. In the dry field operation regions, according to the needs of different regions, the 70-horsepower medium wheel tractor products such as SK704, SG704, ME704-N, and ME704 are popularized; in the paddy field operation area, the MF904 product is promoted, and the MK/MY series forms a product combination in the paddy field region to meet the operation needs of users in paddy fields; for users of forest and fruit greenhouses, the Company promotes SY504/SY604 short-wheelbase greenhouse type, SK40/45/50 low-profile orchard tractors, further enriches forest and fruit machinery products, and can meet the special needs of economic crops, vegetables planting.

Participation in China International Agricultural Machinery Expo 2021

Case

With the theme of "Rural Revitalization, Smart Agriculture", China International Agricultural Machinery Expo 2021 was held in Qingdao World Expo City International Exhibition Center from October 26 to 28, 2021 which attracted 150,000 professional visitors.

The Company exhibited continuously variable tractors, power shift tractors, intelligent tractors, large and medium horsepower tractors and spare parts. Among them, the "Dongfanghong" LW3204 and LW2304 CVT tractors are a new generation of CVT heavy-duty wheeled tractors independently developed by the company with completely independent intellectual property rights. "Dongfanghong" LF2204 tractor is a high-horsepower economical tractor without a cab and unmanned. It adopts an automatic driving system, which can realize automatic control of agricultural implements and engines, and is suitable for various operations such as rotary tillage and ploughing. The "Dongfanghong" diesel engines exhibited in the exhibition are all non-road National IV emission standards, which not only have stronger power, but also make agricultural machinery more energy-saving and efficient during operation.



1.3 Green-energy Agricultural Machinery

According to the regulations of "Limits and Measurement Methods of Exhaust Pollutants from Diesel Engines for Non-Road Mobile Machinery (China's Third and Fourth Stages)" (GB 20891-2014): "From December 1, 2022, all production and import and sales of non-road mobile machinery below 560kW (including 560kW) and their dedicated diesel engines shall meet the requirements of the fourth stage of this standard." The company accelerated the switchover of the national IV emission standards for non-road diesel engines, and actively started from research and development and manufacturing, orderly pushed forward the R&D and finalization, mass production preparation and launch planning of the complete National IV products of diesel engines and tractors.

In 2021, the Company completed the National IV certification for 13 typical product platforms of the "Dongfanghong" LR/YM/YD series diesel engines, which are ready for the market. At the same time, the National IV certified complete machines were launched in batches across the country, with a cumulative operating time of up to 53,500h, and the longest operating time of the National IV emission tractor was more than 4,000h.

The "Dongfanghong" Non-road National IV diesel engine and tractor have been greatly reduced in terms of exhaust harmful substances and fuel consumption, and the product reliability has been fully verified. System company solidly promotes the "carbon peak, carbon neutral" policy deployment, with product transformation and upgrading to help win the "Blue Sky Protection Campaign".

▶ For three consecutive years, the high-cold calibration and verification of the National IV diesel engine was carried out
Case

At the beginning of 2021, in Huma County, Heilongjiang Province, which is extremely cold in China, the "Dongfanghong" National IV diesel engine underwent high-cold calibration. At outdoor temperature below -30 °C , a total of 5 major items and 16 minor items, including cold start, parking start, urea thawing, etc. were carried out for three months, so as to ensure that each "Dongfanghong" National IV diesel engine may operate worry-free in severe cold conditions, which has laid a solid foundation for stabilizing and optimizing product performance.



1.4 Production and Manufacture

Integration of Informatization and Industrialization

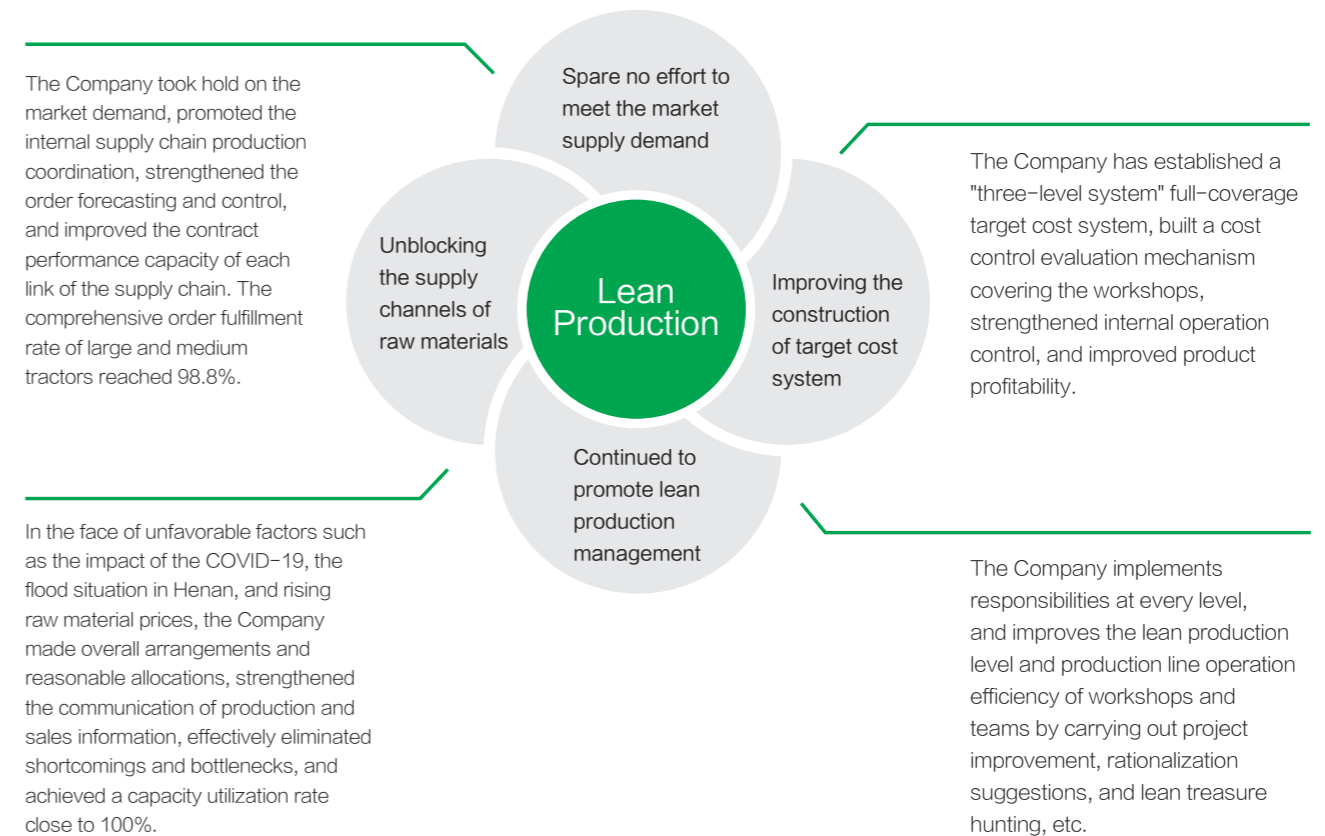
The Company has deepened the implementation of the in-depth integration of informatization and industrialization, strengthened the interactive innovation of data, technology, business processes, and organizational structure, and built the ability of refined production management & control ,collaborative research and development capabilities in an information-based environment. The Company implements the integration of finance and business, which has greatly improved the level of refined management of the enterprise; accelerates the construction of the "DONGFANGHONG Cloud" modern agricultural equipment industrial Internet platform to build the full life cycle service capability of agricultural equipment; has established an e-commerce platform for accessories to achieve simultaneous online and offline operations , sales and service coordination, to create a new model of multi-win accessories sales and services; established a digital management and control platform to improve information management and control capabilities, which was successfully selected as a pilot demonstration project for the development of big data industry in Henan Province in 2021.

