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ESG 2023

XCMG Construction Machinery Co., Ltd.

环境、社会与公司治理（ESG）报告

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE
REPORT IN 2023



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About this Report



◆ Introduction

This is an Environmental, Social, and Governance (ESG) Report issued by XCMG Construction Machinery Co., Ltd. to disclose and demonstrate its ESG practices and performance to stakeholders. The Board of Directors guarantees that there are no false records, misleading statements or material omissions in this Report and is responsible for the authenticity and validity of the information contained herein.

◆ Reporting Period

The period covered by this Report is from January 01, 2023 to December 31, 2023 unless otherwise specified. Some information has exceeded the said period to ensure the completeness of this Report.

◆ Reporting Scope

Unless otherwise specified, this Report is about the XCMG Construction Machinery Co., Ltd. and covers its Head Office, Branches and Subsidiaries, a scope that is identical to the scope of its consolidated financial statements. Any deviation from the said scope will be stated in the Report.

◆ Data Sources

All information and data used in this Report are from materials made public by governmental agencies, and the formal documents and disclosures of the Company. All financial data referenced in this Report are subject to the annual report and other data are from internal statistics of the Company. All monetary amounts are expressed in Chinese yuan unless otherwise stated.

◆ Basic Framework

This Report is prepared with references to in particular general frameworks on ESG/ sustainability/ social responsibility both at home and abroad, including the Guidance on Social Responsibility (GB/T 36000), Shenzhen Stock Exchange's Self-regulatory Supervision Guideline No. 17 for Listed Companies—Sustainable Development Reporting (Trial), the Environmental, Social and Governance (ESG) Guide by Hong Kong Stock Exchange, Global Reporting Initiative (GRI) Sustainability Reporting Standards and ISO 26000:2010 Guidance on Social Responsibility (ISO 26000) and with a focus on the industry context and featuring the Company's distinctiveness.

◆ Names and Abbreviations

For ease of expression and comprehension, the following names are used throughout the Report:

Company name	Short name
XCMG Construction Machinery Co., Ltd.	XCMG, XCMG Machinery, Company, We
Xuzhou Construction Machinery Group Co., Ltd.	XCMG Group, Group
Xuzhou Heavy Machinery Co., Ltd.	XCMG Heavy Machinery
Xuzhou Construction Machinery Co., Ltd.	XCMG Crane
XCMG Finance Co., Ltd.	XCMG Finance
Xuzhou XCMG Mining Machinery Co., Ltd.	XCMG Mining Machinery
Xuzhou XCMG Infrastructure Construction Machinery Co., Ltd.	XCMG Infrastructure
Xuzhou XCMG Excavator Machinery Co., Ltd.	XCMG Excavator
Road Machinery Branch, XCMG Construction Machinery Co., Ltd.	XCMG Road
Xuzhou XCMG Hydraulic Co. Ltd.	XCMG Hydraulic
Xuzhou XCMG Zhilian Logistics Service Co., Ltd.	XCMG Zhilian
Xuzhou XCMG Schwing Machinery Co., Ltd.	XCMG Schwing
Xuzhou XCMG Hanyun Technologies Co., Ltd.	XCMG Hanyun
Xuzhou XCMG Driveline Technology Co., Ltd.	XCMG Driveline
Xuzhou XCMG Environment Technology Co., Ltd.	XCMG Environment
Xuzhou XCMG Truck Mounted Crane Co., Ltd.	XCMG Truck Mounted
Xuzhou XCMG Rongpiao E-Technology Co., Ltd.	XCMG Rongpiao
Xuzhou XCMG Port Machinery Co., Ltd.	XCMG Port Machinery
Science and Technology Branch, XCMG Construction Machinery Co., Ltd.	XCMG Science and Technology

◆ Report Publication

This Report is issued electronically, which is available on the website of Shenzhen Stock Exchange, and the Company's website <http://xgix.xcmg.com/>. This Report is published in both Chinese and English versions. In case of discrepancies, the Chinese version shall prevail.

◆ Feedback

To better address your and other stakeholders' needs, and to enhance the value of our ESG information provided for you, we seek your valuable feedback on this Report. Your insights will help us improve our ESG management capabilities and performance. We sincerely expect your valuable comments or suggestions and email the feedback to zqb@xcmg.com.



Message from the Chairman



In 2023, confronted with a complex and dynamic macroeconomic landscape and increasingly challenging industry conditions, we held fast of our original aspirations, forged ahead with grateful hearts, and strived to be a pioneer. With the spirit of thinking, revolution, innovation, and perseverance, we actively practiced a new development philosophy and proactively integrated into the new development pattern. With unwavering determination, we advanced towards a high-quality development to promote the “high-end, intelligent, green, service-oriented, and international” transformation and upgrade of our industry. We sketched out a new chapter aimed at establishing a world-class enterprise and climbing the summit of global industry.

With governance as the foundation in this year, we accurately identified, appropriately responded to, proactively sought change, and upheld our mission and beliefs, igniting the “red engine” for high-quality development. Guided by strategic planning, we have remained unwavering in our commitment to building a high-quality development model and world-class capabilities, with our key indicators continuing to lead the industry. Implementing the development policy of “high quality, risk control, world-class, and stable growth”, we ensured efficient governance and compliant operations to enhance our operational quality. We standardized information disclosure, facilitated communication with investors, consistently and stably distributed dividends, issued an announcement on the action plan to advance “mutual improvement of quality and reporting” and effectively safeguarded investor rights. We comprehensively advanced the “Number One Project” for IDN, and focused on “Comprehensive Plan” blueprint to improve refined operation and process management capabilities with intelligent reform, digital transformation, and networked connectivity.

With environment as the pivot in this year, we pursued our “carbon peaking and carbon neutrality” strategy. As a company firstly releasing the carbon peak and carbon neutrality action plan in the industry, we have outlined the development routes for technologies of electric, hybrid, and hydrogen energy, core component industries of battery cells, batteries and motor electronic control and infrastructure of charging stations. Embracing the wave of the new technological revolution and industrial transformation, we accelerated our presence in the new energy sector, particularly products application in urban construction, mining, ports and road transportation. We aimed to provide top-level services and green solutions to customers worldwide. We adhered to environmental protection laws and regulations, strengthening resource and emissions management. We integrated the principles of green development into our daily operations, installing rooftop photovoltaic systems, and electric vehicle charging stations, and exploring renewable and clean energy applications, thus championing the green and low-carbon ideas.

With society in our hearts, we stood united with our customers and industry partners, navigating challenges together and fostering continuous exchange and collaboration. This collaborative effort contributed to local development and sustainable growth for all stakeholders involved. With adherence to four directors, we implemented innovation-driven development strategy. Through increased investment and a focus on high-end breakthroughs, we guided industrial innovative development with technological advancement. Keeping internationalization main strategy, we worked to build world-class brands with strengthening the equipment manufacturing sector and bolstering the real economy. Safety was prioritized and we maintained high safety standards to ensure the quality development of our Company. With a focus on our

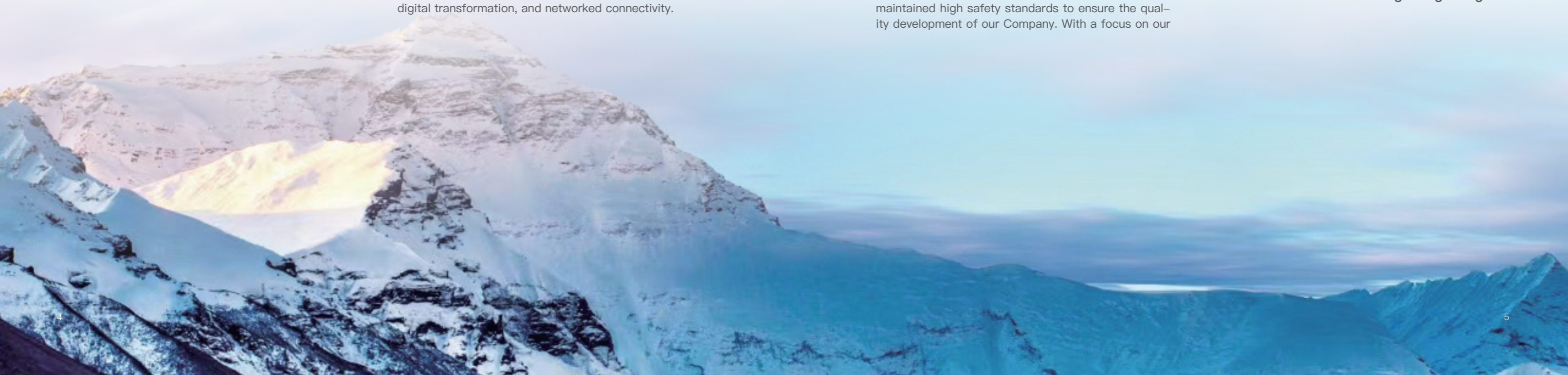
employees, we enhanced compensation, benefits, and training systems, prioritizing their well-being and fostering a supportive environment. Committed to social responsibility, we contributed to community development and engaged in public interest activities, taking the responsibilities of a public enterprise through concrete actions.

Looking ahead, we will forge ahead with innovation and make new breakthroughs. We remain committed to internalizing and implementing the spirit of the 20th National Congress of the CPC and the significant speeches delivered by General Secretary Xi Jinping. We will take on the foremost task of “high-quality development”, the strategic cornerstone of “constructing a new development landscape” and the essential pathway of “achieving high-level technological self-reliance”. We are dedicated to establishing a modern industrial ecosystem termed “5+1”. Integrating ESG principles into our corporate strategy and daily operations, we strive forward to create new achievements with unique industrial and XCMG characteristics, propelling us closer to our vision of becoming a globally renowned enterprise distinguished by exceptional products, renowned brands, pioneering innovation, and modern governance.

With great responsibility, long strides and perseverance, great achievements are inevitable for XCMG! Empower solid future, solid to succeed!

Chairman of XCMG Construction Machinery Co., Ltd.

Yang Dongsheng



品质为你

以始终如一的卓越品质

▶▶ About XCMG Machinery



Company Overview

Incorporated in December 1993, XCMG Construction Machinery Co., Ltd. was listed on the Shenzhen Stock Exchange in August 1996 under the abbreviation “XCMG Machinery” with the stock code 000425. As a core member of Xuzhou Construction Machinery Group Co., Ltd. (XCMG), it stands as a prominent enterprise within China’s construction machinery industry. Renowned for its extensive scale, and comprehensive product range, it demonstrates competitiveness, influence, and strategic significance on a national level. Currently ranked 382th in the Fortune Global 500, XCMG Machinery stands as a prominent name in China’s equipment manufacturing sector.

382th in the Fortune Global 500

The Company’s predecessor traces back to Huaxing Iron Factory established in 1943, a pioneer and founder of China’s engineering machinery industry. It leads the industry’s internationalization efforts, continuously contributing to major construction projects worldwide. The Company’s product portfolio encompasses five main industries: earthmoving machinery, lifting machinery, piling machinery, concrete machinery, and road machinery. Additionally, it includes strategic new industries such as mining machinery, aerial work platforms,

environmental industry, agricultural machinery, port machinery, and emergency rescue equipment. It oversees more than 60 subsidiaries engaged in main units, trade services, and emerging businesses.

The Company’s cranes, mobile cranes, and horizontal directional drilling equipment continue to maintain their global leadership positions. Piling machinery and concrete machinery are entrenched in the top global tier. Road machinery, truck cranes and tower cranes maintain their third-place positions worldwide while aerial work platforms have also climbed to the third place globally. Open-pit mining and transportation equipment hold steady in the fifth place worldwide. Excavator machinery has advanced to the sixth place globally and the second place in China. Loaders have risen to become the industry leader in China.

After over three decades of exploration and experience, the Company has pioneered a unique path to going global. This approach integrates export trade, overseas greenfield investments, cross-border M&A and global research and development into a cohesive strategy. Through this model, the Company provides comprehensive product marketing services, full value chain services, and integrated solutions to customers worldwide. The Company’s marketing network covers over 190 countries and regions worldwide.

Corporate Culture

Our Mission & Vision

Empower Solid Future

Our Core Values

Responsibility Virtue Fortitude

Our Spirits

- ◆ Questioning Spirit to Develop Critical Thinking
- ◆ Revolutionary Spirit on Self-reflection
- ◆ Innovative Spirit to Seek and Adapt to Changes
- ◆ Persevering Spirit to Overcome Challenges

Global Employee Code of Conduct

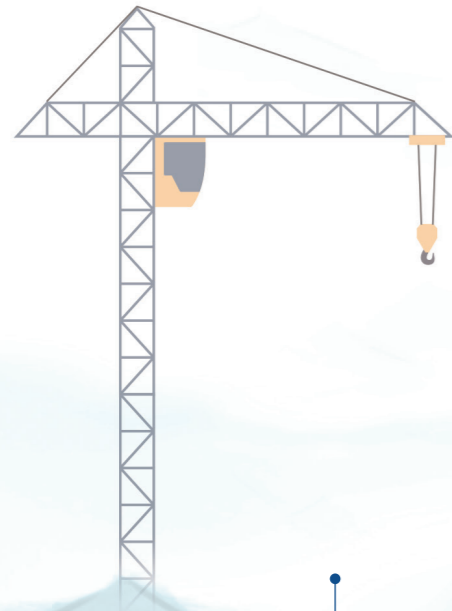
- ◆ Create Value for Clients
- ◆ Create Value for Stakeholders
- ◆ Create Value for Society
- ◆ Be Dependable
- ◆ Be Responsible
- ◆ Be Upright and Innovative
- ◆ Be Open and Inclusive
- ◆ Pursue Excellence
- ◆ Be Long-term Oriented
- ◆ Embrace Win-win Cooperation

Our Slogan

Solid to Succeed



History



1993

▲ XCMG Construction Machinery Co., Ltd. was founded.

1996

▲ Xuzhou Construction Machinery Co., Ltd. (former name) was listed on Shenzhen Stock Exchange under the stock code of 000425.SZ.

2009

▲ XCMG Machinery completed the restructuring of its material assets, making assets including hoisting machinery and core parts get public.

2012

▲ Xuzhou Engineering Machinery Research Institute, built with an investment of 1 billion yuan, was completed.
▲ The four major industrial bases of XCMG were completed construction and commenced full-scale operations.

2014

▲ XCMG's first overseas wholly-owned subsidiary, the manufacturing base in Brazil, was completed and put into operation.
▲ The XCMG US Research and Development Center, located in Minnesota

2017

▲ General Secretary Xi Jinping visited XCMG Machinery

2022

▲ XCMG Machinery (stock code: 000425.SZ) completed the material assets reorganization and realized its main business of construction machinery publicly listed

2023

▲ General Secretary Xi Jinping participated in the deliberations of the Jiangsu delegation and listened to the report from XCMG. He fully acknowledged and expressed high expectations for XCMG's development over the past five years.
▲ The Intelligent Transformation, Digitalization, and Networking (IDN) project has been officially launched, marking the commencement of the chairman "Number One Project" for IDN cooperation agreements have been signed with IBM and SAP to fully kickstart the initiative.





