



中國高速傳動設備集團有限公司*

China High Speed Transmission Equipment Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 658)



2023

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT

* For identification purpose only

Contents

About the Report	01		
About Us	02		
Annual Honors and Awards	03		
Annual ESG Key Performances	04		
Sustainable Development Management	05		
Board Statement	05		
ESG Management Framework	05		
ESG Risk Management	06		
Communication with Stakeholders	08		
Assessment of Material Issues	09		
			Stable Operation to Strengthen the Foundation for Development 13
			Standardize Corporate Governance 14
			Compliance Risk Management 15
			Business Ethics and Anti-corruption 17
			Green and Low-Carbon to Advocate Environment-Friendliness 20
			Climate Change Response and Carbon Reduction 21
			Environmental Compliance Management 30
			Resource Recycling 32
			Pollution Prevention and Control 36
			Reform and Innovation to Pursue Supreme Quality 42
			Lead Technological Innovation 43
			Pursue Supreme Quality 50
			Respond to Customer Demands 56
			Value Co-Creation to Promote Industrial Development 59
			Sustainable Supply Chain 60
			Join Hands with the Industry 63
			Diversity and Inclusion to Grow with Employees 65
			Protect Employee Rights 66
			Talent Recruitment and Inclusion 68
			Focus on Employee Care 69
			Enable Employee Development 71
			Safeguard Employee Health and Safety 73
Appendix	78		
KPIs of the HKEX ESG Reporting Guide	78		
Index Table of the HKEX ESG Reporting Guide	83		
Feedback from Readers	86		Devote to Community Welfare to Create a Better Living Environment 76

About the Report

China High Speed Transmission Equipment Group Co., Ltd. (the "Company" or "China High Speed Transmission") hereby presents the eighth Environmental, Social and Governance ("ESG") Report (the "Report") to demonstrate its philosophy and practice of sustainable development. The Report aims to help all stakeholders gain a better understanding of the Company and further to drive the Company forward together. The Report has been approved and supervised by the Board of Directors of the Company (the "Board").

Reporting Scope

The Report, centering on China High Speed Transmission, covers our major manufacturing business segments (independent R&D, design, manufacture and sales of wind power gear transmission equipment and industrial gear transmission equipment). During the Reporting Period, the newly operational boundaries of the wind power gear transmission equipment business have been included in the scope of the report. The Report covers the period from January 1, 2023 to December 31, 2023 (the "Reporting Period"). Some of the contents of the Report are appropriately extended to previous and subsequent years to enhance comparability and forward-looking.

Reporting Standards

The Report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide (the "ESG Guide")* under Appendix C2 to the Rules Governing the Listing of Securities (the "*Listing Rules*") published by the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange" or "HKEX"), aligning with the Global Reporting Initiative (GRI) Standards published by Global Sustainability Standards Board and the UN Sustainable Development Goals ("UNSDGs").

Reporting Principles and Source of Data

The Report is written using the four reporting principles, namely, Materiality, Quantification, Balance, and Consistency in the *ESG Guide*. The Company identifies material and relevant issues to our businesses through industry and material evaluation, with material issues disclosed first.

The information and data in the Report referenced are derived from the Group's internal official documents and relevant statistical data, and have been reviewed internally or externally. Unless otherwise noted, the data are calculated in a consistent method. Financial data mentioned in the Report are measured in RMB unless otherwise stated.

China High Speed Transmission promises that the Report does not contain any false or misleading statement or record, and we are accountable to its authenticity, accuracy, and integrity.

Designation

For the convenience of description, "China High Speed Transmission", "China Transmission" or the "Company" refer to China High Speed Transmission Equipment Group Co., Ltd. and its subsidiaries (collectively referred to as the "Group" or "we").

Access to the Report

The Report is available in both Chinese and English, which can be found on the HKEX's website at www.hkexnews.hk and the website of the Group at www.chste.com. In case of discrepancies or inconsistencies between the English and Chinese versions of the Report, the Chinese version shall prevail.

About Us

Corporate Profile

The Group was established in 1969 and listed in Hong Kong in 2007, principally engaged in the research, design, development, manufacture and sales of a broad range of mechanical transmission equipment that are used in wind power and a wide range of industrial applications, as well as trade business. With strong technical strength, rich production experience, and advanced manufacturing technology, the Group has become a leading supplier of gear transmission equipment globally featuring stable growth, reliable quality and perfect service.

As a leading supplier of gear transmission equipment for wind power, the Group's wind power gear transmission equipment products are widely used in both onshore and offshore wind power, including large megawatt-level wind power gear transmission equipment products such as 11MW, 12MW, and 13.6MW, which have been supplied in batches to domestic and foreign customers.

The Group's industrial gear transmission equipment business deeply cultivates transmission technology and expands drive technology. With a product positioning of "fully ranged, clearly layered, and precisely segmented", we meet our customers' diversified and differentiated needs while responding to their core expectations for efficiency improvement and emission reduction. By independently researching and developing efficient, reliable, and energy-saving standardized transmission equipment products, the Group empowers green and low-carbon development.