Intelligent Manufacture

The Company has established an intelligent manufacturing platform, a supply chain collaboration platform, a production and sales collaboration platform, and a digital management and control platform, and completed the construction of the SCM supply chain system platform, which has been applied to the main value chain units within the Company. The Company promoted the application of 5G industrial scenarios, cooperated with operators in building 12 5G base stations in the factory area, and completed the "5G + AI visual inspection" project in the engine production line of Diesel Engine Company. The product inspection efficiency is increased by 70%, and the "5G + intelligent manufacturing" scenario is accelerated in application.



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 improvement of the intelligent manufacturing level of China's agricultural machinery industry and was rated as a benchmark enterprise of intelligent manufacturing in Henan Province.



1.5 User Services

The Company adheres to the service concept of "being considerate to users", adheres to the service network construction idea of sales and service integration as the main, and socialization as a supplement, constantly improves the product after-sales service network, expands the application and upgrade of service informatization, and builds a collaborative and efficient, fast service response mechanism. In the busy seasons of spring plowing, harvesting, planting and management in summer and autumn, the user flow is analyzed through the positioning information of the intelligent agricultural machinery platform, key service areas are determined, and service spare parts, personnel, vehicles and other resources are effectively allocated to provide users with timely and efficient service guarantee. The Company strives to build the "Dongfanghong" accessories e-commerce platform to better provide services to users outside the three-warranty service period, and improve the after-sales service warranty capability of the "Dongfanghong" products throughout the life cycle.



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.

The Company uses users information in a lawful and compliant manner, and adheres to the principle of "the one who has established shall be responsible for maintenance, the one who uses shall be responsible for protection, and transmission of customers' and external suppliers' information are subject to approval", effectively protects consumers' privacy, users' personal information, phone numbers, and bank accounts, etc. The Company has established users files by 100%, set data access permissions, strengthened the review and approval for information application, and prevented the loss and leakage of users information.

The Company strictly implements the "Measures for Management of Service Complaints, Early Warning and Prevention" to prevent users from complaints arising from the problems of product and service quality or no solution available to such problems. In daily and service peak seasons, through the service information big data platform of the 400 Call Center, a "service daily, weekly and monthly report" mechanism has been formed to track and process various service information, and the service capability and service quality have been effectively improved. In 2021, the Company proactively initiated 15 host service early warnings, which effectively managed and prevented service crisis complaints. There were no complaints from the media and consumer associations throughout the year.

1.6 Industry cooperation

The Company held the "Powerful Skills, Stable Employment" agricultural machinery vocational skills training in Hunan Province

Case

In order to make up for the shortcomings of mechanization in the whole process of agricultural production and solidly promote the construction of agricultural mechanization talents, the Company has sent technical experts to undertake the project of agricultural machinery vocational skills training program titled "Powerful Skills and Stable Employment" hosted by the Hunan Provincial Agricultural and Rural Affairs Department, the Provincial Agricultural Machinery Affairs Center, and the Hunan Modern Agricultural Vocational Education Group. The training project covered the tractor electrical system, power system, etc., improved the practical application and problem-solving ability of the participants, and helped improve the agricultural mechanization production capacity in Hunan Province.



The Company carried out strategic cooperation with Jiangxi Provincial Department of Agriculture and Rural Affairs

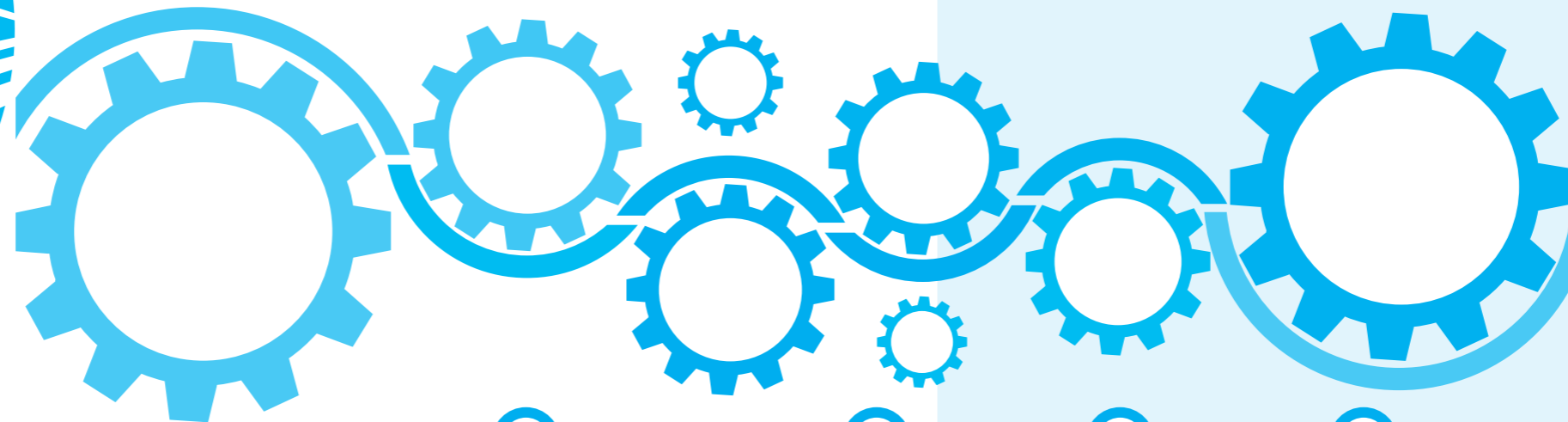
Case

The Company signed a strategic cooperation agreement with the Jiangxi Provincial Department of Agriculture and Rural Affairs to jointly carry out in-depth strategic cooperation around the integration of agricultural machinery industry chain resources in Jiangxi Province, the establishment of a professional skills training system for socialized service resources, and the promotion of smart agriculture development. The Company has invested and participated in the construction of a modern agricultural equipment manufacturing base project which is based in the hills and mountainous areas of the south, and focuses on the development of precision agriculture and smart agriculture aiming at actively building an agricultural machinery industry chain in Jiangxi Province to jointly promote the development of modern agriculture.



The Practice of Operation

"Steady Progress"



Quality Assurance

Win-Win Cooperation

Compliance Operation

Intellectual Property and Patents

Corporate Governance

Anti-corruption

The Company always adheres to the correct concept of righteousness and interests, constantly improves the operation and communication mechanism, pays attention to the expectations and demands of stakeholders, abides by the responsibility and commitment to all stakeholders, improves the business coordinated development system, and creates a compliant and orderly development environment.

The Company continues to consolidate basic management, improve the corporate governance mechanism, respect and protect intellectual property rights, improve the transparency of corporate operations, strengthen the construction of risk prevention and control mechanisms, prevent the occurrence of illegal operations, and continuously enhance value creation capabilities to achieve joint development and common progress with stakeholders.



2.1 Quality Assurance

The Company implements the quality concept of "Zero Defect in Quality and Internationalization of Standards", complies with relevant national laws and regulations such as the "Product Quality Law" and the requirements of GB/T19001-2016 and IATF16949 standards, strengthens the awareness of quality responsibility, and has updated the Company's quality manual and related procedural documents, implements various management principles, methods and requirements of the quality management system, and improves the management performance of the quality system. In order to standardize the Company's quality management activities and meet market demand and relevant laws and regulations, the Company passed the GB/T19001-2016 quality management system re-certification in August 2021, confirming the effectiveness of the Company's quality system operation.