Awards and Honors

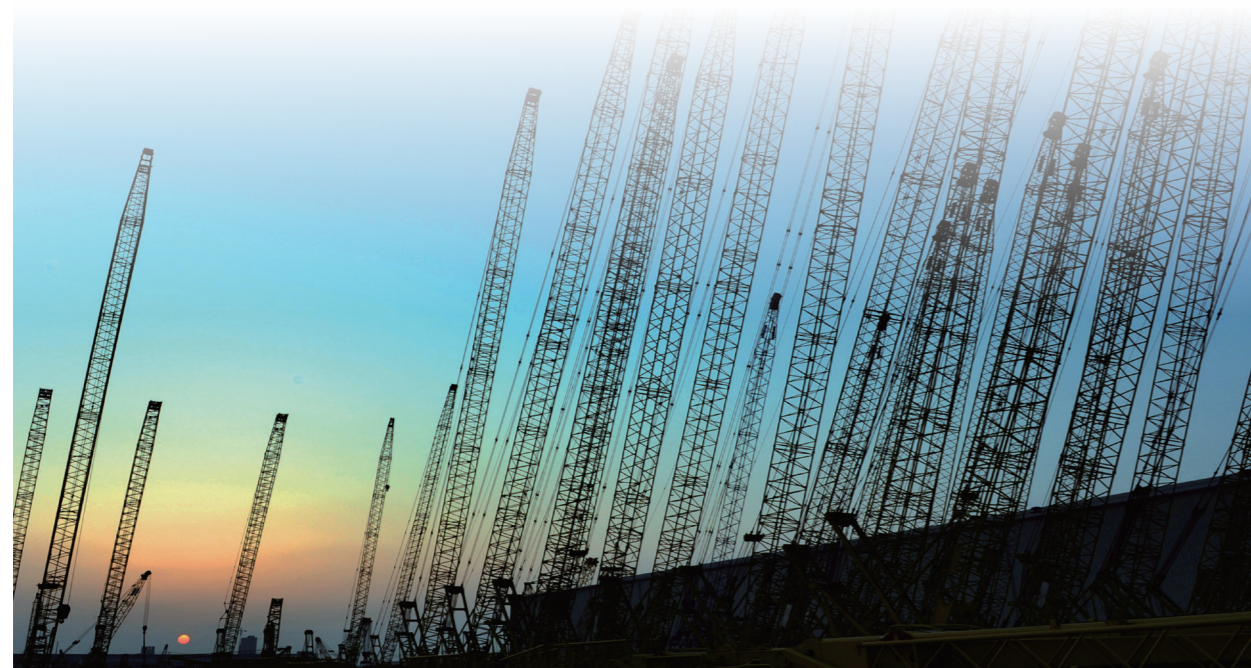
<p>XCMG Machinery ranked the 146th place in Fortune China 500</p> <p>Fortune magazine July 2023</p>	<p>XCMG Machinery ranked the 212nd place in 2023 Fortune China 500</p> <p>Fortune magazine July 2023</p>	<p>Hurun China Metaverse Companies with the Greatest Potential 2023</p> <p>Hurun July 2023</p>
<p>2023 Forbes China Globalization Innovators Selection Top 30 Brands</p> <p>Forbes January 2024</p>	<p>China's 500 Most Valuable Brands</p> <p>World Brand Lab June 2023</p>	<p>World's 500 Most Influential Brands</p> <p>World Brand Lab December 2022</p>
<p>The African Household Water Cellar Project for SDG 6 Clean Water and Sanitation — XCMG Machinery's African Water Cellar Project</p> <p>China International Poverty Alleviation Center and other institutions January 2023</p>	<p>Good Practice Cases for Board of Directors of Listed Companies in 2023</p> <p>China Association for Public Companies November 2023</p>	<p>Best Practice Cases for Performance Briefing in 2022</p> <p>China Association for Public Companies November 2023</p>
<p>Best Practice Cases for Corporate Governance in 2023</p> <p>China Association for Public Companies December 2023</p>	<p>National "Two-hundred Enterprise" Benchmark</p> <p>General Office of Stated-owned Assets Supervision and Administration Commission of the State Council March 2023</p>	<p>2023 Charity Gala: Special Contribution Award</p> <p>ifeng.com November 2023</p>

<p>2022 TBI Top Brand Innovation Awards</p> <p>TBI Organizing Committee October 2023</p>	<p>2023 Top Digital Innovative Marketing Award (Silver Award)</p> <p>Top Digital Organizing Committee November 2023</p>	<p>Best Marketing & Communications Award at 2023 Digital Marketing Conference and Golden Bull Award Ceremony</p> <p>PRREN December 2023</p>
<p>Annual Awards for Chinese Brands with Global Impact</p> <p>PR Newswire June 2022</p>	<p>2023–2025 International Well-known Brands focused by Jiangsu Province for cultivation and development</p> <p>Department of Commerce of Jiangsu August 2023</p>	



Industry Organizations

Association name	Association membership
Asia Quality Function Deployment Association	Standing Director Entity
China Association for Public Companies	Directing Entity
National Association of Financial Market Institutional Investors	Membership Entity
China Construction Machinery Association	Vice Chair Entity
China Machinery Industry Federation	Deputy Chair Entity
China Machinery Enterprise Management Association	Vice Chair Entity
China Federation of Industrial Economics	Vice Chair Entity
China Machine Building Quality Management Association	Vice Chair Entity
Zhantianyou Development Foundation of Science and Technology	Vice Chair Entity
Mechanical Design Branch, Chinese Mechanical Engineering Society	Deputy Director Entity
Chinese Association for Quality	Standing Director Entity
Jiangsu Association for Public Companies	Vice Chair Entity



▶▶ Responsibility Management

Communications with Stakeholders ▶▶

XCMG Machinery attaches equal importance to the legal rights and interests of its stakeholders while paying attention to its own high-quality development. The Company fully understands the expectations and demands of its stakeholders. It actively builds communication channels and engages in dialogues with stakeholders, responding to their needs and concerns.

Key stakeholders	Expectations and requests	Communication channels
 Governmental bodies and regulators	<ul style="list-style-type: none"> •Compliance with national laws and regulations •Alignment with national and regional strategies •Compliant operation •Tax payments under laws 	<ul style="list-style-type: none"> •Supervision and assessment •Information submission •Work meetings
 Investors/ shareholders	<ul style="list-style-type: none"> •Robust corporate governance mechanisms •Better information disclosure •Performance growth and return on investments •Management of investor relations 	<ul style="list-style-type: none"> •Official website and WeChat public accounts •Information disclosure •Performance Briefing •Road show/Reverse Road show •http://irm.cninfo.com.cn •Other exchanges and interviews
 Employees	<ul style="list-style-type: none"> •Protection of basic rights •Better salaries and benefits •Facilitating career development •Safe workplace •Work well-being 	<ul style="list-style-type: none"> •Trade union •WeChat public accounts •Questionnaires
 Customers	<ul style="list-style-type: none"> •Ensuring product quality •Privacy protection •Responding to customer needs 	<ul style="list-style-type: none"> •Customer satisfaction survey •Messages via WeChat official account and official website •Customer visits
 Suppliers	<ul style="list-style-type: none"> •Fair biddings •Sustainable supply chain 	<ul style="list-style-type: none"> •Procurement information disclosure •Supplier exchanges and training
 Communities	<ul style="list-style-type: none"> •Driving economic development in the community •Activities for public interest •Reducing the impact of production activities on community 	<ul style="list-style-type: none"> •Communication and exchanges •Daily visits •Transparent information



Green practices for leading low-carbon development

XCMG Machinery actively responds to the national “carbon peaking and carbon neutrality” goals, aiming to establish a competitive advantage in green initiatives. The philosophy of “advancing green development and fostering harmony between humans and nature” is deeply embedded in the Company’s development strategy and production management framework. This drives the continuous optimization of resource and energy management, as well as the enhancement of waste treatment practices. These efforts propel the transformation and upgrading of the industrial chain towards green practices, empowering the Company to achieve high-quality and sustainable development. In 2023, the Company invested 110 million yuan in environmental protection.

Performance highlights in 2023

Percentage of new energy consumption
19.64%

Waste water discharge reduction
86,207.25^{Ton}

Waste gas emission reduction
165,999.03^{10,000 m³}

Percentage of hazardous waste disposed under laws
100%

Total outgoing electricity supplied by charging posts
804,906.89^{kWh}

Responses to UN SDGs



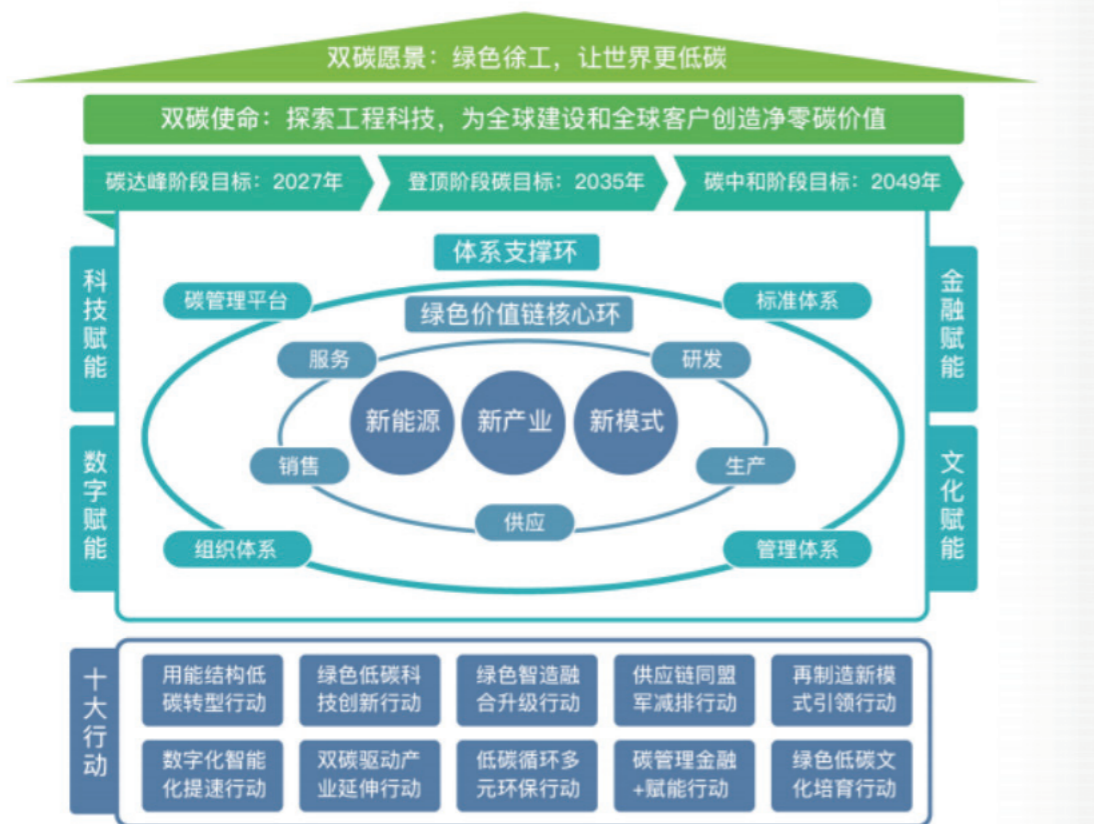
Climate change responses

XCMG Machinery actively addresses climate change by outlining a “carbon peaking and carbon neutrality” action plan and innovating to develop new energy products. Through practical actions, the Company responds to the “carbon peaking and carbon neutrality” goals.

Top-level design

XCMG Machinery is committed to low-carbon transformation, responding to the “carbon peaking and carbon neutrality” goals by unveiling the industry’s first Carbon Peak and Carbon Neutrality Action Plan. The Company has set strategic milestones to achieve carbon peak by 2027 and carbon neutrality by 2049, outlining development pathways and R&D directions for the electric, hybrid, and hydrogen energy sectors. It has established a carbon emission management platform, devised a green supply chain management system, and introduced industry-wide “carbon peaking and carbon neutrality” management frameworks and benchmarks. Continuously enhancing carbon emissions monitoring and reduction initiatives, XCMG Machinery leads the company and the industry towards green and low-carbon transformation and advancement.

In 2023, the greenhouse gas emitted by XCMG Machinery totalled **391,285.29** tons, a reduction of **33,269.01** tons with a ratio of 7.84% compared to 2022.



XCMG Machinery’s implementation mode for “carbon peaking and carbon neutrality”.



XCMG Machinery released its Carbon Peak and Carbon Neutrality Action Plan.



XCMG Machinery’s implementation mode for “carbon peaking and carbon neutrality” is supported by “two rings, three news and four empowerments”.

Table XCMG Machinery’s greenhouse gas management performance

Direct greenhouse gas emissions (scope I)	114,190.60 Ton	Indirect greenhouse gas emissions (scope II)	277,094.69 Ton
Total greenhouse gas emission	391,285.29 Ton	Greenhouse gas emission intensity	0.04 Ton / 10,000 yuan value of revenue

¹Note: Scope 1 greenhouse gas emissions represent the direct emissions from sources owned or controlled by the Company. Scope 2 greenhouse gas emissions include the indirect emissions generated from the consumption of purchased energy, such as electricity, steam, heating, and cooling.

Case XCMG Machinery's carbon emission management platform

In 2023, XCMG Machinery successfully tackled technological challenges in carbon tracking and management throughout the industrial chain, achieving transparency in control and traceability of energy carbon emissions. The Company established a control system for industrial chain carbon emission based on "total control and quota allocation" coupled with "two-dimensional coordination and four-category support". Additionally, it developed a corresponding industrial chain carbon emission control platform. These efforts not only support the Company's alignment with China's "carbon peaking and carbon neutrality" strategic plan but also provide systematic support for ongoing initiatives to strengthen carbon monitoring and reduction. In 2023, XCMG Machinery's project titled Establishment of Carbon Emission Control System for Large Construction Machinery Enterprise Groups toward Carbon Integration was awarded the Second Prize of the 30th Jiangsu Province Enterprise Management Modernization Innovation Awards. Furthermore, its project named Integrated Research and Application of Carbon Reduction Management System throughout the Lifecycle of Large Construction Machinery Products was honored with the "Green Circulation" Outstanding Award at the 2023 BRICS Industrial Innovation Competition.

**江苏省企业管理现代化
创新成果审定委员会**

苏管审〔2023〕5号

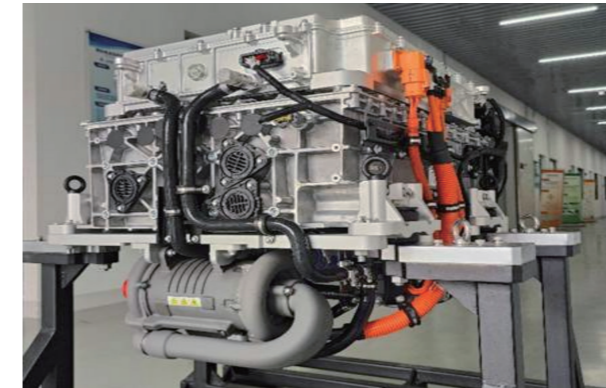
**关于发布和推广第三十届
江苏省企业管理现代化创新成果的通知**

各设区市中信局、国资委、人社局、总工会、工商联、企业联合会、企业家协会，各有关省级行业协会，泰州市企业文化研究会，各成果创造单位及有关企业：

为深入学习贯彻习近平新时代中国特色社会主义思想，全面贯彻党的二十大精神，贯彻落实中央经济工作会议精神，贯彻落实《中共中央、国务院关于营造企业家健康成长环境弘扬优秀企业家精神更好发挥企业家作用的意见》（中发〔2017〕25号），落实工业和信息化部等6部委联合印发的《关于加快培育发展制造业优质企业的指导意见》（工信部联政法〔2021〕70号），根据



▲ Figure The carbon management platform and system building efforts received provincial or ministerial awards



XCMG Machinery focuses on three areas: mining, logistics, and automotive. It has independently integrated a 140kW hydrogen fuel cell system, with the prototype performance reaching an industry-leading level.

Case Diverse new energy products

In June 2023, XCMG Machinery, in partnership with a mining enterprise in Shanxi, officially deployed the world's first hydrogen-powered electric loader, the XC968-FCEV, into operation. This pioneering effort effectively addresses air pollution arising from fuel combustion at construction sites and notably reduces carbon emissions.



▲ Figure Hydrogen-powered electric loader



▲ In November 2023, the world's first electric loader production line, which produced the XC988-EV, the largest-tonnage electric loader across the world, was put into operation at XCMG. Every 25 minutes, an electric loader is off from this production line.

Low-carbon products

XCMG Machinery has strategically planned routes for new energy technologies such as electric, hybrid, and hydrogen, focusing on addressing technical challenges in new energy system integration architecture and intelligent electronic control systems. It has pioneered the introduction of unmanned and electric construction machinery as well as new energy heavy-duty trucks in the industry. Furthermore, it vigorously develops complete sets of new energy products and hydrogen fuel cell systems, increasing the market share of green products. The Company has been selected as one of the first leaders in China's carbon peaking initiative, empowered by its commitment to green design and intelligent manufacturing for high-quality and sustainable development. In 2023, the new energy products from XCMG Machinery increased by 108.9% year-on-year.



Case Diverse new energy products

In September 2023, at the 16th China (Beijing) International Construction Machinery, Building Material Machines and Mining Machines Exhibition & Seminar (BICES 2023), XCMG Machinery unveiled 16 new energy-powered main units. These include the XGE105 electric mining truck, the world's first electric unmanned three-axle rigid mining truck XDR80TE-AT, the world's largest hybrid all-terrain crane XCA300L8-HEV, the electric loader XC968-EV, the electric excavator XE215E, the plug-in hybrid pump truck HB62VH, the electric mixer truck G4802BIIVE. Additionally, the line-up features three categories of new energy aerial work platforms – straight arm, articulated boom, and scissor type – equipped with ternary lithium batteries and lead-acid gel batteries. These offerings provide comprehensive solutions for global users seeking new energy-powered products used at heights.

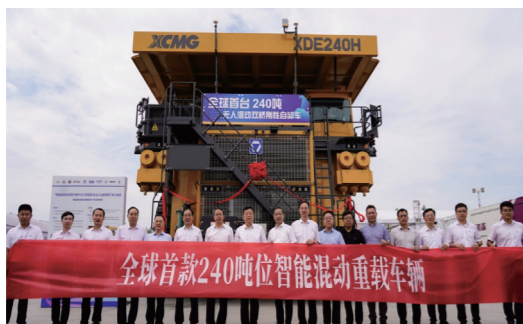


▲ Figure Unmanned mining truck



▲ Figure New energy-powered platform for working at height

In December 2023, XCMG Machinery's innovative 240-ton intelligent hybrid heavy-duty mining truck, the XDE240H, commenced operations at the Xiwan Open-Pit Coal Mine in Shaanxi Province. This initiative, as the world's first, dramatically reduces carbon emissions during on-site operations, contributing to the industry's low-carbon transition and the advancement of intelligent and eco-friendly mining practices.



▲ Figure 240-ton heavy-duty hybrid mining truck



Climate related risks and opportunities ▶▶

XCMG Machinery actively responds to the risks of global climate change, accurately identifying the opportunities and challenges for sustainable development in extreme weather and climate change. The Company identifies and addresses climate risks in accordance with the TCFD (Task Force on Climate-related Financial Disclosures) framework, constructing an enterprise-wide circular low-carbon ecosystem and green transformation pathway.