Business Layout

As globalization progresses, the Group has finalized our strategic business layout in Europe, America, and Asia Pacific, dedicating to offer quality products and services to our customers all over the world and continuing to elevate our brand influence. The Group keeps up with the market trend with a forward-looking insight and keeps doubling down on our R&D in state-of-the-art technologies. By organically linking research and production, the Group maintains the iteration speed and optimizes our product matrix. Meanwhile, the Group joins domestic and foreign industry associations, engages in expos, is promptly informed of the core demands of customers, and keeps the standards in line with the industry-leading companies. In this way, the Group upgrades the management of the product life cycle and upgrades the core functions of our products to grow more competitiveness in the international arena.

Philosophy of the Group

As an expert in providing the global solutions of gearbox and transmission technology, China High Speed Transmission has been upholding the corporate spirit of "Climbing up the summit step by step, Striving for perfection bit by bit", and bearing in mind the corporate mission of being "Geared for a Better Future". Embracing the corporate vision of "Being the leader in the global transmission equipment industry", we value elaborate craftsmanship, reinforce zero-defect management philosophy, and advance the green development notions. Under the strategic framework of moving gear equipment technologies global, we build our core competitive edges around "innovative mindset, zero-defect quality, professional services, and close to customers". With our stakeholders, we are writing a new chapter for a green future and sustainable development.



Annual Honors and Awards



The Second Prize of the National Science and Technology Progress Award for Outstanding Achievement in Scientific Research Higher Education Institutions (Science and Technology)

Ministry of Education of the People's Republic of China



Winning Organization of the Mayor's Quality Award

Nanjing Municipal People's Government



National Intellectual Property Advantage Enterprise

China National Intellectual Property Administration



Top 10 Excellent Wind Power Component Enterprises of 2023 Chinese Top 50 Wind Power Industry

Jiangsu Province Renewable Energy Industry Association



Leading Enterprise in Advanced Manufacturing and Modern Service Industry Integration

Jiangsu Provincial Development and Reform Commission



Gold Award for Best Transmission Chain in 2022

Windpower Monthly



International Renowned Brands to be Developed and Fostered in Priority in Jiangsu Province During 2023 - 2025

Department of Commerce of Jiangsu Province



Key Backbone Large-scale Enterprises in the Mechanical Industry by the China Machinery Industry Federation

China Machinery Industry Federation



2023 Jiangsu Provincial Green Factory

Industry and Information Technology Department of Jiangsu Province



Third Prize of Metallurgical Science and Technology Awards

China Iron and Steel Association



China's Top 500 Private Enterprises in the Manufacturing Industry for 2023

All-China Federation of Industry and Commerce



First Prize in Jiangsu for Science and Technology Progress in the Machinery Industry

Jiangsu Machinery Industrial Association
Jiangsu Mechanical Engineering Society



Top 100 Private Manufacturing Enterprises in Jiangsu Province for 2023

Jiangsu Federation of Industry and Commerce



Advanced Innovative Enterprise of the Provincial Machinery Industry

Jiangsu Association for Industrial Cooperation



Top 200 Private Enterprises in Jiangsu Province for 2023

Jiangsu Federation of Industry and Commerce



Low Carbon Stars - Enterprises with Advanced Equipment for Metallurgical Solid Waste and Tailing Treatment

Institute of Technical Information for Building Materials Industry



Top 100 Manufacturing Enterprises in Nanjing

Nanjing Enterprise Confederation
Nanjing Enterprise Directors Association



Outstanding Socially Responsible Enterprise in Jiangsu Province 2022

Jiangsu Economy News
Xinhua Daily Media Group



Annual ESG Key Performances



Environmental KPIs¹

Intensity of energy consumption

0.29 MWh/RMB 10,000

Renewable energy (solar photovoltaic energy)

31,184.10 MWh

Emission intensity of GHG (scope1+scope2)

0.16 tCO₂e/RMB 10,000

Intensity of water consumption

0.49 m³/RMB 10,000

Intensity of wastes

22.25 kg/RMB 10,000



Economics KPIs

Sales revenue¹

RMB **16,769,369,000**

Sales revenue of wind power gear transmission equipment

RMB **14,890,141,000**

Sales revenue of industrial gear transmission equipment

RMB **1,879,228,000**



Social KPIs

R&D input¹

RMB **888,140,200**

R&D input ratio in wind power gear transmission equipment business segment

5.15 %

R&D input ratio in industrial gear transmission equipment business segment

6.42 %

Average number of training hours of employees in training

22.60 hours/person

Employee satisfaction

83.10 %

Total employee turnover rate

4.59 %

Signing rate of the *Transparency Agreement* among new suppliers¹

100 %

Participate in the development of various current national, industry, and group standards¹

15

Invested in production safety¹

RMB **35,864,994.52**

Remark:

1. The data covers the wind power gear transmission equipment and the industrial gear transmission equipment businesses.



Sustainable Development Management

Board Statement

Board Responsibilities

The Group has embedded the concept of sustainable development into corporate management and operations, establishing a top-down three-tier ESG management structure and responsibilities, and has defined a working model that aligns with the Company's actual situation. The Board is the highest decision-making and responsible body for the Group's sustainability management, being responsible for developing ESG policies, strategies, and goals, approving and supervising ESG related matters, and reviewing progress on ESG related goals regularly.