The Company benchmarks against the international advanced level, and resolutely implements the quality management "Three Nos" principle of "products with insufficient testing are not allowed to be launched on the market; products with trouble that are not rectified in place are not allowed to be sold; products without effective solutions are not allowed to be produced", strengthens process quality monitoring, optimizes process quality control and product verification process, improves product compliance quality and reliability, and ensures the safety of related products during operation. There was no incident of recovery or recall due to product safety issues throughout the year. In 2021, the Company focused on the key core links of product verification and process control, sorted out and implemented the "Quality Improvement Project Implementation Plan", and formulated two categories of basic ability improvement projects and special quality improvement projects, a total of 12 improvement projects, more than 310 nodes of the implementation plan; the improvement measures were implemented in strict accordance with the planned nodes throughout the year, and the node completion rate reached 100%, which finally achieved user satisfaction.

The Company promotes sales, troubleshooting and maintenance of new models, deploys technical experts, sets up service teams, and travels to focus areas such as Xinjiang, Heilongjiang, Inner Mongolia, Anhui, etc., to provide on-site technical support and maintenance skills training. And during the busy agricultural season, the Company puts in turnaround agricultural machinery for users to use, reducing the time for users to stop and wait for repairs. At the same time, the Company has strengthened the sorting out of the basic data of failures, starting from the analysis of product failure data, classifies and dismantles the parts returned to the factory with a high failure rate, has formulated targeted improvement and optimization measures, and incorporated relevant measures into the Company's quality improvement projects, and continuously tracks and verifies the improvement effect.

Carrying out "Quality Month" activities to create a good atmosphere of paying attention to and advocating quality

Case

The Company carries out the "Quality Month" activity with the theme of "Sharing Quality Responsibilities, Creating Quality Achievements, and Sharing Quality Benefits". Through extensive publicity in newspapers, websites, bulletin boards, scrolling electronic screens, WeChat public accounts and other media, the Company has enhanced employees' quality awareness. At the same time, the Company holds "special audit observation activities", organizes on-site exchanges, jointly improves quality audit capabilities, and promotes the quality culture of pursuing excellence.



2.2 Win-Win Cooperation

The Company has established an open, transparent and standardized working mechanism for supplier introduction, cooperation, evaluation, optimization, and withdrawal, and formulated and implemented strict "Measures for Management of Suppliers", "Measures for Management of Introduction of Suppliers" and "Measures for Management of Performance Evaluation of Suppliers", etc. and ensures that cooperative suppliers must be legally established, fully qualified and legally operated enterprises.

In 2021, the signing rate of compliance business agreements between the Company and the cooperative suppliers was 100%. The Company clearly stipulates in the "Compliance Operation Agreement" signed with a supplier that both parties must perform their social responsibilities in terms of quality, environmental protection, safety, intellectual property rights, etc., and the relevant clauses are clarified in the contract: the products and/or services supplied by a seller should meet the requirements of the government on industry environment and occupational health and safety; a seller has the responsibility to inform the buyer of the products and services supplied by the seller, as well as the possible impacts

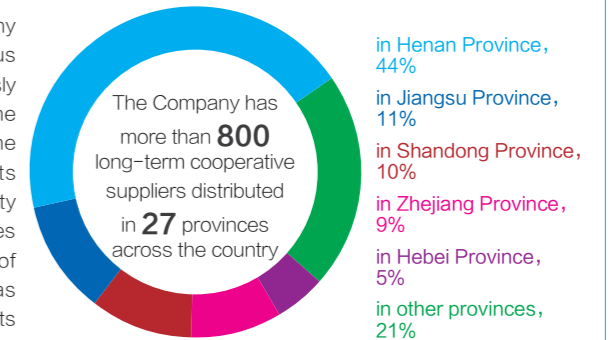
on the environment and occupational health and safety, and provides effective preventive measures and implements effective control; the seller who breaches the contract shall bear the liability for breach of the contract and all losses caused to the buyer by this.

At the same time, the Company has strengthened the environmental protection, safety, and other qualification requirements in the introduction of the suppliers. For a supplier who has introduced castings, coatings, etc. involved in heavily polluted industry, the Company must have the EIA qualification, and regularly check the qualifications of qualified suppliers in terms of environmental protection, hazardous chemicals and the quality system, etc.

The Company pursues win-win cooperation and strengthens supply chain collaboration

Case

Based on the advantages of scale and exploring potential, the Company continuously deepens the cooperative relationship with advantageous suppliers such as strategic cooperation and key cooperation, continuously cultivates and expands the supporting industrial chain, promotes the benign and coordinated development with suppliers, and prospers the local economy. At the same time, the Company gives full play to its technological advantages and leading role, regularly conducts quality audits and technical improvement of supplier companies, and enhances the product technical strength and quality assurance capabilities of suppliers through win-win cooperation. The company was rated as "Excellent Enterprise in Cooperation in Agricultural Machinery and Parts Industry" by China Association of Agricultural Machinery Industry.



2.3 Compliance Operation

The Company improved the compliance management mechanism for cultivating a compliance culture, practically controlling compliance risks, promoting the Company's business activities and employees' performance of duties, and effectively complied with the applicable laws and regulations, international treaties, regulatory provisions, industry standards, rules and regulations and other mandatory and normative requirements.

In 2021, the Company attached great importance to the construction of the Company's internal control system and major risk prevention and control, implemented the main responsibility for risk prevention and control, and used the enhancement of legal management and control capabilities and the strengthening of internal audit supervision as means to avoid and reduce losses to the greatest extent, and promoted the Company's compliance operations and steady development.

Conducting risk assessments and developing preventive measures

The Company fully implements the system of timely reporting and regular reporting of major risk events, strengthens the dynamic tracking and risk assessment of key risk events, formulates targeted control measures, implements main responsibilities, and strengthens process management to keep it controllable and under control.

Carrying out special inspections and daily supervision of internal control

In response to the internal control defects found in the special investigation, the Company specifies the rectification requirements, implements them to the responsible units and responsible persons, and completes the defect rectification within a time limit. At the same time, the Company strengthens coordination between functions, and promotes the effective and efficient operation of the internal control system through special inspections and daily supervision.

Improving the management system

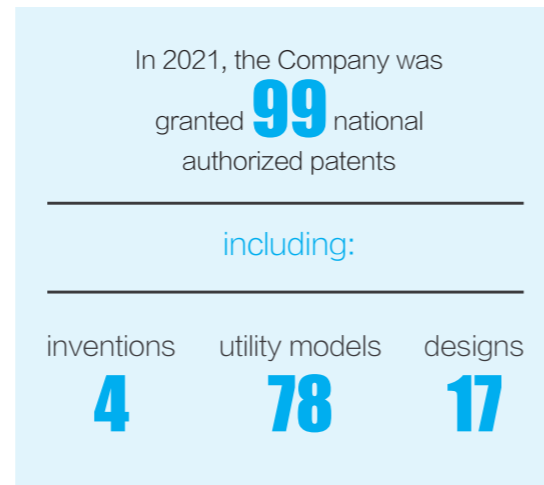
The Company has revised and improved 48 rules and regulations throughout the year, further sorted out and optimized various business processes, completed the upgrade of the "Internal Control Management Manual", established a long-term mechanism for risk management and control, and promoted "availability of rules to follow and laws to abide by" in operation and management of various work.

2.4 Intellectual Property and Patents

The Company has formulated and implemented the "Measures for Management of Patents". On the basis of strengthening intellectual property protection, it actively promotes the popularization and application of patented technologies and maximizes social benefits.