Table Climate change risks identified

Risk type	Climate change risk	Risk description	Potential impact	Action
Transformation risk	Policy and legal risk	The requirements from governments worldwide for identifying greenhouse gas sources, greenhouse gas accounting, and emissions monitoring are increasingly stringent.	Adding carbon emissions management, compliance management, and setting up a digital carbon footprint management platform will incur additional costs.	Enhance carbon auditing and carbon reduction efforts within the Company to meet national requirements for greenhouse gas emissions monitoring and reporting.
	Technology risk	Driven by national policies, there is a growing demand for the application of technologies that reduce carbon emissions and lower energy consumption, as well as new energy engineering machinery products.	The adoption of green technologies and the development of new energy products will lead to increased operational costs.	Improve the research and development framework and cultivate a team of researchers to enhance the Company's innovation capacity.
	Market risk	Consumer demand is shifting towards green and low-carbon options, intensifying market competition.	The sales of traditional construction machinery products will be affected, making products unsalable.	Strengthen market research to understand market demands; adaptively adjust product structure and market positioning to expand the market share of green products and optimize industrial presence.
	Reputation risk	The attention from the public and stakeholders towards the Company's response to climate change, adherence to the "carbon peaking and carbon neutrality" goals, and commitment to sustainable development has increased.	Failure to meet the expectations of the public and stakeholders regarding the Company's green transformation and proactive response to climate change risks could result in customer loss, decreased investor trust, and diminished competitiveness.	Enhance public opinion monitoring, establish crisis management plans for negative publicity, foster transparent and efficient communication channels with stakeholders, and improve the quality of ESG information disclosure.



Risk type	Climate change risk	Risk description	Potential impact	Action
Physical risk	Immediate risk	Extreme weather events such as low temperatures, snowfall, heavy rain, and typhoons occur more frequently.	Logistical resources will be strained, exacerbating pressure on road transportation and affecting various aspects of production and operations such as raw material supply and product delivery, resulting in financial losses.	Monitor suppliers' regarding material preparation and production status, analyze the rationality of procurement cycles; establish a mechanism for supply chain risk supervision and management, create a weekly alert for anomalies throughout the process and follow up on closure; diversify the supply of raw materials to reduce dependence on a single supplier and supply location, thereby enhancing supply chain stability.
	Non-immediate risk	Global warming leads to rising sea levels, resulting in natural disasters such as high temperatures and droughts, as well as deteriorating climatic conditions in raw material production areas.	There is a risk of supply chain disruptions, leading to the inability to deliver products, which in turn increases production costs.	

Green production

XCMG Machinery places significant emphasis on regulating environmental protection within its production and operational activities. We strive to establish an environmentally friendly enterprise, promote ecological civilization, and drive sustainable economic and social development. As of the end of 2023, four subsidiaries had obtained national certification as green factories, while eight subsidiaries had received provincial-level certification as green factories.



▲ Figure Green factory certificate for XCMG Machinery's subsidiaries

Environmental protection

XCMG Machinery strictly complies with environmental protection laws and regulations, including the Environmental Protection Law of the People's Republic of China. The Company has established the Environmental Protection Supervision and Management Policy and set up an Environmental Protection Committee and Office. Continuous efforts are made to enhance monitoring of critical environmental indicators such as energy conservation, emissions control, energy consumption, and carbon emissions. XCMG Machinery signs HSE commitments, sets annual environmental protection targets, and prioritizes the standardization of environmental management practices across its processes. As of the end of 2023, its 24 subsidiaries had their environment management systems certified according to ISO14001:2015 standard.

Table XCMG Machinery's environment management targets and their completion in 2023

Environment management objectives	2023 outcomes
No significant environmental event or pollution	No significant environmental event or pollution occurred.
Emissions and discharges in compliance with laws	100% compliance





▲ Figure Certificate of ISO14001 environment management system of one of XCMG Machinery' subsidiaries.

XCMG Machinery adheres to the principle of “unity of environmental, economic, and social benefits”, placing significant emphasis on preventing and managing environmental risks. The Company has developed an “Emergency Response Plan for Environmental Pollution Accidents” and rigorously adheres to procedures for environmental impact assessments and necessary approvals for construction projects. It conducts regular monitoring of pollutant emissions, undertakes clean production audits, clarifies environmental protection responsibilities, and enhances the quality of environmental management system operations.



Energy and resource management ▷▷

Water resource management

XCMG Machinery continues its efforts to enhance water resource management by coordinating its production entities to devise annual water usage plans, fully embracing water conservation principles, and preventing water wastage. In 2023, the total water consumption of the Company amounted to 2,858,820 tons, and XCMG Heavy Machinery, a subsidiary of the Company, was awarded the honor of “Water Efficiency Benchmark Enterprise” by the Xuzhou Municipal Government.

Water resource management measures by XCMG Machinery

- Give priority to purchasing of and promote the use of water-saving equipment and facilities.
- Exclude high-water-consuming applications, equipment, and processes from investment projects.
- Regularly inspect and maintain water facilities to prevent any instances of leakage.
- Improve water consumption measurement and analysis, conduct regular reviews of water-saving practices across departments, and compile and assess the requirements for water-saving technological upgrades.
- Regularly inspect water pipes to prevent pipe bursting incidents.
- Enhance the promotion of water-saving concepts and organize targeted training sessions.
- Rainwater collection and recycling, wastewater treatment and reuse, steam condensate water recycling.



XCMG Heavy Machinery was awarded the honor of “Water Efficiency Benchmark Enterprise” in Xuzhou.

Total water consumption
2,858,820 Ton



Energy management

XCMG Machinery has established an Energy Management Policy and built an X-EMS energy management platform. This platform utilizes energy measurement, automated analysis, and real-time monitoring to categorize core strategies for energy conservation and carbon reduction in electricity, steam, and natural gas usage. This initiative significantly enhances the efficiency and transparency of energy and carbon emission management within the Company. With a focus on optimizing welding processes, upgrading coating technology, converting air compressors to variable frequency, and integrating renewable energy applications, XCMG Machinery has reduced energy consumption across its industrial chain, laying a robust foundation for its green and low-carbon transformation. As of the end of 2023, 15 subsidiaries had their energy management systems certified according to ISO 50001:2018 standard. In 2023, the Company achieved a comprehensive energy consumption of 0.0145 per 10,000 RMB of output value. For 2024, it has set a target to further reduce this figure to 0.0134.

Table Energy efficiency management measures by XCMG Machinery

<p>Welding process optimization</p>	<p>Developing dynamic optimization models for energy efficiency of welding process, gradually implementing advanced technologies like high-speed laser welding, optimizing shielding gas formulations, enhancing welding process efficiency, and reducing energy consumption during welding by 70% to 80%.</p>
<p>Coating technology upgrading</p>	<p>Developing energy efficient, low-emission, environmentally friendly coating technologies such as low-temperature curing, and replacing direct-fired gas processes with gas infrared heating to improve drying efficiency by 20% to 25% and reduce energy consumption by 25% to 30%.</p>
<p>Air compressor up-graded to variable frequency</p>	<p>Implementing frequency conversion for air compressors, achieving automatic start-stop control, and enabling each compressor unit to save 132,000 kWh each year.</p>
<p>Application of renewable energy sources</p>	<p>Harnessing the potential of renewable energy sources like photovoltaic power generation, and utilizing the unused space on rooftops and parking shed roofs within the Company premises for solar panel installation to generate electricity. As of the end of 2023, the Company's installed photovoltaic capacity reached 112 MW.</p>



XCMG Machinery's EMS platform



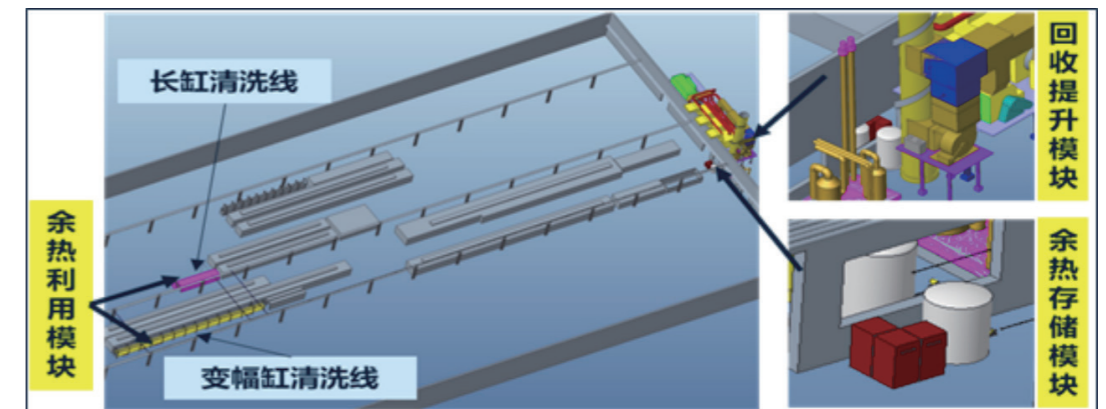
Bird's view of XCMG Machinery's photovoltaic power generation facility

XCMG Heavy Machinery's certificate of energy management system



Case Development of technologies for waste heat recycling

XCMG Machinery has achieved a breakthrough in the industry by developing a technology for recovering waste heat from high-volume, unstable, and low-temperature coating exhausts. This accomplishment includes the successful development of composite phase-change thermal storage materials with high capacity, high stability and proper temperature range, as well as the design and development of Type 2 waste heat recovery systems for coating exhausts. In the system, the waste heat can be recovered at temperatures as low as 20 °C, reducing 30% of energy consumption and carbon emissions during the manufacturing process, providing essential decarbonization support for the Company's green and low-carbon transformation.



▲ Figure XCMG Machinery's coating waste heat recycling system

Table Energy management performance by XCMG Machinery

Natural gas consumption 20,149,000 m ³	Petroleum consumption 2,067.21 Ton	Diesel consumption 8,506.50 Ton
Electricity consumption 41,322.18 10,000kWh	Steam consumption 163,836.24 GJ	
Comprehensive energy consumption per 10,000 yuan value of output 0.0145 Ton of standard coal equivalent/ 10,000 yuan value of output	Total new energy consumption 74,145,373 kWh	Percentage of new energy consumption 19.64 %

Emissions and discharges management ▷▷

Wastewater control

XCMG Machinery upholds the principle of “separate treatment for domestic and stormwater pollution” in its wastewater management approach. It establishes wastewater treatment stations in each production entity and employs various treatment methods and technologies, including chemical and biological processes, tailored to the specific pollution factors of each unit. In addressing industrial wastewater discharge, the Company has adopted nanotechnology for water treatment, efficiently reclaiming heavy metal elements from electroplating wastewater. Following treatment, both domestic and industrial wastewater undergo testing to meet the Grade III standard outlined in the Integrated Wastewater Discharge Standards GB/T8978–1996. Then, the wastewater is discharged into the sewage treatment plant in the development zone for further management.

Moreover, the Company employs an information-driven platform for real-time monitoring of COD discharge, taking proactive measures to prevent discharge over the limits and thereby mitigating the risk of water source contamination. In 2023, the Company’s wastewater discharge amounted to 893,327.08 tons, achieving a reduction of 86,207.25 tons compared to 2022.



Waste water treatment station



Real-time platform for monitoring of COD discharge

Table XCMG Machinery’s wastewater control performance

Total wastewater discharge 893,327.08 Ton	Including: COD 54.68 Ton	Ammoniacal nitrogen 4.89 Ton
Total phosphorus 0.68 Ton	Suspended solids 12.88 Ton	Chromium (VI) 0.000048 Ton
Total chromium 0.000048 Ton	Total nickel 0.0000419 Ton	Waste water discharge reduction 86,027.25 Ton

Waste gas management

XCMG Machinery has accurately identified the two primary sources of air pollution: welding fumes and VOCs emitted during industrial coating. Tailored equipment management systems and targeted measures are devised to ensure that the concentration of air pollutants meets both national and local standards. These actions are pivotal in winning the battle against air pollution. In 2023, the Company’s waste gas emission amounted to 1,626,350.92 million cubic meters, achieving a reduction of 165,999.03 million cubic meters compared to 2022.

Table Waste gas management measures by XCMG Machinery

Welding fume management measures	Management measures on VOCs from coating process
<ul style="list-style-type: none"> •Use of environmentally friendly welding guns such as suction arm type, blow-suction type, and integrated machine type. •The welding workshop upgrading with the implementation of a dust-free system, including the construction of a centralized blow-suction type smoke and dust collection facility that covers all welding areas. •Regular inspection, cleaning, and assigned personnel management of dust removal equipment. 	<ul style="list-style-type: none"> •Improving the operational management protocol for the zeolite molecular sieve rotary wheel + regenerative thermal oxidation process equipment, with regular inspections to monitor its performance. •Use of on-line platform to monitor VOCs in real time. •Installation of exhaust gas treatment equipment leads to a VOCs treatment efficiency exceeding 96%.

Table XCMG Machinery’s waste gas control performance

Indicator	Unit	2023
Total waste gas emission	10,000 m ³	1,626,350.92
Including: particles	Ton	109.93
Sulfur dioxide	Ton	3.67
Nitrogen oxides	Ton	53.27
NMHC VOCs	Ton	101.84
Waste gas emission reduction	10,000 m ³	165,999.03

Solid waste management

XCMG Machinery continues to refine its system for the recycling and compliant disposal of manufacturing waste. As a pilot entity in China’s remanufacturing initiative, the Company actively aligns with the State Council and the National Development and Reform Commission’s “14th Five-Year Plan for Circular Economy Development”. It is establishing an efficient system for reusing industrial waste materials and advancing research and development in engineering machinery remanufacturing technologies. Through this initiative, the Company aims to create a comprehensive technical and equipment system for remanufacturing various machinery components and entire machines, including cranes, rotary drilling rigs, shield machines, hydraulic cylinders, pumps, and motors. This effort facilitates the value creation from and circular utilization of scrap resources like scrap steel, non-ferrous metals, and plastic waste, thereby supporting the realization of “zero-waste enterprises” and providing robust backing for Xuzhou’s “zero-waste city” pilot effort.

Furthermore, the Company adheres to the National Hazardous Waste Directory, precisely identifying hazardous waste generated throughout its production and operation procedures. It rigorously standardizes the collection, transfer, and storage processes of hazardous waste, which is entrusted to qualified entities regularly for disposal. As of the end of 2023, the Company invested a total of 215 million yuan in the project for hazardous waste centralized disposal. This project includes one production line for hazardous waste incineration and one production line for waste packaging drum cleaning and reuse. Together, these facilities can handle 22,200 tons of hazardous waste annually. As of the end of 2023, three subsidiaries under XCMG Machinery were recognized as excellent enterprises in the special rectification of hazardous chemical use and management. In 2023, the Company generated 5,989.34 tons of hazardous waste, all of which was disposed properly.



XCMG Machinery’s hazardous waste warehouse



Subsidiaries under XCMG Machinery were recognized as excellent enterprises in the special rectification of hazardous chemical use and management.

Table XCMG Machinery’s solid waste treatment performance

Indicator	Unit	2023
Total hazardous waste produced	Ton	5,989.34
Including: organic solvent waste and waste containing organic solvent	Ton	74.06
Mineral oil waste and waste containing mineral oil	Ton	920.81
Oil/water, hydrocarbon/water mixture or emulsion	Ton	426.48
Dye and paint waste	Ton	2,988.27
Surface treatment waste	Ton	433.36
Waste containing chromium	Ton	23.79
Waste containing lead	Ton	91.61
Waste acid	Ton	119.81
Other waste	Ton	911.16
Total hazardous waste disposed properly	Ton	5,989.34
Percentage of hazardous waste disposed under laws	%	100

Noise management

XCMG Machinery strictly complies with laws and regulations such as the Environmental Noise Pollution Prevention Law of the People’s Republic of China. Noise management is a core focus for the Company which emphasizes the control of noise sources. This is achieved through optimization of processes and upgrading equipment, thereby effectively reducing noise pollution generated during the production of mechanical equipment.

Table Noise management measures by XCMG Machinery

Process optimization	Promoting the adoption of electric grinding tools as alternatives to pneumatic ones, and utilizing flexible grinding discs to reduce noise during grinding operation.
Equipment upgrading	Upgrading air-operated impact wrenches to lithium battery-powered impact wrenches.

Green life

XCMG Machinery seamlessly incorporates the principles of green development into its daily office practices and operations. It establishes internal green office action plans and holds ecological awareness campaigns. By promoting energy efficiency and low-carbon business practices, the Company endeavors to cultivate a green workplace environment and foster a culture of low-carbon living.

Green office ▶▶

XCMG Machinery focuses on five areas: electricity, water, paper usage, vehicles, and material within office premises. It emphasizes standardizing green office practices among employees to prevent wastage of resources and energy, thereby maintaining energy efficiency. Additionally, the Company installs electric vehicle charging stations so that employees are encouraged to opt for new energy vehicles, facilitating low-carbon transportation. In 2023, the Company's usage of packaging materials reached 3,817.19 tons. As of the end of 2023, the Company owned 11 new energy official vehicles for business purposes, with 347 electric vehicle charging stations installed. In 2023, the total external charging capacity of these stations reached 804,906.89 kilowatt-hours.

 <p>Reducing electricity consumption</p>	<p>Prioritizing the use of energy-saving office equipment such as LED lights and strengthening the management of high-energy-consuming devices.</p> <p>Use of energy-saving posters to eradicate the “always-on” lights and “daylight” lamps.</p> <p>Reducing the electricity consumption and standby power consumption of office equipment, as well as minimizing equipment idling.</p> <p>Properly setting the working duration and temperature of air-conditioners.</p> <p>Electric power monitoring platform is used to enhance electricity consumption metering and analysis.</p>
 <p>Reducing water consumption</p>	<p>Displaying water-saving slogans and posters in public water usage areas to prevent “running water”.</p> <p>Strengthening the management of water-related equipment such as water dispensers, pipes, and faucets.</p>
 <p>Reducing paper consumption</p>	<p>Encouraging online work and electronic documents, advancing towards a paperless office.</p> <p>Double-sided printing</p>
 <p>Vehicle management</p>	<p>Enhancing the management of vehicles for business purposes by strategically planning trips and passenger occupancy.</p>
 <p>Material management</p>	<p>Distribution of production order management regulations and logistics management policy to standardize the issuance and utilization of production materials.</p>



Charging stations



Water-saving signs



Electricity saving signs



Paper saving signs

Table Green office performance by XCMG Machinery

Indicator	Unit	2023
Paper savings in office areas	Ton	34.60
Packing materials consumption	Ton	3,817.19
Consumption of recycled packaging materials	Ton	736.19
Total new energy vehicles for business purposes	Unit	11
Total charging stations	Set	347
Total outgoing electricity supplied by charging posts	kWh	804,906.89

Green activities ▷▷

Seizing the opportunity presented by Tree Planting Day in 2023, XCMG Machinery coordinated spring tree planting events. Leveraging enjoyable activities, the Company communicated the strategic importance of advancing green development and fostering harmony in humanity and nature to all employees. This initiative aimed to instill a deep commitment to the development philosophy that green mountains and lucid waters are valuable assets.