By taking effective protection measures and regular monitoring, the Company has not been involved in any patent infringement case. In the stage of R&D project establishment, the Company conducts strict technical search and compares technical points to ensure that the implementation project does not infringe on others' intellectual property rights. After the R&D project is over, the Company collects relevant intellectual property information and applies for patents in time for the independent R&D content.

At the same time, the Company has incorporated investigation of intellectual property infringement into the market research project to investigate and confirm whether the competing products in the market have infringed acts. If it is confirmed that any patented technology of our company's products has been infringed, the Company may immediately initiate legal rights protection procedures to effectively safeguard the Company's intellectual property patents.



2.5 Corporate Governance

Revising and improving rules and regulations to further improve the standardization level of corporate governance

In accordance with the Securities Law, the Official Reply of the State Council regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convention of Shareholders' Meetings by Overseas Listed Companies, and the special work requirements for the three-year action for the reform of state-owned enterprises, the Company's Articles of Association regarding the collection of voting rights and the notice period of convening of shareholders' general meetings and convening procedures have been revised, and the performance appraisal rights of the managers, the right to manage the salary distribution of the Company's employees, and the right to supervise the Company's internal control system have been added to the powers of the board of directors. At the same time, in order to ensure consistency with the revised Articles of Association, relevant contents of the Company's Rules of Procedure for General Meetings and the Rules of Procedure for Board of Directors were revised accordingly to further improve the governance documents and improve the standardization of corporate governance.

strengthened interaction with investors and effectively deliver the company value to the capital market

Under the background that the country attaches great importance to food security and accelerates agricultural modernization, the importance of agricultural machinery to the stability and increase of agricultural production has become prominent, and the market attention of the agricultural machinery industry and companies has increased significantly. In 2021, the Company was invited to organize Changjiang Securities, Great Wall Securities, Harvest Fund, Hwabao Fund and other investment institutions to conduct on-site research or hold teleconferences. The contents of the exchange covered the development status and future trends of the agricultural machinery industry and the Company, implementation of the policy concerning subsidies for agricultural machinery purchases, the impact of rising raw material prices on the Company's performance, etc.

The Company attaches great importance to communication with investors, and uses various channels such as shareholders' meetings, online investor receptions, and e-interactive network platform to understand the information that investors care about, and conducts two-way exchanges with investors through multiple channels and levels. According to the unified arrangement of the regulatory authority and the Henan Association of Listed Companies, the Company organized and held performance briefings in April and September 2021, and participated in the "Investor Online Collective Reception Day" organized by the Henan Association of Listed Companies in June, and patiently answered the Company's business performance, development strategy, new product research and development, etc. that investors were concerned about, passed the Company's business information to investors, narrowed the distance with investors, and effectively conveyed the Company's value to the capital market.

2.6 Anti-corruption

The Company has carried out in-depth construction of Party style and clean government, promoted "making sure executives don't dare to, are unable to and have no desire to commit corruption", standardized enterprise management and employees' professional behavior, and created a good environment with clean air and integrity. During the reporting period, there were no cases of corruption or bribery occurred in the Company.



Enhancing Supervision and Restriction

The Company formulated the "Measures for Implementation of Strengthening the Supervision of Leaders and Leading Groups", established a list of key supervision items, and further standardized the behavior of leaders in using powers. The Company organized leaders at all levels to sign the "Integrity Practice Commitment", conducted incorruptibility talks with newly promoted leaders in a timely manner, and dynamically updated the integrity files of 174 leaders. The Company has played the role of the coordination group for the construction of Party style and clean government and anti-corruption work, improved the supervision mechanism of multi-departmental linkage, and carried out special rectification of "relying on enterprises and eating enterprises". The company has established reporting channels such as telephone, email, and WeChat, and has a special person responsible for handling problems and clues; the Company also clarified the reporting and complaint handling procedures, time limit and settlement requirements, and strengthened integrity and compliance management by strengthening various supervision measures.

Strengthening the Construction of Work Style

The Company formulated the "Official Opinions on Deeply Implementing the Spirit of the Eight Provisions of the Central Committee to Further Improve the Work Style", and detailed 25 measures in 8 aspects such as investigation and research, streamlining meetings and document briefings, consolidating and expanding the effectiveness of work style construction. The Company earnestly implements the management measures such as the performance of duties, business expenditures, and going abroad (leaving the territory) for private business by the person in charge of the Company. It keeps a close eye on important time points, and proactively conducts supervision by publishing typical cases, visiting and surveys, and talking reminders, etc.

Enhancing Education and Prevention

The Company launched the "Integrity Publicity and Education Month" activity, and issued integrity reminder cards to more than 130 leading cadres to remind them face-to-face on compliance and integrity. The Company organized leading cadres above the middle level to carry out warning education, and strengthened cadres' sense of integrity and self-discipline by reporting typical cases, watching warning education meetings, and visiting integrity education bases. The Company deepened the special action of "system construction year", organized and carried out system publicity and knowledge explanation involving honest practice, supervision and restriction, reporting and accusation, etc., and took effective measures to ensure the implementation of the system.



The Practice of Society

"Harmonious and Sharing"



Environmental Protection

Energy-saving and Cost-reducing

Safety Production

Occupational Health

Growth of Employees

Taking Care of Employees

Expanding the Achievements of Poverty Alleviation

The Company has actively built an environment-friendly operation mode, firmly established the "win-win" concept of economic benefits and safety and environmental protection benefits, implemented various measures for safety production control, cared for the occupational health of employees, improved the ecological and environmental protection management system, and adhered to the road of sustainable development.

The Company has strengthened its social responsibility, paid attention to protecting the legitimate rights and interests of employees, optimized the employee incentive mechanism, unblocked employees' career development channels, and striven to share development results with employees; at the same time, the Company, based on its own advantages, has helped the community, given back to the society, and striven to achieve the harmonious unity of economic benefits, environmental and social benefits.

3.1 Environmental Protection

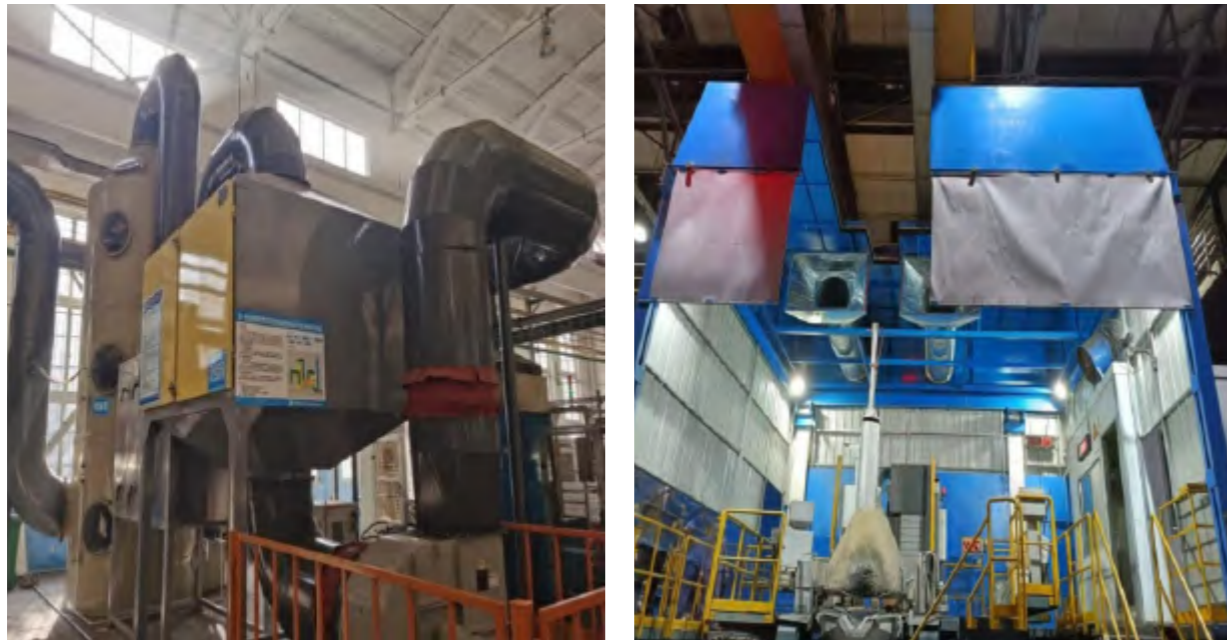
The Company conscientiously implements the "Environmental Protection Law", "Air Pollution Prevention and Control Law", "Solid Waste Pollution Prevention and Control Law" and other laws and regulations of the country, newly prepared the Provisions on Solid Waste Pollution Prevention and Control and the Provisions on Administration and Supervision of the Facilities for Prevention and Control of Pollution and Occupational Disease Hazard, consolidated the responsibility for environmental protection layer by layer and improved the level of environmental protection management and control.