XCMG Machinery's tree planting activity



XCMG Finance's tree planting activity





United in purpose for a better life

XCMG Machinery upholds a philosophy of responsible business management, continuously ensuring product quality and elevating customer service standards. We deepen our commitment to innovation and research and development, enhancing our capacity for sustainable growth. By strengthening strategic partnerships and collaborating within the industry, we contribute to the “Belt and Road” initiative, fostering a mutually beneficial ecosystem. With a focus on people, we prioritize the well-being and rights of employees, nurturing talent and promoting their physical and mental health. As a state-owned enterprise, we embrace social responsibility, take part in meaningful public welfare activities and demonstrate our steadfast commitment to sustainability alongside our partners.

Table Performance highlights in 2023

Annual investment in research

503,868.87^{10,000 yuan}

Customer satisfaction

98.6%

Total employee training expense

2,603.40^{10,000 yuan}

Total employee training expense

953

Correction rate of safety risks identified

100%

(SDGs) Responses to UN SDGs



Quality assurance

XCMG Machinery is committed to thorough implementation of quality management and operational excellence principles. By continually upgrading its technology, refining research and development processes, and actively engaging in customer demand research, the Company ensures seamless communication channels with customers. This dedication allows us to deliver premium products and elevate both product quality and customer service standards.

Quality monitoring

As a global enterprise, XCMG Machinery places utmost importance on product quality. The Company diligently complies with local regulations governing its operations, employing multiple measures to ensure product quality. Furthermore, it enhances the development of our quality management system and implements incentive mechanisms for quality assessment, thereby reinforcing standardized operating procedures. The Company has released the Standard for Managing Key Quality Performance Indicators of Products, monitoring monthly quality metrics, analyzing any anomalies, and facilitating targeted enhancements for entities with abnormal metrics.

The Company actively fulfills its responsibility for product quality by establishing a robust quality control and inspection system. It rigorously oversees product quality to ensure product reliability and excellence in the market. The Company's ISO9001 quality management system certificate remained valid in 2023.



▲ Figure ISO9001 certificate of XCMG Machinery

The Company implements specialized tracking and scheduling for critical exports, swiftly supervising and resolving quality issues concerning products to overseas markets. We implement tracking and scheduling for key exports, ensuring quality control in aspects such as product reliability, contract requirements, and product appearance. We conduct specialized supervision for over 10 significant quality issues reported from overseas regions, organizing root cause analysis and addressing market-related problems. As of now, overseas regions have reported 331 issues regarding the quality of overseas products and improvement suggestions through the CSM system. The factories for producing main units have resolved 312 issues, with a resolution rate of 95%.

XCMG Machinery has identified pain points in product quality that often arise during new product development, design changes, manufacturing process changes, and the introduction of main units into new markets. In response, the Company has formulated the Initial Material Management Process, which categorizes and manages initial materials based on the degree of impact on product characteristics and quality resulting from changes. We have implemented a graded classification management system for critical changes in the research and development process, encompassing new product development, design changes, 5M1E changes during manufacturing stage, and the introduction into new markets during the sales process. This ensures stable and controlled process management for product quality.

To drive improvements in product quality, the Company has initiated a targeted effort focusing on enhancing corporate quality indicators. In 2023, a total of 48 projects under the effort were initiated across 24 main unit and component entities, facilitating the efficient progress of quality enhancement work.

Case description

XCMG Machinery has coordinated with its subsidiaries and branches to identify and develop a checklist for inspecting potential weld fractures, as per the Macroscopic Inspection Requirements for Destructive Weld Testing of Engineering Machinery. Standardized inspections for such risks are conducted regularly. Through weld fracture inspection program, we conduct in-depth analysis of weld seam failure causes, regularly monitor the welding quality of vulnerable weld seams, and facilitate the enhancement of welding process capabilities. This work ultimately promotes the improvement of product reliability.



XCMG Mining Machinery performed reliability validation project for XDE440 product exported to Peru along with specialized tests on braking, fuel consumption, and lifting capabilities.

The Company undertook a specialized correction plan for its high-end market products in Australia. Under the correction plan, a total of 789 units were expected for rectification, with 779 units successfully completed, resulting in a completion rate of 98.7%.



Case XCMG Machinery's efficient XPS (lean six sigma) management

In 2023, XCMG Machinery launched 373 Six Sigma projects, spanning across 22 subsidiaries. Among these, there were 304 Green Belt projects and 69 Black Belt projects. In terms of project selection, particular emphasis was placed on addressing technical and quality challenges, with quality and research and development projects accounting for 88.2% of the total projects. The Company provided a 96-day training course for 12 classes. A total of 684 individuals passed the certification, with a pass rate of 88.6%.



Rights and interests of customers ▷▷

XCMG Machinery is committed to delivering exceptional after-sales service. To this end, we have established the After-Sales Service Management Policy which outlines management requirements regarding service standards, service forms, code of conduct, as well as training and development. Customers can access services through the customer service hotline at 4001109999. In the fiscal year 2023, the customer service center received 396,000 customer calls, averaging 33,000 calls per month.

The Company has the Customer Complaint Escalation Management Policy in place, oversees every aspect of customer complaint accepting, dispatching, process supervision, escalation, and closure. This ensures swift and effective resolution of customer complaints, protecting their rights, and enhancing the quality of after-sales service.

Rate of product/service-related complaints	Rate of responses to product/service-related complaints	Rate of product/service-related complaints resolved
0.22%	100%	91.20%

The Company's customer service center diligently follows up with a callback procedure, ensuring that callbacks are made within 24 hours after customer calls to confirm that issues have been effectively addressed or resolved. Furthermore, specialized customer surveys are conducted to understand customer needs. In 2023, the customer service center made 497,000 outbound calls for customer callbacks, averaging 42,000 calls per month.

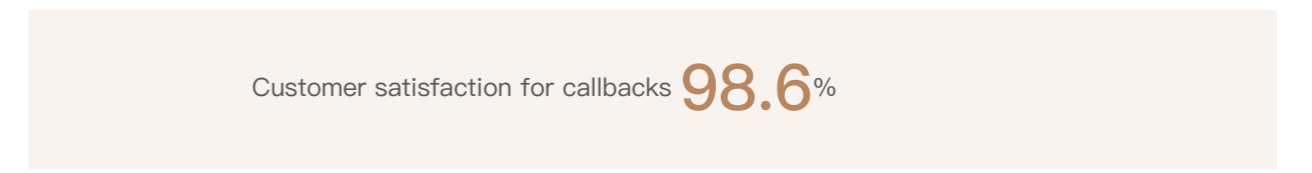





Table XCMG Machinery's measures for improving customer service

 Indicator management	We have maintained 24-hour completion rate reports and satisfaction reports to strengthen the management and control of service timeliness. Furthermore, we oversee and support lagging entities in developing specialized improvement plans and ensuring their implementation.
 Monthly reporting	A monthly report on service parts is prepared and submitted to relevant leadership, reinforcing service awareness and effectiveness, thereby enhancing service timeliness and satisfaction.
 Ensuring service resources	Quarterly, the service resources for each subsidiary, including the number of service personnel, service points, service vehicles, and spare parts inventory, are allocated. The Company focuses particularly on areas with limited service resources, continuously advancing the optimization and reinforcement of service resources.

XCMG Machinery employs measures such as data encryption, restricting data access, and employee training to comprehensively safeguard customer privacy. We utilize encryption software and watermarking to ensure document security, while restricting access to customer information to only essential personnel. Additionally, regular training sessions on data privacy protection are conducted for employees to ensure compliance with privacy policies. In 2023, the Company experienced no customer data breach.

Sustainable supply chain ▷▷

XCMG Machinery has established the Supplier Evaluation Management Regulations which specify comprehensive procedures for supplier admission, assessment, evaluation, penalties, and exit management. Emphasizing supplier risk management, information management, and integrity management, these regulations serve as key components of the Company's supply chain management, fostering a high-quality and sustainable supply chain. This approach aims to enable supply chain management system standard, regulated, process-oriented, procedure-based and digit-driven.

Step	Measures
Supply chain risk management	The Company identifies environmental and social risks in procurement, production, and logistics, including extreme weather events, energy resource utilization, policy changes, wars and conflicts, and shifts in market demand. It also performs risk assessment and analysis, and develops targeted mitigation measures accordingly.

Step	Measures
Procurement and supplier management	<p>The Company has incorporated ESG factors such as waste management, research and utilization of new energy and materials, occupational health, and environmental safety into supplier admission standards.</p> <p>The Company dynamically monitors and manages multidimensional data related to supplier product quality and material usage, and performs regular supplier quality performance evaluations.</p> <p>The Company actively organize exchanges and visits with strategic suppliers, and training sessions to enhance supplier quality cost management, carbon footprint calculation skills, and overall management capabilities.</p>
Packaging and logistics management	<p>The Company has established a traceable and verifiable green recycling system in collaboration with certified waste recycling organizations. This system will handle the collection, processing, and reuse of packaging materials and discarded products. Additionally, we will promote the reuse of supplier product packaging and provide customized packaging solutions by using renewable and biodegradable materials. This approach aims to standardize packaging, minimize waste during material transportation, and reduce environmental pollution.</p> <p>The Company has achieved the full coverage of battery-powered electric forklifts, strategically planned logistics routes to reduce energy consumption and air pollutant emissions.</p>
Information system management	<p>Leveraging the 3+2 system platform, the Company worked to establish the XCMG Global Digital Supply Chain Platform, centered around intelligent procurement decision-making and digitized warehouse functionalities. Focused on the “1-3-1” core line of supply chain management, this platform is designed to foster a collaborative supply chain system with synergistic effects, driving deep cooperation among upstream and downstream enterprises to enhance resource and energy efficiency.</p>
Social responsibility management	<p>The Company has revised the Integrity Cooperation Agreement and other transparency procurement regulations to achieve 100% coverage of supplier integrity agreements. Leveraging a digital supply chain management system that can be monitored real time to ensure fairness, transparency, and efficiency at every stage of the supply chain.</p>

The Company has developed the Green Supply Chain Management Policy, set up the Green Supply Chain Management Committee and Office, and created a low-carbon supply chain control platform. We have also created a digital system for carbon footprint accounting, assessment, and traceability of supply chain components. This system integrates the green and low-carbon concept into various business processes including product R&D, procurement, logistics transportation, manufacturing, and recycling. It aims to promote carbon footprint accounting throughout the entire industry chain, reduce the carbon footprint of products throughout their lifecycle, and create a digital and intelligent system for XCMG Machinery that encompasses carbon monitoring, analysis, and reduction. This initiative will support XCMG Machinery’s efforts into low-carbon supply chain development and achieve resonance with suppliers in low-carbon efforts. As of the end of 2023, 1 subsidiaries had their green supply chains certified.

XCMG Machinery’s management measures for green supply chain

The Company has devised an industry chain-wide platform for carbon footprint accounting, assessment, and traceability supported by data collection, analysis, and application and aimed at serving the entire industry chain, facilitating carbon neutrality. This platform aims to promote the development of a low-carbon supply chain and enable detectable, measurable, and traceable carbon emission data across all stages of its value chain.

The Company periodically discloses information regarding the environmental system certifications, progress in environmental initiatives, achievements in energy conservation and emission reduction targets, as well as pollutant emissions and other green management practices by upstream suppliers. This facilitates the sharing of green information on the supply chain management platform and enables effective monitoring of suppliers’ energy and resource consumption, as well as their environmental management performance.

The Company monitors suppliers regarding their environmental system certifications, 3C certifications, and hazardous substance process management system certifications. It performs regular supplier risk assessments based on environmental indicators such as resource and energy management capabilities, material risk management capabilities, and compliance with environmental requirements.

Case Supplier training on carbon footprint management

In alignment with China’s carbon peaking and carbon neutrality strategy and the implementation of the Company’s corresponding action plan, XCMG Machinery conducted a training session on carbon footprint accounting and management for component products. This initiative aims to advance the low-carbon development of the industry chain. During the training session, detailed presentations were given on domestic and international low-carbon policies, carbon footprint standards, carbon footprint accounting frameworks and processes, as well as case studies of carbon footprint applications in the supply chain. Representatives from 100 supplier representatives taking charge of carbon management engaged in discussions exploring strategies for sustainable development in the supply chain, focusing on green and low-carbon initiatives.



Technological innovation

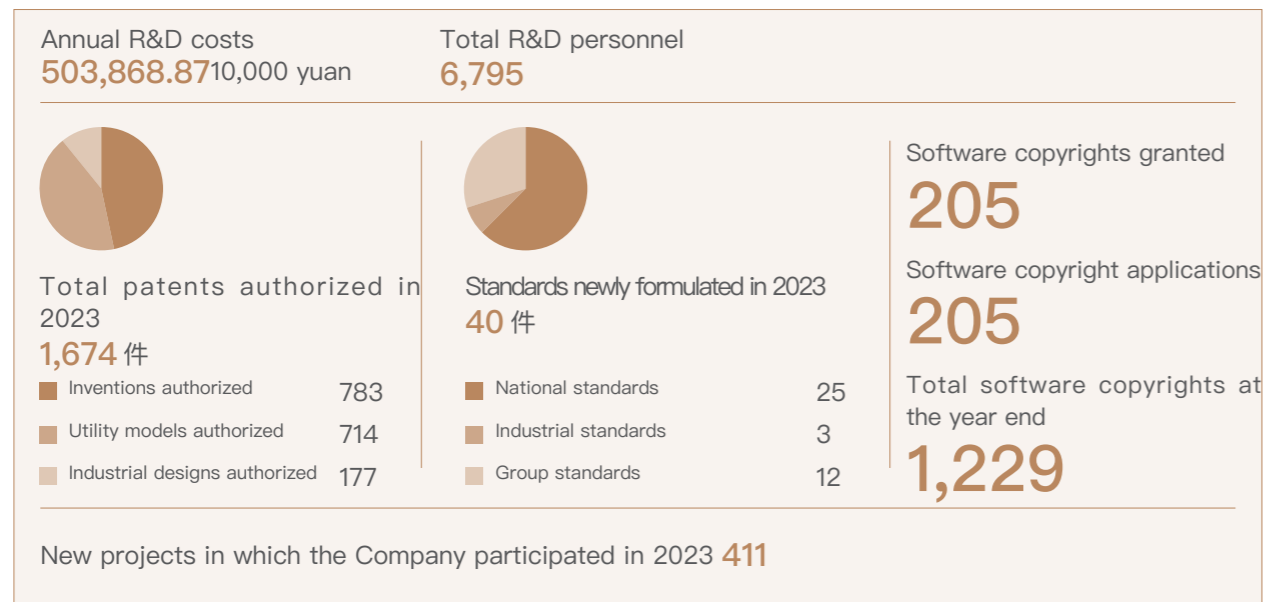
XCMG Machinery upholds a commitment to technological innovation, actively driving research projects, and pursuing excellence in innovative outcomes. The Company consistently strengthens its technological management system, fostering extensive collaborations with experts and scholars from both within and outside the industry to drive notable advancements in technological innovation.

Technological innovation framework

XCMG Machinery actively builds a “1+6+N” technological innovation framework, featuring high-end, intelligent, green, service-oriented and international to drive technological innovation. The Company has implemented distinctive XCMG-specific policies focusing on organizational innovation, institutional innovation, management innovation, technological innovation, and product innovation. These include the Research and Development Management Policy, and the Technological Innovation Project Management Measures among others.

The Company has formed a Technical Committee, tasked with decision-making, resource allocation, and external collaboration in technological innovation initiatives, to explore engineering technologies and provide solutions for global construction and sustainable development. As of the end of 2023, a total of 35 major research and development platforms at or above the provincial level were established. These include one national-level Industrial Design Center, one National Key Laboratory for Intelligent Manufacturing of High-end Engineering Machinery, one CNAS-accredited testing center for engineering machinery whole units and parts as well as two provincial-level manufacturing innovation centers, eight provincial-level engineering research centers, eight provincial-level research centers for engineering technologies, and 14 provincial-level enterprise technology centers.

Table XCMG Machinery’s innovation performance



Academic exchanges

XCMG Machinery actively participates in technical exchanges within the industry. Leveraging its advantages in industry-university-research resources, the Company extensively collaborates with universities, research institutions, and other entities, fostering deep and comprehensive partnerships. This has led to the establishment of interdisciplinary industry-university-research-application consortia. This collaborative model has contributed to numerous technologies reaching leading positions internationally, domestically, and within the industry.

Table XCMG Machinery’s participation in academic exchanges



Cooperations and exchanges with Nanjing University of Aeronautics and Astronautics



Hosting the IMIE2023 (Intelligent Manufacturing International Summit and Expo).



Participating in the first Engineering Machinery Technology Innovation Conference 2023



Dana Technology Exchange Day



XCMG Machinery – Baosteel Joint Lab

Technological achievements

XCMG Machinery consistently optimizes its management of research projects. This includes the implementation of project registration and classification systems. Monthly, the Company conducts quality checks on key project milestones and issues warnings for critical checkpoints to strengthen control over project progress. Furthermore, the Company strengthens collaborative efforts with industry partners by appointing specialized leaders to facilitate synergy between research and industrial operations. In terms of engineering delivery, the Company has initially established standards for project outcomes in product development and component research, driving the transition from technology delivery to engineering delivery.

Table XCMG Machinery’s important achievements in technological innovation

R&D awards	Achievements
In 2023, XCMG Research Institute’s project titled Establishment of Carbon Emission Control System for Large Construction Machinery Enterprise Groups toward Carbon Integration was awarded the Second Prize of the 30th Jiangsu Province Enterprise Management Modernization Innovation Awards.	The world’s largest tonnage wheeled crane, the first XCMG XCA3000, independently developed in China, has completed its first assignment in Yingkou, Liaoning Province.
The project named Integrated Research and Application of Carbon Reduction Management System throughout the Lifecycle of Large Construction Machinery Products was honored with the “Green Circulation” Outstanding Award at the 2023 BRICS Industrial Innovation Competition.	XVM1600, the world–first vertical milling mining machine, jointly developed by an enterprise from Shanxi and XCMG Infrastructure, successfully underwent on–site trial tests.
The ZL201830721208.1 Crawler Crane project submitted by the Industrial Design Center of the Research Institute, clinched the China Industrial Design Gold Award.	The 2000–ton crawler crane XGC28000 completed the fan assembly for the world’s first floating wind–fishery integration project, i.e., “Guoneng Gongxiang” in Fuzhou.
The Research and Application of Cable Reel and Automatic Extension Control Method for Wheeled Crane Telescopic System, from XCMG Heavy Machinery, and the Key Technologies and Industrialization of Ultra–large Pile Foundation Construction Equipment for Large Diameter and Hard Strata, from XCMG Infrastructure have been awarded the First Prize of Science and Technology Progress Award for China Machinery Industry.	XCMG released China’s first 40–meter telescopic aerial fire truck with straight and articulated boom.
XCMG Machinery’s project titled Research and Application of Key Technologies for Intelligent Green Container Terminal was awarded the Special Prize of the Science and Technology Award by China Ports and Harbors Association.	The world’s first hydrogen–powered electric loader, the XC968–FCEV, developed through collaboration between XCMG and a large mining enterprise based in Shanxi, has been successfully deployed in Shanxi Province.

An ecosystem for mutual benefits

XCMG Machinery is committed to openness and mutual benefit, collaborating closely with partners to achieve exceptional results together. Through deep collaboration and close communication, the Company not only strives to foster a tighter industrial ecosystem but also advances global resource sharing and complementing strengths, thereby forging a bright future of coordinated development.

The Belt and Road ▶▶

XCMG Machinery is actively involved in the Belt and Road initiative. Guided by the principles of mutual consultation, joint construction, and shared benefits, we prioritize openness, sustainability, and integrity in our efforts to contribute to the high–quality development of this initiative. Seizing upon opportunities for growth, we accelerate our global expansion and practice our internationalization strategy. Our presence along the Silk Road serves as a testament to our industrial prowess, propelling our flagship machinery towards greater global recognition. Our Belt and Road efforts go beyond mere trade, aiming to integrate the global value chain. With nearly 40 overseas subsidiaries and over 300 overseas dealers, we have our products available to 190 countries and regions worldwide, covering over 95% of countries and regions along the Belt and Road. Together with countries along this route, we share opportunities, pursue mutual development, and foster collective prosperity, paving the way for shared progress.

We remain steadfast in localized integration, driven by our dedication to serving local communities and residents. With solutions, ideas, and strength, we play an active role in local development initiatives. Through localized projects, we aim to deliver high–quality Belt and Road construction, and deepen cooperation and communication with local stakeholders to facilitate the enhancement of local infrastructure. We provide comprehensive services to projects, including product adaptability improvement, spare parts, on–site engineers, financial assistance, and localized currency settlement. Through local employment efforts and the development of local talent, we contribute to the sustainable development of local economies and societies. In 2023, we successfully established overseas training centers in multiple countries along the Belt and Road, and made the most of advanced technologies such as big data and 5G to expedite the supply of spare parts overseas and efficient services to our global customers.



Jakarta MRT Project
Several XCMG XEG2600 telescopic excavators were contributing to the construction of the second phase of the Jakarta MRT North–South Line project. Serving as pioneers in this infrastructure endeavor, they were tasked with the critical role of initial earth excavation.



Upgrading of the National Road 31/33 in Cambodia
More than twenty units from XCMG Machinery, including road rollers, bulldozers, and graders, were involved in the upgrading and reconstruction of the National Road 31 and 33 in Cambodia. This project holds significant importance in promoting transportation infrastructure development and enhancing the quality of roads in Cambodia.



Swak Dam Project in Kenya
13 XCMG XS263S road rollers were supporting the construction of the Swak Dam in Kenya. The dam's civil engineering in which XCMG Machinery played a role covers a stretch of about 1.5 km, with a total embankment volume of approximately 12 million cubic meters.



Dangote Refinery Project in Nigeria
Since the initiation of the Dangote project, several hundred XCMG employees and over 2000 units of XCMG products spanning cranes, trucks, concrete machinery, piling machinery, excavators, and road machinery have been engaged in the construction. The project is anticipated to deliver 12 gigawatts of electricity to the local area.

Case Addressing drought and extreme weather to build a secure future for water sources

Since 2016, XCMG Machinery has partnered with the Poverty Alleviation Foundation to address the long-term drought challenges in Ethiopia by constructing household water cellars in affected areas. The Company employs rooftop and ground-level water harvesting technologies to efficiently collect rainwater during the rainy season. Following filtration and treatment, the water is distributed to villagers for drinking and agricultural needs during the dry season, alleviating water scarcity issues for the community. As of the end of 2023, the Company had constructed 161 household water cellars and 20 school water purification systems, meeting the basic water needs of local farmers for domestic, livestock, and production purposes during the dry season.



▲ Figure XCMG Machinery's household water cellar project (phase IV) 2023

Localized management ▷▷

The Company actively pursues an internationalization strategy, prioritizing the utilization of local talent to support its cross-border business development. XCMG Machinery strengthens recruitment, training, and management of local talent. The Company upholds a policy of localized management, giving priority to the employment of residents. We provide them with employment opportunities, cultivate their professional skills, and strengthen local employment management. This approach respects local cultures, enhances welfare systems, and ensures the rights of our employees. As of the end of 2023, the Company had over 5000 local employees, effectively supporting the operations of overseas subsidiaries.



▲ Figure XCMG Machinery's overseas employees



Strategic cooperation ▷▷

XCMG Machinery collaborates with “strategic partners” jointly exploring new opportunities for cooperation. Building on close collaboration, we strive together to achieve outstanding performance and share the fruits of success. Through collaboration, XCMG Machinery will leverage its technological prowess and innovative capabilities, working with its strategic partners to reach the pinnacle of the industry together.

Case XCMG Machinery deepened its collaboration with China Railway Tenth Bureau

In November 2023, XCMG Machinery and China Railway Tenth Bureau signed a letter of intent for cooperation in new energy equipment. Both parties have gained mutual benefits in areas such as resource sharing, market expansion, and cost management. Both parties look forward to close collaboration in overseas projects, jointly undertaking high-quality orders, and committing to delivering premium projects. This aims to further enhance their influence in the international market and create a brighter outlook for cooperation.



Case XCMG Machinery and Chongqing Expressway signed a strategic cooperation agreement

XCMG Machinery signed a Strategic Cooperation Agreement with Chongqing Expressway, aiming for technological research in the construction and maintenance of expressways, with a particular focus on the development of smart construction technologies and platforms. The collaboration also encompasses extensive exchanges in talent development, technology, culture, and other areas, with a commitment to driving the advancement of the intelligent construction market and fostering mutual success.



Case XCMG Machinery and Toyota signed cooperation agreement in the field of hydrogen power

In July 2023, XCMG and Toyota signed a strategic cooperation agreement in the field of hydrogen energy. This agreement aims to establish a Xuzhou-based production center manufacturing hydrogen-powered machinery and core component, thereby catalysing the comprehensive development of the hydrogen industry chain in Xuzhou.



Industry advancement

XCMG Machinery is active in industry exchanges and knowledge sharing, continually updating its foundation for innovative technologies, and propelling the industry towards higher-quality development. With a dedication to building a prosperous and sustainable future, the Company contributes to the industry's innovation and progress. XCMG Machinery's involvement injects new momentum into driving industry development.

Case XCMG Machinery showed up in BICES 2023

In September 2023, XCMG unveiled its "Steel Intelligence" to the world under the theme of Digital and Green, showcasing 28 flagship products across 8 major sectors along with intelligent technological achievements and comprehensive solutions.



Case XCMG Machinery invited to Engineering Machinery Technology Innovation Conference 2023

In September 2023, XCMG Machinery hosted the 2023 China Engineering Machinery Technology Innovation Summit and the Prime Suppliers 500 Conference for Components. During the event, 11 individuals from XCMG were selected for the 2023 China Engineering Machinery Technology Innovation Top 50, while 5 XCMG entities were included in the 2023 China Engineering Machinery Components Prime Suppliers 500, making it the enterprise harvesting the most honors in the industry.



Case XCMG Machinery products showed in the Wandering Earth II

In 2023, XCMG Machinery utilized numerous innovative advancements in the film The Wandering Earth 2. These developments, tailored for complex environments including high altitudes, extreme temperatures, and harsh conditions, centered on intelligent, green, and high-end technologies. Notably, unmanned and new energy equipment accounted for over one-third of the total equipment used in the film. These super equipment ensured the production of top-quality footage, showcasing China's industrial manufacturing capabilities.

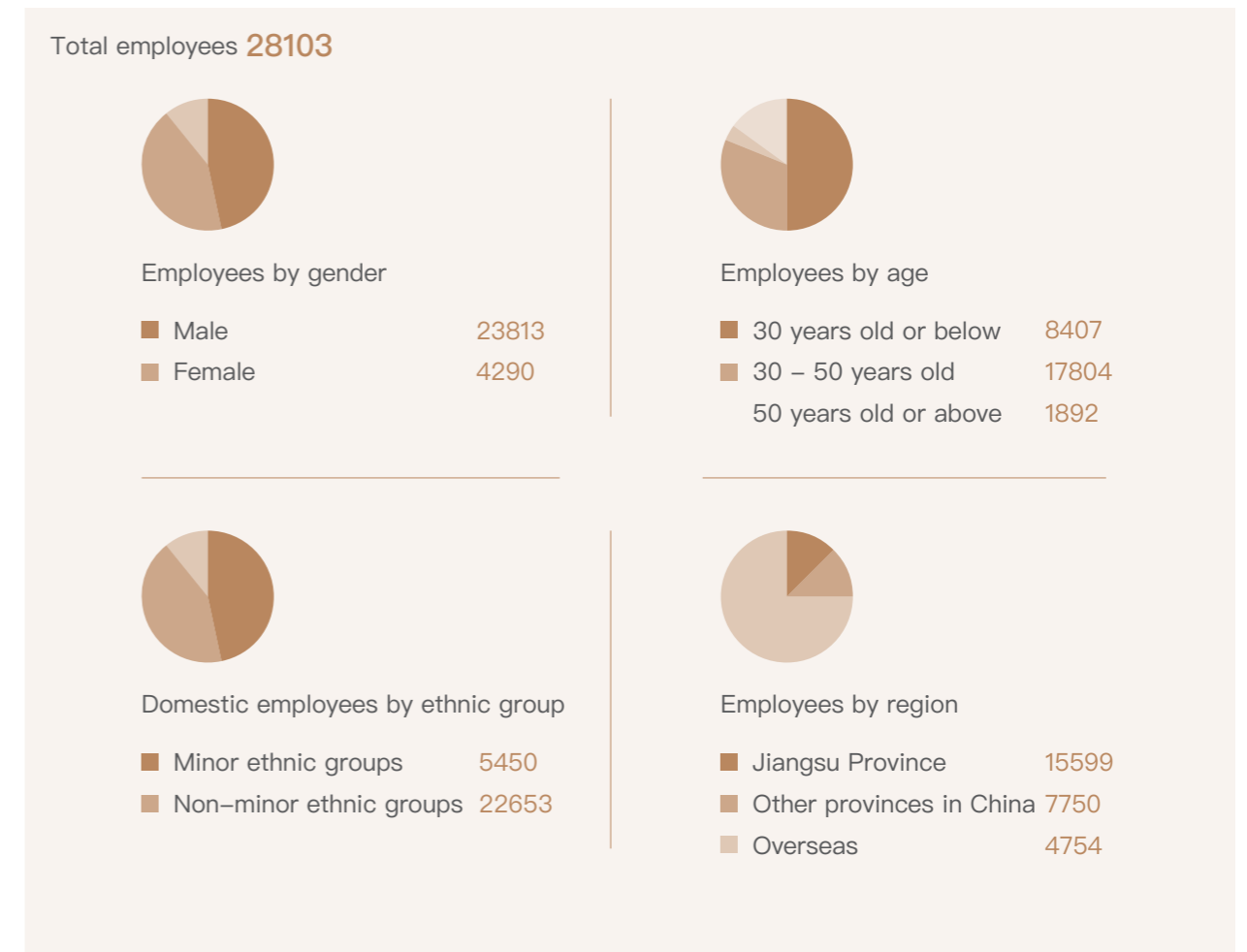


Protection of rights and interests of employees

XCMG Machinery is committed to fulfilling its responsibilities to employees by adhering to legal employment practices. We continuously optimize our employee welfare system, implement comprehensive talent development programs, and enhance our employee care initiatives, ensuring a nurturing environment for all employees.

Lawful employment

The Company strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and various local regulations. It has implemented internal policies including the Labor Contract and Personnel Profile Management Policy, Employee Attendance and Leave Management Regulations, and Employee Departure Management Regulations. It lawfully signs labor contracts with employees, prohibit child labor and forced labor, and rejects all forms of discrimination in labor practices.



Salaries and benefits ▷▷

The Company has developed internal policies including the Employee Compensation Management Policy and the Employee Performance Management Policy. We distribute performance bonuses, adjust salaries and positions based on performance review results, build a welfare system including supplementary medical insurance and corporative social security and accumulation fund, implement employee stock ownership plan and offer benefits such as transportation subsidies, heat allowances, and meal allowances to employees.

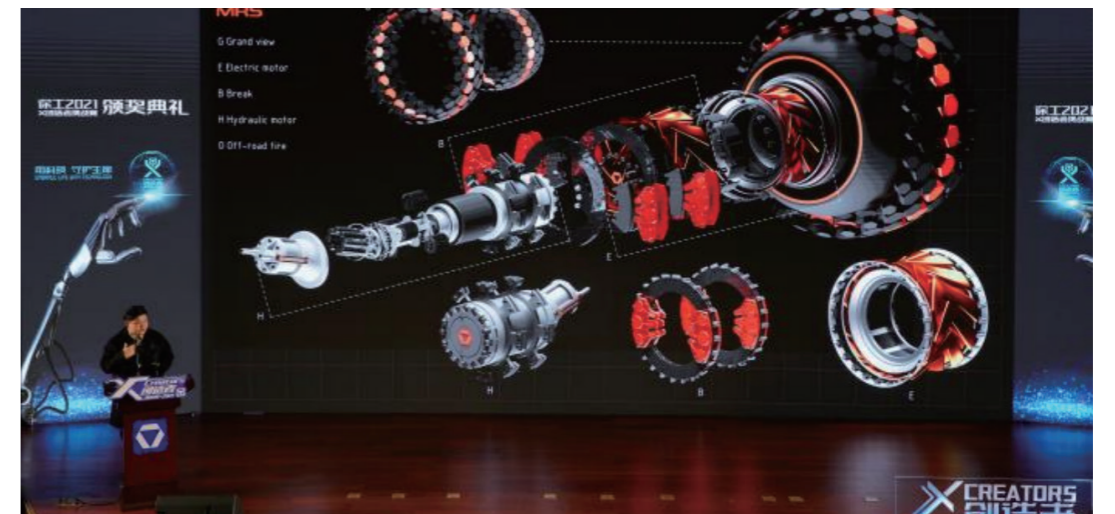
Career development ▷▷

The Company continuously enhances its talent development system to cultivate a top-tier talent pool. We focus on two strategic priorities, i.e., internationalization and technological innovation to establish a qualification framework and explore the intrinsic laws of talent cultivation. With the “Layered Classification and Grading” talent development framework and the introduction of new concepts and initiatives, we strive to enhance the alignment of talent cultivation with Company strategies and its integration into business development. This effort has led to the cultivation of a cohort of high-level individuals distinguished by their integrity and competence. Utilizing a blend of online and offline methods, centralized and decentralized approaches, and theoretical and practical training, we strengthen the development of talent across fields including technology, management, marketing, manufacturing, and internationalization. This ensures a continuous influx of talent to fuel the achievement of the Company’s ambition.



Case XCMG Machinery held “X Creator Challenge”

XCMG Machinery held the biennial “X Creator Challenge” centered around the theme of “using technology to safeguard lives”. This event was jointly organized by XCMG Machinery, China Academy of Safety Science and Technology, and the Industrial Culture Development Center of MIIT. The challenge aimed to unite innovative forces for driving the industry towards a transformation and upgrade focused on green, safe, and sustainable development, while fostering high integration between industry and design. The event had four stages: global recruitment, offline sessions, preliminary rounds, and final showdowns. A total of 2,978 teams from around the world registered, resulting in 261 outstanding submissions. Through offline sessions, live broadcasts, and specialized coaching sessions, we provided tailored guidance to over 200 participants, enhancing the quality of their submissions.