In 2021, focusing on ecological environmental protection and energy conservation and emission reduction, the Company carried out ecological and environmental risk investigation and management, formulated a rectification plan for soil pollution hazards, closed industrial waste landfills, and prevented and resolved environmental risks; implemented oxidation line acid mist, heat treatment flue and welding fume and other key environmental control, reduced pollutant emissions; implemented industrial wastewater and waste gas monitoring, installed hazardous waste Internet of Things system, applied for sewage permits, disclosed environmental protection information, and carried out production and business activities in accordance with laws and regulations.

In 2021, according to the "Implementation Plan for the Revision of Performance Grading and Emission Reduction Measures for Key Industries in Heavy Pollution Weather in 2021", the Company continued to increase investment in technological transformation by implementing the requirements of various pollution prevention and control tasks in accordance with the performance grading standards for key industries, implemented the construction of upgrading casting as well as the coating software and hardware. As a result, the Company not only maintained the performance grading results of casting, painting and machining, but also successfully passed the advanced enterprise rating of oil-dipped heat treatment performance in Luoyang City. In 2021, the Company implemented emergency response to heavy pollution weather 6 times. In the previous environmental protection inspections organized by the government, the Company has never been notified and punished due to environmental violation.

Investment in and Implementation of Waste Gas Pollution Control Case

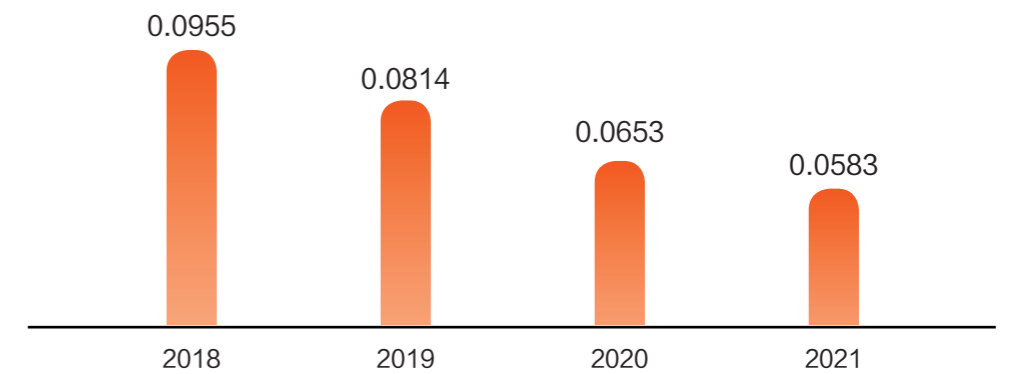
In 2021, the Company implemented the upgrading and transformation of the casting and forging systems for small and medium-sized parts and the environmental protection acceptance of the completion, and invested nearly CNY 10 million in the installation and transformation of 2 sets of acid mist purification facilities for oxidation lines, 4 sets of heat treatment flue purification facilities, and 2 sets of electric welding fume purification facilities, implemented pollution control tasks, and improved the quality of employees' working environment.



3.2 Energy-saving and Cost-reducing

The Company conscientiously abides by the "PRC Energy Conservation Law", implements the national policy deployment on energy conservation, rigid water resource constraints and "carbon peaking, carbon neutrality", and strictly implements the Company's "Measures for Energy Conservation Work Management", "Measures for Energy Statistics Management" " Measures for the Management of Key Energy-Consuming Equipment and many other rules and regulations, strengthens the main responsibility of energy-saving management, improves energy-saving goals and energy statistics system, has eliminated 139 high-energy-consuming equipment and facilities, collected more than 200 energy-saving suggestions and tricks, and continues to reduce energy consumption per unit of output value.

Energy consumption per unit of output value (ton of standard coal/CNY 10,000 of output value)



Environment Indicators Disclosure

1. Emissions

1.1 Pollutants discharging

Description of the indicators	Data	Note
Discharge of industrial wastewater	0	The Company has complete sewage treatment facilities, which can ensure the "zero" discharge of sewage.
Industrial waste gas pollutants smoke (powder) dust	32.09 tons	
Industrial waste gas pollutants smoke (powder) dust density	34.43g/CNY 10,000 of output value	
Sulfur dioxide emissions	4.35 tons	
Sulfur dioxide emissions density	4.67g/CNY 10,000 of output value	
NOx Emissions	20.39 tons	
NOx Emissions density	21.88g/CNY 10,000 of output value	

1.2 Greenhouse gas emission

Description of the indicators	Data	Note
Total Greenhouse Gas Emissions	146160.10 tons	
Indirect emissions of carbon dioxide in greenhouse gases	110029.15 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 around 2.6885319 tons of carbon dioxide).
Density of indirect emission of carbon dioxide in greenhouse gases	118.064kg/CNY 10,000 of output value	This data was also obtained indirectly.

1.3 Hazardous waste emissions

Description of the indicators	Data	Note
The amount of hazardous waste generated by the Company	586.339 tons	All the disposals were carried out by qualified professional organization of hazardous waste treatment with the compliance disposal rate being 100%.
Density of the hazardous wastes generated by the Company	629.16g/CNY 10,000 of output value	

1.4 Harmless waste discharging

Description of the indicators	Data	Note
Annual production of general solid wastes such as scrap iron filings and waste sand	40410 tons	Among them, 37,201 tons have been converted into usable materials through comprehensive utilization by the Company with comprehensive utilization rate of 92.06%.
Annual production density of general solid wastes such as scrap iron filings and waste sand	43.36 kg/CNY 10,000 of output value	

1.5 Pollutant Emission Targets and Measures

Description of the indicators	Target value	Completion value	Measures
Sulfur dioxide emissions	≤ 7 tons	4.35 tons	1. Strengthening production organization, focusing on production, taking centralized rest, and reducing the consumption of natural gas;
Industrial Wastewater Chemical Oxygen Demand Discharge	0	0	2. Strengthening the operation management of industrial sewage treatment stations to ensure effective operation.

1.6 Hazardous emission targets and measures

Description of the indicators	Target value	Completion value	Measures
Compliance disposal rate of hazardous wastes	100%	100%	Enforcing the management of hazardous wastes, enhancing daily collection and storage, signing contracts with qualified disposal agencies, and disposing all based on contracts.