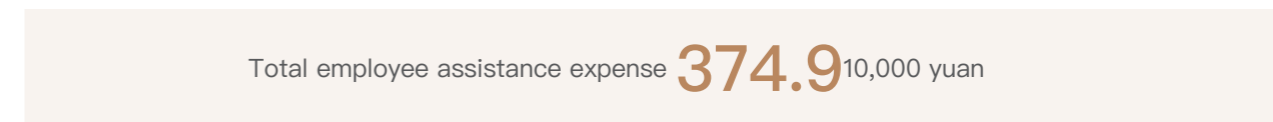


Employee care ▷▷

Employee assistance

XCMG Machinery cares for employees facing difficulties by establishing assistance standards. In 2023, the Company distributed 454,000 yuan to employees in need. We routinely visit employees facing difficulties, offering financial assistance to those who are hospitalized or ill, along with their families. In 2023, the total expense for employees facing difficulties reached 2,565,300 yuan.

In 2023, the Company conducted employee care activities in summer and winter, distributing 120,000 boxes of Huoxiang Zhengqi Oral Liquid for heat-exposed workers. Additionally, in response to special circumstances such as employee retirement or the passing of family members, we organized 160 care visits, reaching 98,266 family members of employees. These efforts demonstrated our care for our employees.





Sending warmth in winter



Helping employees in difficulty

Caring for female employees

XCMG Machinery has set up a Women Committee to oversee the proper execution of “Special Collective Agreements for the Protection of Women Workers’ Rights” in subsidiaries, and to ensure the effective implementation of these agreements. The Company actively allocates resources for comprehensive care initiatives for female employees. These include the protection plan for women in menstrual period, pregnancy, perinatal period, breast-feeding period, perimenopause, health check-ups, and screenings for breast cancer and cervical carcinoma. We pay particular attention to the work and family situations



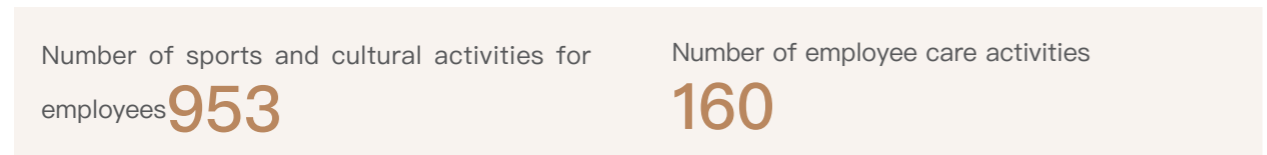
Figure Nursing room in XCMG Machinery

of female employees returning to work after maternity leave. Additionally, we have introduced dedicated dining access for pregnant and breastfeeding women. In 2023, 78 caring events were held for female employees, with an investment of approximately 2.78 million yuan.

The Company actively attends to employees’ family care needs by establishing a more nurturing work environment. To this end, we have set up nursing rooms to offer convenient breastfeeding and caregiving services for female employees.

Employee activities

XCMG Machinery values its employees and enriches their work and life by organizing diverse cultural and sports activities such as sports competitions, artistic performances, team-building exercises, and birthday celebrations.



The Company has established a 10-minute fitness routine. In 2023, based on employees’ needs, XCMG entities organized 953 cultural and sports activities, including mini-marathons and fun sports games. More than 80,000 individuals participated in these activities which contributed to fostering a positive work atmosphere, promoting employees’ physical and mental well-being, and demonstrating our commitment to comprehensive employee care.



Basketball contest



Swimming contest



Ping-pong contest





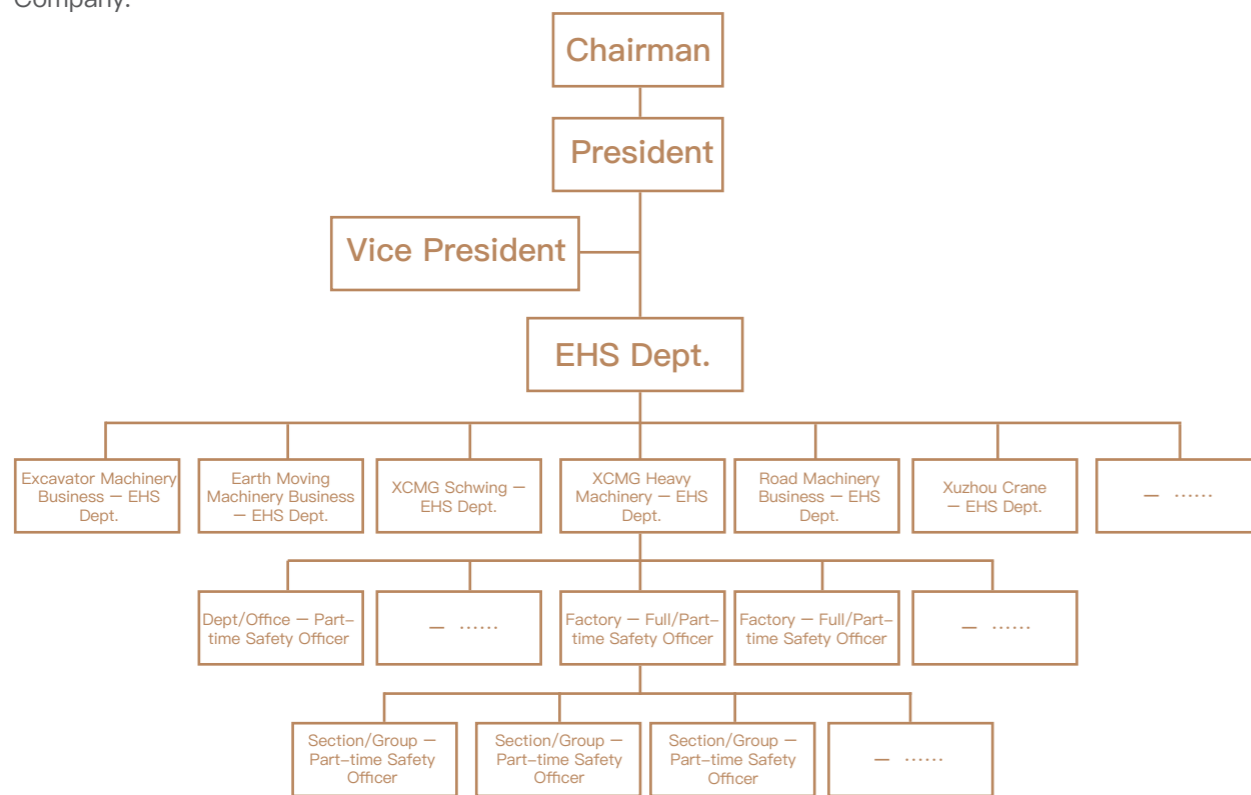
Safety mechanism

XCMG Machinery consistently emphasizes on workplace safety, continually refining safety mechanisms to ensure the well-being and health of its employees. With stringent safety management systems in place, the Company provides regular safety training, drills, and assessments to enhance employees' safety awareness and emergency response skills. The Company has instituted a comprehensive safety inspection mechanism, under which, regular checks on production equipment, work areas, and employee conduct are checked to promptly detect and rectify any potential safety hazards.

Workplace safety

Safety management system

XCMG Machinery strictly adheres to 15 internal safety rules and has established a safety management structure with the Chairman as the primary responsible individual. This structure oversees comprehensive safety supervision and occupational health protection throughout the Company, implementing and enforcing the XCMG Ten Safety Guidelines (2023 Edition) to build a culture of inherent safety within the Company.



▲ Figure XCMG Machinery's structure for safety management

Workplace safety managers 137	Registered safety engineers 54	Safety officers in branches 130
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Case XCMG Machinery's Safety Management Rules for Mid and Night Shifts

In May 2023, XCMG Machinery issued the Safety Management Rules for Mid and Night Shifts which stipulate the safety duties of shift factory leaders and full-time safety inspectors, inspection frequency, and record-keeping requirements for mid shifts and night shifts. The rules also specify the inspection frequency requirements for major unit leaders, safety management officers, and environmental protection department heads, and outline eight penalty items.



Safety risk management

XCMG Machinery strictly adheres to safety production laws and regulations, establishing a graded risk control mechanism. The Company conducts annual risk identification and professional reviews for all employees, with the results submitted to the Safety Production Risk Reporting System for Industrial Enterprises in Jiangsu Province. In response to identified risks, the Company formulates corresponding risk control measures which are regularly updated. This includes risk warning signs, emergency response cards, clearly defined and streamlined emergency response procedures, emergency contact numbers, and key emergency supplies. The Company has developed and implemented the Production Safety Accident Emergency Response Plan, each subsidiary has created comprehensive plans, specialized plans, and on-site disposal protocols to minimize the potential impact of risks. As of the end of 2023, the Company experienced no major safety risk.

较大以上安全风险警示牌

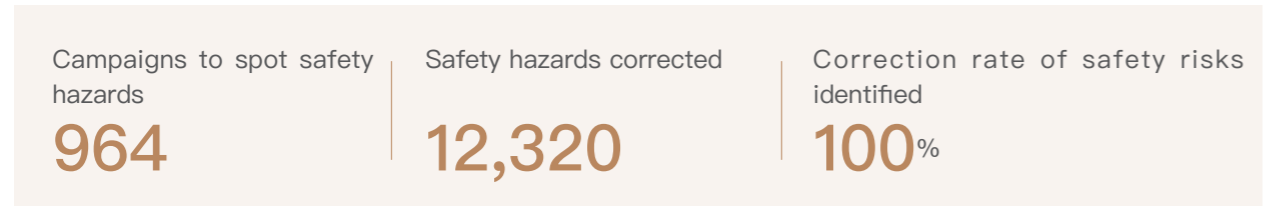
风险名称: 有限空间作业	主要安全风险因素	主要管控措施	应急措施
<p>风险点 二号厂区污水站污水池</p>	<p>工程技术类:</p> <ol style="list-style-type: none"> 作业中保持有限空间出入口畅通; 作业人员与外部有可靠的通讯联络, 确保作业人员和监护人信息沟通畅通。 有限空间作业应当严格遵守“先通风、再检测、后作业”的原则。检测指标包括氧浓度、易燃易爆物质(可燃性气体、爆炸性粉尘)浓度、有毒有害气体浓度。未经通风和检测合格, 任何人员不得进入有限空间作业。 在有限空间作业过程中, 应当对作业场所中的危险有害因素进行定时检测或者连续监测。作业中断作业人员再次进入有限空间作业前, 应当重新通风、检测合格后方可进入。 作业前清点作业人员和工器具; 监护人不得离开作业现场, 并与作业人员保持联系。 <p>安全管理类:</p> <ol style="list-style-type: none"> 严格执行《有限空间作业管理制度》、《危险作业管理制度》及安全操作规程, 办理“有限空间作业许可证”, 落实各项防护措施, 严格执行“先通风、再检测、后作业”。 有限空间作业现场必须设置监护人, 监护人要对有限空间作业人员进行全程监护。 当发现通风设备停止运转、有限空间内氧含量和有毒有害物质含量不符合规定要求时, 必须立即停止有限空间作业, 清点作业人员, 撤离作业现场。经对现场处理, 并取样检测合格后方可恢复作业。 <p>培训教育类:</p> <p>参与作业的所有人员必须先培训后作业, 严禁未经培训或培训不合格上岗作业。</p> <p>个人防护类:</p> <p>根据检测结果, 作业人员检查并正确佩戴个人防护装备。</p> <p>应急处置类:</p> <p>有限空间作业发生事故后, 监护人及现场其他作业人员应立即上报, 按照应急预案的要求启动相应的程序, 禁止盲目施救。</p>	<ol style="list-style-type: none"> 作业人员未正确使用个人防护用品、安全防护设备。 作业中, 未设置专人监护或监护人未履职、擅离职守。 有限空间内氧含量不足、有毒有害气体超标、可燃气体浓度超标。 作业人员未经安全教育培训, 未掌握急救措施, 出现异常情况盲目施救。 作业前未按《有限空间作业管理制度》要求, 办理有限空间作业审批手续, 未进行通风检测。 	<p>有限空间作业发生事故后, 监护人员及现场其他作业人员应立即上报, 按照应急预案的要求启动相应的程序, 禁止盲目施救。</p> <ol style="list-style-type: none"> 现场第一时间立即向附近人员大声呼救, 通知相关人员到场进行处置。 加强强制通风措施, 向受限空间内输送清洁空气, 持续监测受限空间内有毒有害气体浓度及氧含量。 及时准确判断现场环境, 采用进入式或非进入式救援方式。进入式救援必须佩戴好隔绝式呼吸防护用品(如正压式呼吸器)等个人防护用品, 拴好安全绳。

救援电话: 120 应急电话: 白天: 87888389, 87888289 责任部门: 安全环保部 责任人: 侯勇 联系方式: 87888289
 夜间: 87888205, 87888494

▲ Figure Safety risk warning cards

Spotting safety hazards

XCMG Machinery routinely conducts hazard identification and mitigation efforts, including comprehensive inspections, specialized examinations, safety checks during holidays, middle and night shift inspections, and daily patrols. In 2023, the Company spotted 13,320 safety risks, and all of which were corrected.



Case XCMG Machinery's special correction of risks associated with industrial robots

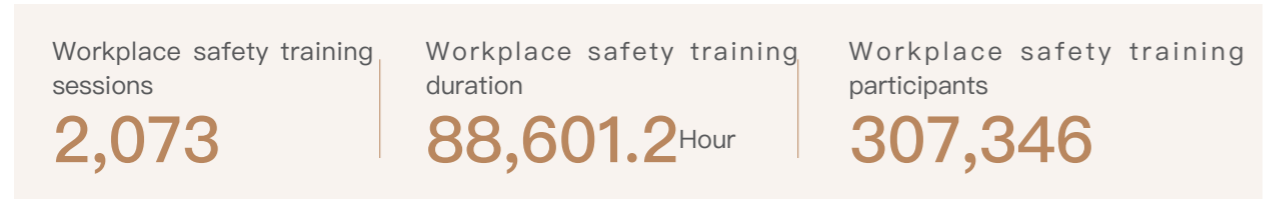
In 2023, XCMG Machinery convened a special meeting to address the new risks associated with the widespread use of industrial robots. A total of 522 sets of bending, machining, welding, painting, and handling robots underwent inspections, with the correction work successfully completed. Additionally, safety light curtains were installed on 113 ordinary metal cutting machine tools to enhance overall safety protection.



Safety culture

XCMG Machinery issues its annual Company No. 1 document at the start of each year to guide the year-round safety and environmental protection initiatives, and refine safety objectives and indicators, ensuring targeted and actionable tasks. The Chairman of the Board and subsidiary General Managers sign the Business Responsibility Commitment and HSE Responsibility Commitment, ensuring that safety responsibilities are thoroughly implemented at all levels, down to average employees.

Embracing the principle that inadequate training poses risks, the Company abides by the Occupational Health and Safety Training Policy, consistently allocating substantial resources to employee safety training. This initiative enhances employees' safety awareness, emergency skills, and operational conduct, thus boosting their overall safety competence.



In 2023, XCMG Machinery organized Workplace Safety Month during which, a raft of safety training, drills, and promotional events including safety knowledge lectures, emergency evacuation drills, simulated accident handling were held to foster a strong culture of intrinsic safety.



XCMG Machinery held a Safety Management Experience Training Program.



XCMG Heavy Machinery solicited cartoons for Workplace Safety Month



XCMG Excavator's training on workplace safety management skills



XCMG Earth Moving Machinery held Safety Promotion Day on June 16



XCMG Road held knowledge contest on workplace safety



XCMG Infrastructure held safety speech contest



XCMG Crane provided safety training session for responsible leaders



XCMG Hydraulic held safety speeches delivered by the general manager



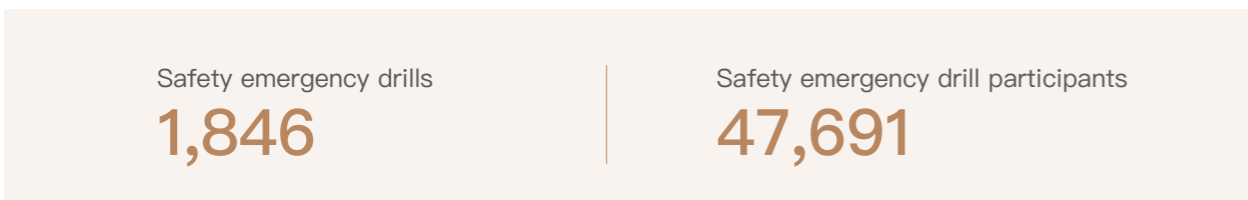
XCMG Zhilian held the seventh forklift skill contest



XCMG Research Institute held the immersive safety education

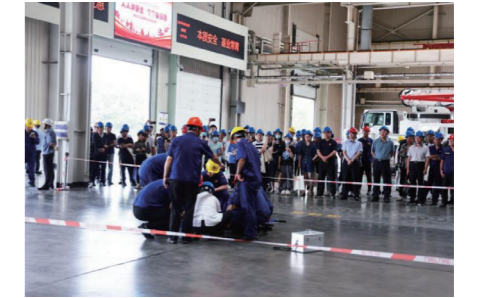
Safety emergency drills

XCMG Machinery subsidiaries carry out emergency drills as per the annual emergency drill plan. These drills encompass scenarios like mechanical injuries, vehicle accidents, confined spaces, and fires. They serve to evaluate the response time, refine emergency protocols, replenish emergency supplies, and enhance the overall emergency handling capabilities through rigorous training of emergency teams.



Case XCMG Schwing held crane accident drill

In 2023, XCMG Schwing partnered with the Market Regulation Administration of the Economic Development Zone, Xuzhou, to jointly host an emergency drill on crane related accidents. 70 entities using cranes were invited to participate in on-site observations. The drill aimed to uphold the primary responsibility for specialized equipment safety management, thereby enhancing the proficiency of crane users in emergency response concerning crane machinery.



Occupational health ▷▷

XCMG Machinery adheres to the Occupational Health and Safety Supervision and Management Policy and regularly commissions accredited firms for testing and assessments of various occupational hazards.

During the production process, the Company provides employees with standard PPE, supervises the wearing of PPE, and conducts regular inspections to ensure full compliance. Regular inspections are conducted to check the operation of occupational disease prevention facilities, ensuring their proper functioning. Employees exposed to occupational hazards undergo regular occupational health checks, with enhanced personal protection measures in place. Prompt job reassignment is carried out when necessary to prevent the occurrence of occupational diseases. As of the end of 2023, 24 entities out of the Company and its subsidiaries held the ISO45001 certificates.



Case XCMG Excavator held a special training session on the Law of Prevention and Control of Occupational Diseases

XCMG Excavator adheres to national laws and regulations regarding the prevention and control of occupational diseases. It provides comprehensive training sessions during the week for promoting the Law of Prevention and Control of Occupational Diseases. Various forms of training activities were employed to ensure that employees understand and master the prevention and control of occupational diseases, thereby guaranteeing a healthy working environment in compliance with all relevant regulations.



Placing a strong emphasis on the psychological well-being of its employees, XCMG Machinery has developed and implemented a visual monitoring dashboard displaying the physical health, psychological status, and behaviour patterns of employees.

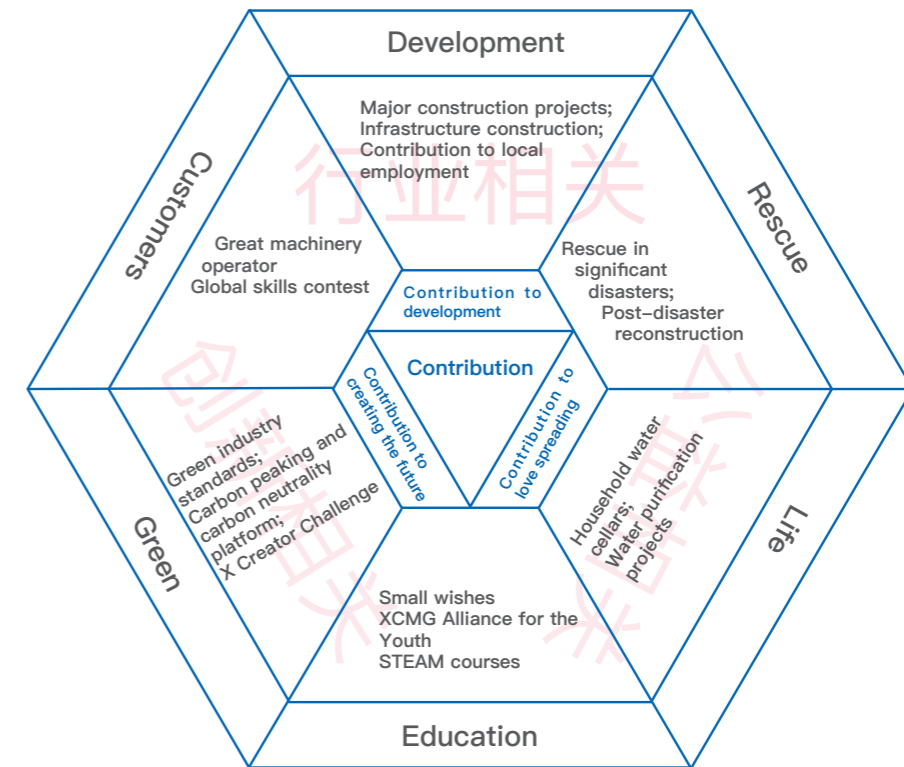
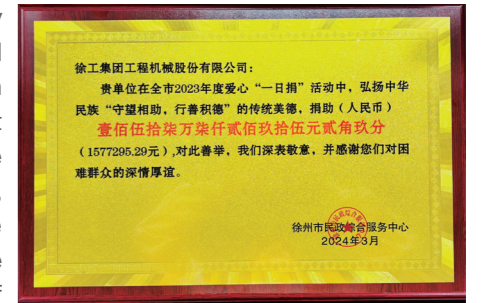


▲ Figure XCMG Machinery's visual monitoring dashboard for mental health

Social responsibilities

Upholding its core values, XCMG Machinery deeply engages in educational assistance and poverty alleviation initiatives. Through standardized management, systematic operations, team collaboration, and concurrent multi-project implementation, it has established an efficient philanthropic operation system, spreading the great love.

The Company continues to promote its Global Responsibility Brand with a philanthropic philosophy of Help with Love. Focused on three main themes: contribution to development, contribution to creating the future and contribution to love spreading, it has created a social responsibility system centered around the contribution. This system encompasses six pillars: rescue, health, education, green initiatives, and others, demonstrating its active engagement in social welfare actions on a global scale. While giving back to society, the Company showcases the image of being a world-class corporate citizen. In 2023, we donated 1.5773 million yuan in 2023 Xuzhou "One day donation" activity.



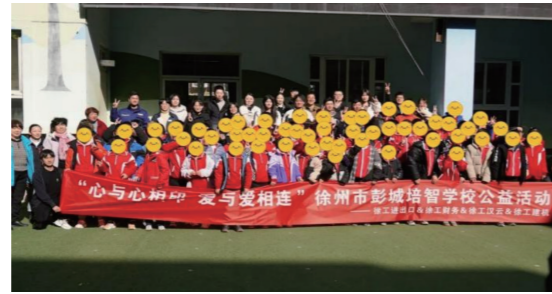
▲ Figure XCMG Machinery's global responsibility brand system

Volunteering activities

XCMG Machinery actively participates in volunteering services, consistently spreads warmth and fosters positive energy, while collaborating with diverse sectors of society to build a harmonious and thriving community.

Case Many entities under XCMG Machinery held volunteering activity.

In November 2023, multiple entities including XCMG Hanyun, XCMG Import and Export, and XCMG Crane, actively participated in the “Heart to Heart” XCMG Youth Volunteer Activity. They conveyed love and goodwill to the students of Peizhi School, promoting the spirit of youth volunteering at XCMG.



Case XCMG Road sent hot tea to sanitation workers

In February 2023, XCMG Road organized a voluntary service activity, delivering hot tea to the sanitation workers around the Company during the early spring.



Public welfare course ▷▷

XCMG Machinery actively supports the Belt and Road initiative, and upholds the philanthropic principle of Help with Love. We strive to leave a lasting philanthropic footprint in countries along the Belt and Road. We believe that persisting in the realization of each goal can finally achieve a great and beautiful world.

Case XCMG Machinery held XCMG Sports Day in Thailand and Bangladesh

In July 2023, volunteers from XCMG Machinery, together with the local dealer OCR, visited Ban Santikhram Elementary School in Thailand and Kolabari Ramnagar High School in Chuadanga, Bangladesh. They brought small gifts to the local students and organized a unique XCMG Sports Day event.



Case XCMG Machinery’s Eu amo o XCMG event in Brazil

XCMG Machinery volunteers came into CASA DO JARDIM Elementary School in Belo Horizonte, Brazil, bringing warm gifts to the local students. Under the guidance of XCMG volunteers, those Brazilian students showcased a variety of talents. This event illustrated XCMG Machinery’s distinctive approach to cross-cultural exchange and social responsibility.



In 2023, the Company’s Global Small-Wish Responsibility Brand initiative was relaunched. Various subsidiaries deepened collaborations with communities, charitable organizations, and NGOs, with a focus on education, environmental protection, health, and other areas. Their goal was to address social issues, promote sustainable development, and fulfill corporate social responsibility through specific project initiatives.



XCMG Port Machinery



XCMG Driveline



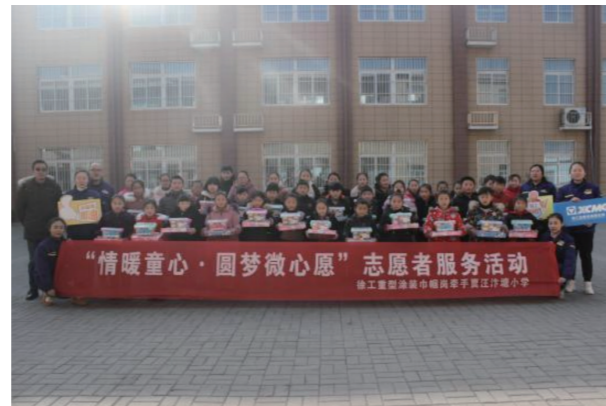
XCMG Environment, XCMG Truck Mounted



XCMG Mining Machinery



XCMG Finance, XCMG Hanyun, XCMG Rongpiao



XCMG Heavy Machinery

Case XCMG Heavy Machinery visited the old in nursing home

In July 2023, a team from XCMG Heavy Machinery visited the Longjing Nursing Home in Huangshan, initiating a heart-warming social service activity. Team members and the old people had friendly conversations and gained insights into their physical health and daily life situations. They provided care services such as nail trimming, cleaning, and doing household chores for the elderly residents.



Case XCMG Machinery helped students travel to Beijing

In November 2023, volunteers from XCMG Machinery took the children from Fanlou Town Primary School in Feng County, Jiangsu Province on a special trip to Beijing, fulfilling their wishes to explore the capital city. They led the children to visit landmarks such as the Great Wall at Badaling, Tiananmen Square, Tsinghua University, and the Beijing Science and Technology Museum. Additionally, customized educational kits were provided to the children.



Case XCMG Machinery held blood donation activity

In June 2023, XCMG Machinery organized a blood donation drive on World Blood Donor Day. Employees enthusiastically participated in the donation, contributing to the society.



Responsibility education ▶▶

XCMG Machinery remains steadfast in its commitment to diverse social responsibility endeavors within the education sector in line with the country's technology powerhouse and workforce development strategy. These endeavors are designed to improve educational equality while fostering the values of model workers, craftsmanship, and diligence. Through signature programs like "Industrial Study Tours", "National Craftsmen Visiting Schools" and "XCMG STEAM Courses", the Company instills the aspirations of engineering machinery deeply within the minds of youth.



"XCMG Study Tours"



National Craftsmen Visiting Schools



STEAM Course


XCMG Brazil, XCMG India, Schwing, and personnel from overseas offices, joined hands to visit local schools and welfare institutions on International Children’s Day and Christmas as part of the One World, One Blue Sky caring initiative. XCMG Import and Export, in collaboration with overseas distributors, has established the XCMG Overseas Scholarship in universities across Pakistan, Thailand, Cambodia, Ethiopia, Iran, and Laos for five consecutive years. This initiative aims to provide support to young students passionate about engineering machinery.



XCMG internship



Overseas scholarship

 **Case** XCMG Machinery signed an agreement to sponsor mandarin courses in 8 schools in Krefeld

In September 2023, XCMG Machinery signed a joint agreement during the Jiangsu–Germany Industrial Cooperation Forum to sponsor Chinese language courses for eight middle schools in Krefeld. At the event, Professor Klotz, President of the China Germany Friendship Association, introduced the Company’s supported programs, including practical courses in physics and computer science, thesis topics, and voluntary internships. By sponsoring educational initiatives, the Company desires to further promote cultural exchange between China and Germany and deepen the multi–sector cooperation between XCMG and Krefeld.





3



Stable operations for robust governance

XCMG Machinery embraces the new development phase, adapting strategic plans to internal and external dynamics to foster a high-quality growth model. Serving as the cornerstone of China's socialist economy, and fulfilling crucial missions, we prioritize efficient governance, compliance, and investor protection, while promoting digital and intelligent transformation, propelling us towards becoming a world-class enterprise.

Table Performance highlights in 2023

Percentage of female directors	Percentage of independent directors
2/9	1/3
Announcements disclosed	Total anti-corruption training duration
144	613 hour

Responses to UN SDGs



Strategic planning

XCMG Machinery, under the theme of high-quality development, has formulated the 14th Five-Year Strategic Plan Outline of XCMG Machinery. In 2023, we actively addressed changes in internal and external circumstances by formulating the 14th Five-Year Mid-term Revision and Strategic Plan Outline (2023-2027). Incorporating shifts in the landscape, we outlined a two-phase strategic blueprint, defined clear objectives, propelled the transformation and upgrading, and aimed to establish a world-class enterprise.

Efficient governance

XCMG Machinery adheres to the requirements of relevant laws, rules and regulations, such as the Company Law, Securities Law and Code of Corporate Governance for Listed Companies. With the mission of “stable operation, standard management, expanded main businesses, the Company continually refines its corporate legal person management system by establishing a corporate governance mechanism consisting of the General Meeting, the Board of Directors, the Supervisory Committee and the Management with statutory and transparent powers and responsibilities, coordinated operation and effective balances. It has formulated 170 rules and regulations, including the Articles of Association, the Rules on Procedure of the General Meeting, the Rules on Procedure of the Board of Directors, the Rules on Procedure of the Board of Supervisors, the Rules on Procedure of the Special Committee of the Board of Directors, the Rules on President Work, and the System of Independent Directors, forming a sound corporate governance system. Moreover, in accordance with the latest laws, regulations and regulatory provisions, the Company timely revises and improves its rules combined with their life cycle and the actual operation of corporate governance to guide its practice scientifically and reasonably for corporate governance.

In 2023, the Company arranged for its board members, supervisors, and senior executives to participate in training sessions organized by the Shenzhen Stock Exchange, Jiangsu Bureau of CSRC, and China Association for Public Companies. These sessions, totalling six, were attended by a combined 26 individuals. This ongoing initiative is aimed at enhancing the performance capabilities of directors, supervisors and senior management and reinforcing corporate governance practices. The Company was selected by the China Association for Public Companies into the Best Practice Cases for Corporate Governance in 2023, the Good Practice Cases for Board of Directors of Listed Companies in 2023, and the Best Practice Cases for Board of Supervision of Listed Companies in 2022. The Board of Directors was awarded the Best Board of Directors with the Golden Round Table Award.



▲ Figure 2023 Best Practice Cases for Corporate Governance and the Good Practice Cases for Board of Directors of Listed Companies

Governance structure



General Meeting, Board of Directors and Supervisory Committee

<p>General Meeting</p>	<p>The General Meeting is the highest authority within the Company. In 2023, a total of four meetings were convened, during which 18 proposals were considered and approved.</p>	
	<p>Number of general meetings</p>	<p>Number of proposals approved at general meetings</p>
	<p>4</p>	<p>18</p>



Board of Directors

As the Board of Directors being the decision maker and the center of governance, the Company continually strengthens its building to develop its core role in corporate governance with scientific structure, high efficiency and effective results.

Strengthen the building of the Board of Directors

- Establish a scientific and reasonable structure of the Board of Directors
- Implement Special Committee of the Board of Directors
- Optimize the operation system with adherence to the leadership system of “two-way access and cross-position”
- Strengthen the standardized operation and the construction of daily guaranteed institutions

As of the end of 2023, the Company had 9 directors including 3 independent directors and 2 female directors. Moreover, 3 observer seats on the Board were set to help the middle and small shareholders participate in the decision-making of major matters of the Company.

In 2023, the Company held **13** Board meetings where **54** proposals were considered.

Table General information of directors

Name	Title	Gender	Age	Education background	Industry background
Yang Dongsheng	Chairman	Male	55	Master	Management, R&D, production, and marketing
Lu Chuan	Director and President	Male	46	Master	Management, technology and finance
Sun Lei	Director	Male	57	Master	Management
Shao Danlei	Director	Female	50	Master	Management, and finance
Xia Yongyong	Director	Male	51	Master	Management, and production
Tian Yu	Director	Male	58	Doctor	Finance and marketing
Geng Chengxuan	Independent director	Female	58	Doctor	Finance
Kuang Shidao	Independent director	Male	54	Bachelor's degree	Legal
Yang Lin	Independent director	Male	54	degree	Scientific research

Doctor

Number of Board meetings **13** | Number of directors that should have attended **117** | Number of directors that indeed attended **117** | Number of proposals considered by the Board **54**

Supervisory Committee

The Supervisory Committee independently exercises its authority in accordance with laws, effectively supervising to ensure the Company operates in compliance with regulations. The Company provides guarantees for duty performance of the Board of Supervisors and innovates performance mode to further exert the effectiveness of the Board of Supervisors in corporate governance.

Provide guarantees for duty performance of the Board of Supervisors

- Scientifically establish the structure of the Board of Supervisors and appoint the Secretary to ensure the efficient duty performance of the Board of Supervisors
- Stick to "cross-position", and cooperate with the Party Committee and Discipline Inspection Commission to explore the general supervision system.
- Improve the supervision work mechanism with integrity and innovation to continuously strengthen the capacities of the Board of Supervisors.

As of the end of 2023, the Company had 7 supervisors. In 2023, the Company held 8 Supervisory Committee meetings where 21 proposals were considered.