2. Use of Resources

2.1 Energy Consumption

Description of the indicators	Data	Note
Energy consumption	54364 TCE	
Energy consumption(Density)	0.0583 TCE / CNY10,000 output value	
including: Electricity (total volume)	25.766 million KWH	
Electricity (density)	0.000276 million KWH / CNY10,000 output value	
Heat (total volume)	271522 million KJ	The heat consumed by the company is mainly steam
Heat (density)	0.2913 million KJ /CNY10,000 output value	

2.2 Water Consumption

Description of the indicators	Data	Note
Total water volume taken (consumed) a year	784301 tons	The Company enhanced water-saving consciousness, improved water-saving facilities, strengthened water-saving measures and optimized the utilization level of water resources.
Density of water consumption	0.8416 ton/ CNY10,000 output value	

2.3 Packing Materials

Description of the indicators	Data	Note
The total amount of packaging materials used in the finished products and the amount per unit	/	The Company consumes very few packing materials in the Company's operations and so packaging is not subject to material disclosure.

3. Environment and Natural Resources

3.1 Environmental Protection Action

Description of the indicators	Measures	Note
Implementation of pollution control projects	According to the government's ecological protection requirements, the Company organized the implementation of key pollution control improvement projects.	The Company organized and completed the upgrading and transformation of the heat treatment line of the gear transmission company and the flue control of the hydraulic transmission company; the diesel forklifts below the National III Emission Standard and the diesel trucks below the National IV Emission Standard were completely eliminated.

4. Climate Change

4.1 Emergency Response to Heavy Pollution Weather

Description of the indicators	Measures	Note
Emergency response to the heavy pollution weather	Taking emergency response according to the government's heavy pollution weather warning levels and reducing pollutant emissions.	Taking 6 emergency responses to heavy pollution weather in 2021.

3.3 Safety Production

The Company conscientiously implements the national "Safety Production Law" and other safety production rules and regulations and safety technical standards, adheres to the "safety first, prevention first, comprehensive management" safety production policy, takes the special rectification action for safety production as the main line, and focuses on safety risks and hidden dangers. The construction of the prevention system is the starting point, and the investigation and management of hidden dangers in production safety and special rectification are deepened to prevent production safety accidents.

The Company adheres to the construction of safety culture and strives to improve the safety literacy of employees. In 2021, the Company organized employees to participate in the national safety knowledge online competition and the national emergency management law popularization knowledge competition; organized and carried out safety training and education for leaders at all levels, safety management personnel, special operation personnel and personnel in key positions at different levels and key positions; went deep among workshops and the teams to carry out safety culture activities such as production safety keynote speeches, safety family messages and experience exchange meetings; organized and completed 5 comprehensive emergency plans for production safety accidents, 17 special emergency plans, and 78 on-site emergency response plans and achieved the desired effect.

In 2021, there was no serious injury or above production safety liability accident ever taken place in the Company.



Disclosure of health and safety indicators

1. Number of deaths

Description of the indicators	Data	Note
Number of deaths and death rate	0	No fatal accident has ever taken place in the Company in the past 3 years.

2. Number of working days lost

Description of the indicators	Data	Note
Number of working days lost	392 days	In 2021, there were 4 minor injury accidents with 4 persons involved in the Company.

3. Safety Surveillance Action

Description of the indicators	Data	Note
Eliminating potential safety hazard	Potential safety hazard rectification rate 100%	The company has established and improved the dual prevention system of safety risk classification management and control and hidden danger investigation and management; insists on professional inspections, holiday inspections and daily inspections; being problem-oriented and result-oriented, highlights problem rectification, and implements safety target performance appraisal.

3.4 Occupational Health

The company conscientiously implements the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, and earnestly fulfills the main responsibility of the Company for the prevention and control of occupational diseases. According to the Company's "Measures for Management of Occupational Health", "Provisions on Supervision and Management of the Operation of Pollution Prevention and Occupational Disease Hazard Protection Facilities", "Provisions for Management of Labor Protection Articles" and other rules and regulations, the Company strictly implements various measures for occupational disease prevention and control.

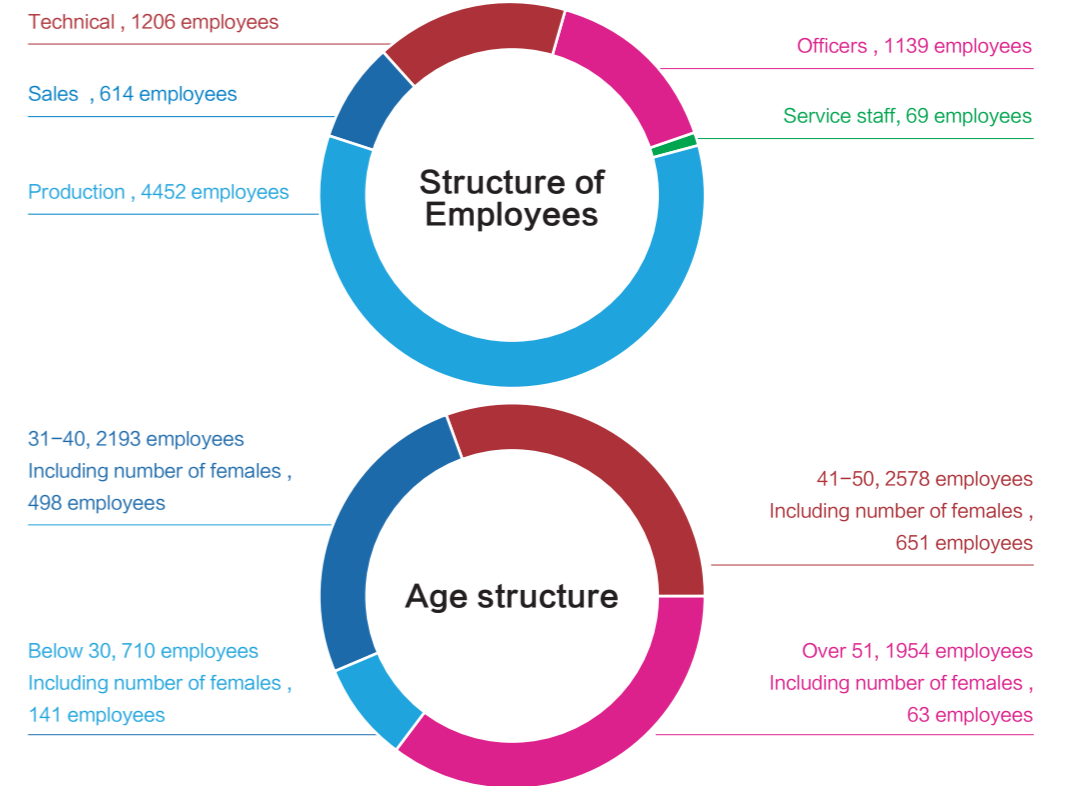
The Company's occupational disease hazards are "preventable, controllable, and under control". All the workers engaged in hazardous work have received health examination with on-duty health examination rate of 100%. All the occupational disease protection facilities work with simultaneous operation rate of 100%; the vocational health training rate is 100%, the declaration rate of the factors of occupational hazards at workplaces is 100% and the rate of informing occupational hazards at workplaces is 100%.

In 2021, the Company had no acute occupational disease hazards and no new occupational diseases on the job.

3.5 Growth of Employees

Concept of Talents

The Company implemented the strategy of "invigorating the enterprise with talents", adhered to the talent concept of "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.



Note: As of the end of 2021, there were a total of 7,435 employees, including 1,353 female employees in the Company.