Table General information of supervisors

Name	Title	Gender	Age	Education background	Industry background
Zhen Wenqing	Chair	Male	54	Bachelor's degree	Management
Zhang Liankai	Vice Chair	Male	46	Master	Management and investment
Cheng Qian	Supervisor	Female	54	Doctor	Finance, Investment, and Management
Zhang Xu	Supervisor	Female	48	Bachelor's degree	Finance
Li Ge	Supervisor	Female	57	Master	Management
Jiang Lei	Supervisor	Female	49	Master	Management
Xu Tao	Secretary of the Supervisory Committee	Male	38	Bachelor's degree	R&D, and Management

Number of Supervisory Committee meetings **8** | Number of supervisors that indeed attended **56** | Number of proposals considered by the Supervisory Committee **21**





Senior Management

As of the end of 2023, the Company has 11 managers, including 1 President, 9 Vice Presidents (financial staff included), 1 Secretary of the Board, with educational background of 2 doctors, 8 masters and 1 bachelor. 9 managers are from the frontline of production, technology and marketing while the left 2 are from the frontline of the financial department. With their average plentiful management experience of 30 years, the managers have a deep understanding of customer needs and abilities for cycle prediction.

The company fully practices a professional manager system, improves the tenure system and contractual management system, sets assessment indicators around the company's high-quality development goals, and perfects the mechanism of "all-round" for cadres. With adherence to performance and market orientations, the Company strictly implemented "two books and two contracts" to clarify responsibilities, rights and obligations for strict tenure and target assessment, and realized the market-oriented salary distribution and performance assessment and exit mechanism for professional managers with customized employment contracts and tenure performance contracts. It optimized salary management and introduced tenure incentives based on the original annual basic salary, annual post salary and annual benefits salary to promote senior managers to focus on the realization of the company's long-term strategic goals. The Company conducted 2,000 employee-stock ownership incentive with 118 million share holdings, creating the co-development of backbone employees and the Company.



Compliant operations

Guided by the principle of “engagement and accountability for all in internal control, centered around shared values”, the Company refines its audit and compliance mechanisms. It reinforces risk and integrity management, establishing a firm ideological foundation for compliant operations and ensuring the Company’s functioning.

Risk control and compliance ▶▶

XCMG Machinery has formulated and strictly adheres to internal regulations such as the Comprehensive Risk Management System. In 2023, the Company introduced new internal regulations, including the Export Control and Economic Sanctions Compliance Management Policy, Anti-Money Laundering Compliance Management Policy, Trade Remedy Compliance Management Policy, Anti-Commercial Bribery Compliance Management Policy, Antitrust Compliance Management Policy, Critical Data Protection Compliance Management Policy, and Compliance Management Policy. A Chief Legal Officer cum Chief Compliance Officer has been appointed. Under the Legal Department are Legal Committee and Compliance Committee tasked with developing and enhancing the risk and compliance management system. The Company follows business ethics and fulfills social responsibility throughout its operations, unequivocally prohibiting any form of illegal activity such as bribery or infringement upon intellectual property rights for unjust gain.

The Company identifies compliance risks through analyzing risk instances, reviewing compliance obligations, conducting personnel interviews and surveys, and examining regulations and their implementation. In 2023, the Company identified control risks associated with important and significant business activities, and issued the Management Measures for Reviewing Important and Significant Business Activities. Using the RGC (Risk, Governance, Control) framework, the Company conducted compliance risk identification based on seven key elements: goal setting, tone, responsibility system, integrity environment, supervision, deterministic control, and non-deterministic control. It developed guidelines for compliance risk identification, assessment, and management. The Company continued to enhance its overseas compliance system, establishing a legal management model centered on compliance, winged by legal affairs and intellectual property, with organization and talent as the driving force, to ensure compliant operations in overseas business.

Internal audits ▶▶

XCMG Machinery has developed and rigorously follows internal regulations such as the Internal Audit Policy, Internal Audit Quality Control Measures, Economic Responsibility Audit Measures for Key Personnel of Subsidiaries, and Audit Management Policy for Engineering Construction Projects. Under the leadership of the Audit Committee, the Audit and Internal Control Department took measures to strengthen internal team building with closed-loop management consisting of expanding supervision, conducting regular internal audit work, finding the weak links and supervising audit improvement. It participates in the whole process of value creation with a normalized, continuous and cyclical combination of pre-event, in-process and post-event audits. The Company carries out economic responsibility audits for removed leaders, supervises nine aspects, such as compliance with laws and regulations, asset preservation and appreciation, and completion of economic indicators, and assesses operational risks to fully implement management responsibilities at all levels.

In 2023, The Company conducted a total of **26** special audits with **100%** of issues corrected.

The Company actively organizes audit-related training sessions. In June 2023, a course titled Key Aspects of Internal Control and Major Audit Risks in XCMG Machinery was conducted, focusing on internal control, finance, taxation, and engineering. In July, training sessions on Audit Management Standards for XCMG Machinery Dealers and Common Issues and Response Strategies in XCMG Machinery Engineering Projects were held, to enhance the compliance awareness of all employees.




Anti-corruption management ▶▶

The Company follows regulations such as the Eight Rules for Clean and Self-disciplined Conduct in XCMG and the Code of Conduct for Business Activities with Relevant Parties in XCMG. It has established the CPC XCMG Disciplinary Inspection Committee and continuously enhances its integrity management system, strictly guarding against the risks of commercial bribery and corruption. The Company has developed the Whistleblowing, Key and Important Personnel Integrity Management Regulation and Carders Integrity Rules along with the Rules for Handling Complaints and Accusations by Discipline Inspection and Supervision Authorities. These rules are strictly enforced to safeguard the privacy of whistle-blowers.

Number of anti-bribery and anti-corruption employees **80**

The Company fosters a culture of integrity through initiatives like the “Going to positions, households and partners” Integrity Culture Program and events such as Integrity Culture Month. These activities provide diverse platforms for integrity education and explore new modes of integrity education. They promote integrity training as normal practices and enrich the “Clean XCMG” integrity culture, fostering a positive atmosphere conducive to high-quality development within the Company.

Integrity activities on “going to positions, households and partners”

- 
Integrity culture “going to positions”
 - Leaders and cadres study General Secretary Xi Jinping’s important discourse on strengthening Party conduct, promoting clean governance, and advancing the integrated approach of the “dare not, can not, want not corruption” principle. This enhances their ideological understanding and strengthens their political consciousness.
 - Integrity education and pre-holiday warnings are held to further strengthens awareness of integrity.
- 
Integrity culture “going to households”
 - The Discipline Inspection Secretary led a delegation to visit the families of cadres, promoting the “Eight Rules” to their relatives. They also distributed the “Promoting Integrity in Households” initiative leaflet along with books on fostering a virtuous family culture.
 - Each entity organized integrity home visits, distributing “Promoting Integrity in Households” initiative leaflets. This aims to guide and educate cadre relatives to serve as pillars of integrity within their families, fostering a culture of honesty and serving as guardians of a clean household.
- 
Integrity culture “going to partners”
 - The Company’s Discipline Inspection Commission guided various entities to collaborate with business partners in promoting integrity. Through activities like Discipline Inspection Secretary Visits Business Partners, they distributed the Integrity Initiative Leaflets for Business Partners before festivals, transmitting the culture of integrity within XCMG. Emphasis was placed on maintaining a balanced and clean relationship of cooperation between the Company and business partners.

Number of anti-corruption training sessions	Including: Manager-targeted anti-corruption training sessions	Employee-targeted anti-corruption training sessions
607	3	604
Total anti-corruption training participants	Including: Managers who participated in anti-corruption training	Employees who participated in anti-corruption training
55,870	624	55,246
Total anti-corruption training duration	Including: Manager-targeted anti-corruption training duration	Employee-targeted anti-corruption training duration
613	9	604



The integrity education program for the new hires of 2023 was aimed at helping them kick-start their careers on the right note, ensuring they securely fasten the “first button” of their professional journey.



During the Integrity Culture Month, we engaged in four key activities: learning, warning, reflection, and discussion. We studied important remarks by General Secretary Xi Jinping on family ethics, watched educational videos, assessed our lives through the “seven accounts”, and experienced the nourishment of a clean family culture.



XCMG Machinery actively implemented the requirements outlined in the Discipline Inspection Commission’s Discipline Inspection Recommendations by convening warning education meetings in the field of brand promotion. It vigorously rectified corruption issues in brand promotion and strengthened the effectiveness of warning education.

Investor relations

XCMG Machinery adheres to the principles of transparency, accuracy, completeness, fairness, and timeliness in disclosing information, ensuring ongoing communication and interaction with investors. We strive to share our development achievements with investors, creating a Community of Common Future with investors.

Information disclosure▷▷

XCMG Machinery strictly complies with laws and regulations such as the Company Law, Securities Law, Measures for the Administration of Information Disclosure of Listed Companies, and Listing Rules of the Shenzhen Stock Exchange. We have established the Information Disclosure Management Policy, which stipulates that the Board of Directors leads and manages information disclosure, with the chairman assuming primary responsibility. The Securities Department serves as the competent and executing authority for information disclosure. We aim to standardize disclosure practices, strengthen insider information management, and safeguard the right to information and decision-making participation, especially for small and medium-sized shareholders.

In 2023, the Company issued 144 announcements, including 138 interim announcements and 6 periodic reports. The Company got the A-rated information disclosure assessed by the Shenzhen Stock Exchange for six years in a row and was selected as the Most Respected Listed Company by Investors by the China Association for Public Companies.

Communication channels▷▷

Attaching great attention to investor relations management, XCMG Machinery formulated its Investor Relations Management Policy and established proactive investor relations to seek communications with investors via many channels and in many forms.

Except holding performance briefing, or major event meetings, the Company carried out roadshows (online and offline) and reverse roadshows, investor field investigations, and franchiser research, as well as participated in collective reception day activities held by supervision agencies or other institutions, annual meetings, strategy meetings, and forums and other meetings held by securities companies and other institutions. Investor relations hotlines, e-mails, <http://irm.cninfo.com.cn>, media interviews are set up while calls, WeChat (groups), messages and emails of Board secretary and investor relations management personnel were developed to achieve effective communications with investors. Furthermore, the Company increased the frequency and level of investor roadshows to fully respect and protect the interests of investors, aiming to build a healthy and transparent investor relations system to win the trust and support of the capital market and investors.

The Company was awarded with Best Practice Cases for Annual Report Performance Briefing in 2022.

In 2023, the Company introduced an innovative approach by conducting interviews with the chairman, inviting over 290 investors, garnering significant attention from the capital market. Furthermore, the Company organized the Beijing International CES Roadshow, where 13 institutions were invited for on-site visits and communication exchanges. These initiatives facilitated constructive interactions with investors and elevated the level of investor services.



▲ Figure Investors Roadshow in the 16th BICES

Interests and rights of investors▷▷

The Company continuously repays its investors with cash dividends and share repurchases to enhance the confidence in capital market with a cumulative share repurchases exceeding 1 billion yuan and cash dividends achieving 8.37 billion yuan. As of March, 2023, its repurchases achieved 852 million yuan. In 2023, The Company's profit distribution plan for each 10 shares is 1.80 yuan (including tax), with a total distribution of 2,126.8955 million yuan.

Total cash dividend payout		
Dividends for 2022 semi-year	Dividends for 2022	Dividends for 2023
2,717,178,200 yuan	1,772,424,900 yuan	2,126,895,500 yuan





Digital and intelligent transformation

XCMG Machinery is dedicated to advancing the Chairman's "Number One Project" for IDN. Aligned with the comprehensive plan, the Company swiftly progresses digital initiatives aimed at addressing immediate needs and filling gaps. By leveraging digital technology to drive and lead improvements across business operations, XCMG Machinery prioritizes intelligent manufacturing, enhances information security, and empowers the Company to achieve world-class status. In 2023, the Company's digital initiatives garnered 39 honors, including 19 at the ministerial level and 20 at the provincial level.

Digital management

The Company has established a process-focused organization that matches the transformation, together with clear responsibilities, and efficient collaboration. It designates the Digitalization Department at the headquarters to lead, while digitalization departments in various subsidiaries are responsible for implementation and providing support. This model facilitates the continuous advancement of digital transformation efforts.

In 2023, the Company continued to refine its top-level planning for digital transformation, prioritizing the advancement of the Chairman's Number One Project on intelligent, digital and networking. It devised a transformation blueprint outlining overall strategies, transformation directions, initiatives, and tasks. This approach aims to achieve more efficient strategic management, better organizational processes, a stronger talent ecosystem, and systematic project management through digital transformation. Efforts were made across various fronts, including talent acquisition, cultural development, and strategic cooperation. Initiatives were launched to enhance digital development capabilities and upgrade data capabilities, facilitating the effective implementation of intelligent transformation, digitalization, and networking at XCMG. The Company was awarded the national-level honor of "Digital Navigator" enterprise.

2023年新一代信息技术与制造业融合发展示范名单		
方向	企业名称	项目名称
"数字领航"企业方向 (28个)	徐工集团工程机械股份有限公司	面向工程机械产业链数字化转型领航示范工程
	天津集团股份有限公司	基于工业互联网平台的建材行业全流程智能生产数字化转型项目
	江苏中核集团有限公司	基于工业互联网的智能制造项目
	浙江中控集团股份有限公司	工业大数据智能分析与决策项目

National-Level "Digital Navigator" Enterprise



Talent acquisition

Around the project of "intelligent, digital and networking", the Company has enlisted nearly a hundred high-level experts, providing robust assistance for the advancement of the project.



Cultural development

Around the project of "intelligent, digital and networking", experts have been invited to provide training and guidance to all leadership teams and key personnel of XCMG Machinery.



Strategic cooperation

On July 20, the Company signed strategic cooperation agreements with world-class enterprises such as IBM and SAP, advancing the implementation of its IDN strategy.

Digital projects

Description



Projects for enhancing its digit-driven R&D capabilities

These include two parts: PDM optimization and upgrading, and digital processes. The system blueprint and three-round testing were completed for the PDM optimization and upgrading, resulting in 23 test cases. Over 800 individuals participated in more than 10 training sessions, and there were 10 overseas thematic exchanges. Additionally, the PDM platform migration was accomplished. The business blueprint, and UAT for digital processes were completed, and the system was put into operation.



Projects for enhancing the data capability system

Include the data XCMG governance system and platform, development of business scenarios for data governance at XCMG, XCMG data visualization BI project, implementation project for XCMG data bus, XCMG master data management project, and XCMG equipment IoT device 360-degree profile project.

Intelligent manufacturing facilities

Relying on its intelligent manufacturing base for high-end loaders, the Company consistently explores intelligent manufacturing models that encompass the entire value chain, from product design and production to supply chain coordination, marketing, and after-sales service. These endeavors aim to establish scalable models for constructing and operating large-scale equipment intelligent manufacturing factories. By promoting these models across engineering machinery manufacturing clusters and throughout the industry chain, the Company endeavors to spearhead the high-quality development of the equipment manufacturing industry, catalysing the ecological chain through demonstrative effects.


Case National-level demonstration factory in intelligent manufacturing

In November 2023, the Ministry of Industry and Information Technology released the list of 2023 Demonstration Factories in Intelligent Manufacturing, the XCMG Machinery's intelligent manufacturing base for loaders was on the list. The factory produces a full range of loaders from 0.4 tons to 35 tons, including skid steer loaders and excavator loaders. It boasts the largest intelligent single-unit assembly plant in Asia and has maintained the industry's top position in loader exports for 34 consecutive years. Leveraging the Hanyun platform, an industrial Internet platform leading in China, we have explored over 30 industrial big data application scenarios, such as "online detection of welding defects". This attempt was selected for the inaugural national "Industrial Big Data" pilot demonstration projects.



Information security ▷▷

The Company has developed internal regulations like the Digital Security and Confidentiality Management Policy and the Information Security and Confidentiality Authorization Management Policy to facilitate the integration of technology-based protection and management, thus ensuring the security of information networks. The Company has developed an information security system in compliance with ISO 27001 standards and Level 3 requirements for information security protection. Security protection assessments have been conducted, with the XCMG Rongpiao platform attaining a Level 3 security rating.



Information security management measures

- Further strengthen the management and audit of remote server maintenance.
- Enhance monitoring of external network attacks through a situational awareness platform.
- Conduct data security risk assessment on the Company's core systems in accordance with the requirements of the pilot entities for "Data Security Risk Assessment in the Industry and Information Fields".

The Company continued to strengthen communication and training on data security. This included setting up knowledge banks, organizing regular data security training workshops, conducting comprehensive training for all staff and part-time security officers, and hosting events like Information Security Month. These efforts aim to continuously enhance employees' awareness and capabilities in safeguarding network information security.



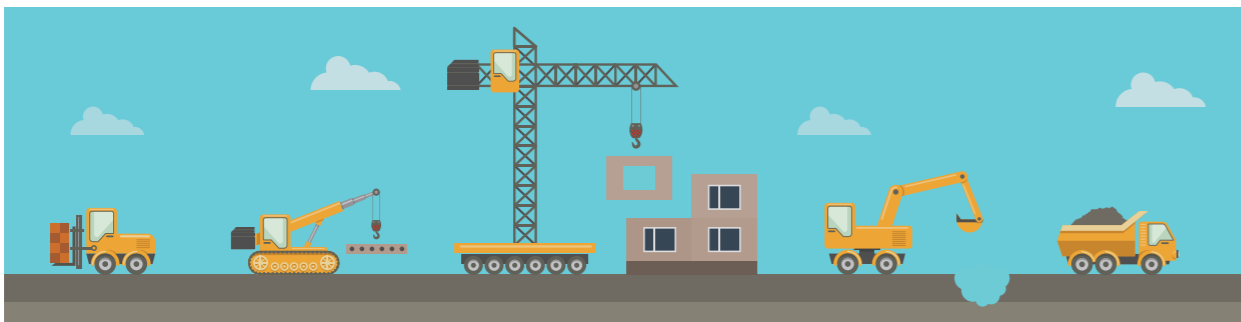
Information security training



徐工集团员工网络安全意识培训

网络如山勤思为径
信息如海安全做舟

Cybersecurity training for employees





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