Remuneration and welfare

The Company has established a basic wage system based on the post wage system, determines the wage level for different posts with reference to the wage level in the labor market with combination of the economic benefits of the enterprise and with preference to key posts, front-line production posts, and urgently needed high-skilled talents. According to the working characteristics of different types of personnel, the Company has formulated distribution forms such as annual salary system, post performance salary system, piece rate system, hourly salary system, project commission salary system, and negotiated salary system.

The Company continues to promote the reform of the incentive mechanism, has established a performance assessment system with benefit and efficiency as the orientation, strengthened the assessment and incentives for the management team's business objectives, scientifically determined the annual business objectives and assessment indicators, and mobilized the management team's enthusiasm for operating efficiency; promoted the reform of the two-level R&D system, made R&D personnel closer to the scene and the market, and stimulated the innovation vitality of R&D personnel through project-based incentives; focusing on the reform of the incentive mechanism for workshops and teams, the Company has promoted refined management and implemented the amoeba management model; simultaneously carried forward special incentive methods such as sales staff performance commissions and all staff cost reduction commissions; the effect of the positive incentive is outstanding. In 2021, the Company's employee turnover rate was 1.4%, and the female employee turnover rate was 1.2%. Separately, employee turnover rate below 30 years old was 7%, from 31 to 40 years old was 1.9%, over 41 years old (with 41 inclusive) was 0.3%.

The Company adheres to the concept of "people-orientation", strictly implements various allowance and subsidy systems, and continues to pay attention to the quality of employees' work and life. At the same time, the Company strictly followed the national social insurance policy, paid the premiums of the "five social insurances and one housing fund" for employees on time and in full, and effectively protected the legitimate rights and interests of the Company and employees.

Protection of Rights and Interests

The Company conscientiously implemented the PRC Labor Law, the PRC Labor Contract Law and the PRC Regulations for Implementation of the Labor Contract Law and other relevant rules and regulations, implemented the labor contract system, improved the labor and employment rules and regulations, protected the legitimate rights and interests of employees, and ensured all employees having signed legally and equally labor contracts, established a harmonious and stable labor relationship; no applicant was discriminated against due to gender, ethnicity, age, etc., and there was no use of child labor or forced labor.

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's trade union actively performs its duties of safeguarding rights according to law to ensure that employees' rights and interests are protected. The Company and various employers have established a labor dispute mediation committee to promptly mediate disputes in the process of labor contract performance and protected the legitimate rights and interests of employees.

The Company attached great importance to the employment of the disabled and protected the rights and interests of the disabled. In 2021, a total of 105 disabled persons were placed, and the placement of the disabled was reported regularly to the local government for review and inspection.

Development Opportunity

The Company actively implemented the national vocational skills improvement action and the "14th Five-Year" vocational skills training plan, built a growth platform for skilled personnel, and strengthened the training of innovative, applied and skilled talents. In 2021, we organized and carried out the accreditation of vocational skill levels for 7 types of work, including tractor assembly and testing workers, stamping workers, and gear machining workers, and improved the training, use, evaluation, and incentive systems for skilled workers and created conditions for the promotion of employees in skill upgrading through skill training, certification and evaluation work. The Company has established a mechanism of "integration of production and education, and school-enterprise cooperation", and has cooperated with colleges and universities to carry out new apprenticeships and internship training bases to cultivate high-skilled talents suitable for enterprise development and job needs.

In addition, 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, 10 persons enjoying the special allowance of the State Council, 5 "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

Case

The Company has established "Dongfanghong Training Center" and "Enterprise Employee Training Center", built a complete two-level training organization system, fully integrated the resources of various functional systems and business units, selected more than 100 internal trainers, and developed more than 200 internal training courses, which cover five categories, including leadership, marketing, skill operation, functional management and professional techniques, has formed a faculty and curriculum system based on the principle of giving priority to the interior, assisting with the exterior, and has built a knowledge and skills learning platform for employees in their career development. In 2021, the training rate (coverage rate) of employees was 100%, with an average of 32 training hours, and employee training was further standardized and systematic.



Carrying out the promotion of employees' professional skills and innovation ability

Case

According to the employees' needs for improving their occupational skills, the Company actively plans and designs a platform for employees' career development, and conducted in-depth and extensive vocational skills competitions with the theme of "being a good master and building a new era" to continuously improve the innovation ability and creativity of employees. In 2021, the Company carried out skill competitions for 6 types of jobs, including operators of CNC lathes, electric welders, forklift operators, and engine testers, and organized online competitions for 24 types of skilled jobs, including tractor assemblers and machining center operators.



3.6 Taking Care of Employees

Recreational Activities

Taking building a harmonious and happy enterprise as a carrier, the Company carries out mass cultural and sports activities by launching innovations, and the Company constantly enriched recreational activities for employees. In 2021, the Company carried out themed activities around the centennial birthday of the Communist Party of China, held a speech contest of "the Centennial Party Keeping Flag Red and YTO being in Action" and a staff chorus contest of "Celebrating the centenary of the founding of the party and gathering forge ahead", and organized the filming of the MV Flash works titled "New Journey".



The Company insists on organizing and carrying out branded recreational activities such as the Golden Voice of Employees, Table Tennis Match, Basketball Match, Charming "Dongfanghong" Photo Show, "The Most Beautiful Family, The Most Beautiful Mother" election activity, etc., which further have expanded the influence among employees and receive more and more employees' welcome.

Support of Employees

The Company gave full play to the role of the employee service system, and achieved good results in the practice of "I do practical things for the masses". Throughout the year, the Company's trade union has distributed various relief funds of more than CNY 1.2 million to the assisted objects, and distributed mutual aid and mutual financing funds to more than 20 sick employees who met the conditions for disease relief. During the peak production season, the Company sent milk and instant food worth nearly CNY 500,000 to front-line workers, alleviating the difficulty of temporary meals for overtime workers.



The Company paid attention to the physical and mental health of employees, and conducted psychological counseling month activities to provide psychological examination and counseling services for more than 100 employees; conducted maternity care activities, condoled to more than 50 female employees who had given birth; and also provided articles to the children of 253 employees who have been admitted to universities to show care. The Company launched the "Happiness No. 10" Nursery Class, providing summer nursery services for the primary school children of more than 70 employees' families, which was awarded the Titles of "a Loving Nursery Class of the Trade Union of Henan Province and" and "a Loving Nursery Class of All-China Federation of Trade Unions" .

3.7 Expanding the Achievements of Poverty Alleviation

The Company strictly implemented the requirements of the "Four NO SHAKING-OFFs " (Shaking Off Poverty but not Responsibility, nor Policy, nor Mutual Support, nor Supervision), effectively consolidated and expanded the achievements of poverty alleviation, and improved poverty alleviation, applied the practical experience and spiritual achievements in poverty alleviation in the work of "rural revitalization", with combination of the actual situation of the regions of paired assistance, the Company gave full play to the Company's resource advantages such as agricultural machinery, planning and design, vocational education, etc., and focused assistance on rural characteristic industries, skilled personnel training, and improvement of infrastructures, etc., further helped the assisted regions to expand the achievements of poverty alleviation, and comprehensively promoted the "rural revitalization".

The company focused on the consolidation and expansion of the achievements of poverty alleviation and the dynamic monitoring of the long-term mechanism to prevent the return of poverty, actively implemented its social responsibilities, and fully promoted the greening, specialization and branding of agricultural products such as tofu and vermicelli in Zhifang Village, and promoted industrial revitalization and consumption to help farmers and organic connection of "rural revitalization".

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

Case

Located in north of Tantou Town, Luanchuan County, Luoyang City, Henan Province, Zhifang Village consists of 12 villager groups with a total of more than 590 households, a population of nearly 2,100, and an area of more than 1,800 mu of arable land. The Company effectively promoted the smooth transition from poverty alleviation to "rural revitalization", and conducted in-depth research on the development of characteristic industries based on the industrial characteristics and actual conditions of the designated areas for support. On the basis of the original vermicelli and tofu processing industries, the Company helped to develop more industries such as mushrooms, walnuts, and Chinese herbal medicine cultivation according to local conditions, developed and expanded professional cooperatives, enhanced its self-help ability, and improved industrial revitalization capabilities.



Looking Forward to the Future

Year 2022 is a crucial year for the comprehensive promotion of the "rural revitalization". The Company shall deeply understand and implement the spirit of the "Opinions of the Central Committee of the Chinese Communist Party and the State Council on 'Doing a Good Job in the Key Work of Comprehensively Promoting Rural Revitalization in 2022' ("Central No. 1 Document" in 2022), centering on serving "rural revitalization" and the high-quality and efficient development of agriculture, focusing on major national strategic needs, grasping users' needs and industrial development trends, and in the direction of promoting the development of precision agriculture and smart agriculture, the Company shall accelerate scientific and technological research and development innovation and product technology upgrading, and enhance the overall development of agriculture industry chain service capabilities, promote the deep and efficient integration and application of agricultural machinery and agronomy, further integrate into the new development pattern, provide a higher level of agricultural mechanization guarantee for the development of modern agriculture, and let it become solid guarantee for "enabling the Chinese to keep their rice bowls in their own hands".

The Company shall continue to enhance the top-level design of social responsibility, upgrade the social responsibility management level, improve its corporate social responsibility implementation mechanism and supervision system, actively promote the construction of "Value-Creating YTO, Innovative YTO, Green YTO, Responsible YTO and YTO of HAPPINESS", promote the formation of a win-win situation between the Company and employees, users, shareholders, partners and other related parties, and strive to create comprehensive economic, social and environmental value for all stakeholders.

Index of the "Guidelines for Environmental, Social and Governance Report" by the Hong Kong Stock Exchange

General disclosures and key performance indicators	Description	Relevant chapters of this report or other instructions
Major Category A. Environment		
Aspect A1: Emissions		
Key performance indicator A1.1	Types of emissions and related emissions data.	
Key performance indicator A1.2	Direct and energy indirect greenhouse gas emissions (in tons) and (if applicable) density (e.g. calculated based on per unit of production, per facility).	
Key performance indicator A1.3	Total hazardous wastes generated (in tons) and (if applicable) density (e.g. calculated based on per unit of production, per facility).	3.2 Energy-saving and Cost-reducing Environment Indicators Disclosure:
Key performance indicator A1.4	Total non-hazardous wastes generated (in tons) and (if applicable) density (e.g. calculated based on per unit of production, per facility).	
Key performance indicator A1.5	Description of the emission target as set and the steps taken to achieve this description.	
Key performance indicator A1.6	Description of the disposal method with hazardous and harmless waste discharging, and waste discharging reduction target as set and the steps taken to achieve this description.	
Aspect A2 : Application of Resources		
Key performance indicator A2.1	Total consumption of direct and/or indirect energy (such as electricity, gas or oil) classified by types (calculated in thousand of kilowatt-hour) and density (e.g. calculated in terms of per unit of production, per facility).	3.2 Energy-saving and Cost-reducing Environment Indicators Disclosure:
Key performance indicator A2.2	Total water consumption and density (e.g. calculated based on per unit of production, per facility).	
Key performance indicator A2.3	Description of the energy application performance targets and the steps taken to achieve these targets.	
Key performance indicator A2.4	Description of any problem that may arise in obtaining suitable water source, as well as the water efficiency goal as set and the steps taken to achieve the goal.	
Key performance indicator A2.5	The total amount of packaging materials used in finished products (in ton) and (if applicable) the amount taken per production unit	
Aspect A3 : Environment and Natural Resources		
Key performance indicator A3.1	Description of the significant impact of business activities on the environment and natural resources and the actions taken to manage these impacts.	3.2 Energy-saving and Cost-reducing Environment Indicators Disclosure:
Aspect A4 : Climate Change		
Key performance indicator A4.1	Description of the major climate-related issues that have and may have an impact on the issuer and the response actions.	3.2 Energy-saving and Cost-reducing Environment Indicators Disclosure:
Major category B. Society		
Employment and common practices for laborers		
Aspect B1: Employment		
Key performance indicator B1.1	Total employees classified by gender, types of employment (such as full-time or part-time), age groups and regions	3.5 Growth of Employees
Key performance indicator B1.2	Employees loss rate classified by genders, age groups and regions	

General disclosures and key performance indicators	Description	Relevant chapters of this report or other instructions
Aspect B2: Health and Safety		
Key performance indicator B2.1	The number and rate of work related deaths in each of the past three years (including the reporting year).	3.3 Safety Production Disclosure of health and safety indicators
Key performance indicator B2.2	Number of working days lost due work-related injury	
Key performance indicator B2.3	Description of the occupational health and safety measures adopted, as well as related implementation and monitoring methods.	
Aspect B3: Development and Training		
Key performance indicator B3.1	Percentage of the trained employees classified by gender and employee category (such as senior management, medium management, etc.).	3.5 Growth of Employees
Key performance indicator B3.2	Divided by gender and employee category, the average hours each employee has completed training.	
Aspect B4: Labor Standards		
Key performance indicator B4.1	Description of the measures to review the recruitment practices to avoid child labor and forced labor.	3.5 Growth of Employees
Key performance indicator B4.2	Description of the steps taken to eliminate the situation when a violation is discovered.	
Operation practices		
Aspect B5: Management of the supply chain		
Key performance indicator B5.1	The number of suppliers classified by region.	2.2 Win-Win Cooperation
Key performance indicator B5.2	Description of the conventions of engaging suppliers, the number of suppliers to whom the conventions are implemented, and the implementation and monitoring methods of the conventions.	
Key performance indicator B5.3	Description of the practices related to the identification of environmental and social risks in each link of the supply chain, as well as related implementation and monitoring methods.	
Key performance indicator B5.4	Description of the practices that promote the use of environmentally friendly products and services when selecting suppliers, as well as related implementation and monitoring methods.	
Aspect B6: Responsibilities for the products		
Key performance indicator B6.1	The percentage of the total number of products sold or shipped that must be reclaimed for safety and health reasons.	2.1 Quality assurance
Key performance indicator B6.2	The number of complaints received about products and services and the way to deal with them.	1.5 User services
Key performance indicator B6.3	Description of the practices related to the maintenance and protection of intellectual property.	2.4 Intellectual Property and Patents
Key performance indicator B6.4	Description of the quality verification process and product reclaiming procedures.	2.1 Product Quality
Key performance indicator B6.5	Description of consumer data protection and privacy policies, as well as related implementation and monitoring methods.	1.5 User services
Aspect B7: Anti-corruption		
Key performance indicator B7.1	The number of concluded lawsuits regarding corruption brought against the issuer or its employees during the reporting period and the outcome of the lawsuit.	2.6 Anti-corruption
Key performance indicator B7.2	Description of preventive measures and reporting procedures, as well as related implementation and monitoring methods.	
Key performance indicator B7.3	Description of the anti-corruption training provided to directors and employees.	
Communities		
Aspect B8: Community investment		
Key performance indicator B8.1	Fields of contribution focused on (e.g. education, environmental issues, labor demands, health, culture, sports).	3.6 Taking Care of Employees
Key performance indicator B8.2	Resources applied in the fields focused on (such as money or time).	



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