Risk Governance

In order to effectively prevent and control all kinds of potential risks that may hinder the sustainable development, the Group incorporates ESG risks into the overall risk management system, working together with various business departments and functional departments to regularly identify, assess, and develop response measures for ESG risks and opportunities involved in the Group's business and processes.

Operation Management

The Group has established the Sustainable Development Leadership Group chaired by the Chairman of the Board. The Sustainable Development Leadership Group sets up ESG Core Working Group and Specialized Working Groups to jointly promote and implement ESG related work. During the Reporting Period, the Sustainable Development Leadership Group had launched discussions of many significant ESG projects, held 4 meetings and submitted 1 motion to the Board.

Materiality Analysis

In conjunction with its development strategy, the Group maintains close communication with all stakeholders, keeps up with international ESG development trends and peer performance, and identifies and assesses significant ESG issues. Based on the identified significant ESG issues, the Group has developed an ESG Policy strategy and annual management objectives and regularly reviews the progress of ESG-related work. The results of the Group's 2023 material issue assessment are detailed in "Sustainable Development Management - Assessment of Material Issues."

ESG Management Framework



Key Performances

During the Reporting Period



4 meetings held by the Sustainable Development Leadership Group



1 motion submitted to the Board of Directors

ESG Risk Management

The Group incorporates ESG risks into its overall risk management system, working with various departments to regularly identify and evaluate ESG risks and formulate solutions in reviewing the Group's business and process. During the Reporting Period, the Group identified and analyzed the following ESG risks and their solutions through policy reports, peer benchmarking, departmental interviews, executive communication, etc.:

Risk Categories	Potential ESG Risks	Potential Impacts Analysis	Major Solutions
Energy management	<ul style="list-style-type: none"> Energy consumption may exceed expectations Fluctuations of energy costs 	<ul style="list-style-type: none"> Increased operating costs caused by high energy consumption Increased operating costs caused by fluctuating energy prices 	<ul style="list-style-type: none"> Adhere to green and lean production and optimize energy-consuming processes Install rooftop photovoltaics and continuously optimize the energy structure
Climate change response and carbon reduction²	<ul style="list-style-type: none"> Acute physical risks, chronic physical risks, transition risks, etc. 	<ul style="list-style-type: none"> Increased risk of contract failure resulting from production interruptions that are caused by climate change, heightened risks to the safety of people and property, and impact on operating income 	<ul style="list-style-type: none"> Develop contingency plans for climate risks Carry out carbon footprint verifications of the organization and products and develop practical carbon reduction strategies step by step Introduce advanced technologies and increase the use of renewable energy to take advantage of emission reduction opportunities
Emissions management	<ul style="list-style-type: none"> Increasingly stringent government regulations on pollutant and waste discharges Possible risks of improper disposal by outsourced units 	<ul style="list-style-type: none"> Higher operating costs resulting from the continuous improvement of the efficiency in pollutants and waste treatment Environmental pollution and severe penalties resulting from improper disposal 	<ul style="list-style-type: none"> Ensure that pollutants and waste are well disposed of and managed, and entrust third parties to perform regular monitoring Strictly examine the qualifications of the outsourced disposal unit Promote waste separation, recycling and reuse
Responsible supply chain management	<ul style="list-style-type: none"> Lack of supply chain transparency 	<ul style="list-style-type: none"> The fluctuations in product and operational costs might result from supply chain's improper compliance and insufficient stability The lack of transparency in supply chains can make it difficult to trace the source of raw materials, thereby increasing the risk of environmental and social misconduct 	<ul style="list-style-type: none"> Assist suppliers in improving ESG risk management Strictly control the choice of supplier and regularly review supplier partners

Remark:

2. Climate-related risks and opportunities are analyzed in the chapter "Stable Operation, Strengthening the Foundation for Development- Response to Climate Change".

Risk Categories	Potential ESG Risks	Potential Impacts Analysis	Major Solutions
<p>Business ethics and anti-corruption</p>	<ul style="list-style-type: none"> • Corruption and bribery risks • Globalization in business leads to exposure to business ethics and legal anti-corruption requirements in different countries and regions 	<ul style="list-style-type: none"> • Failure of internal controls will make it difficult to effectively prevent the occurrence of internal corruption or acts of indiscipline, which will seriously jeopardize the reputation and economic interests of an enterprise • Violating the laws and regulations of regions where the business operates can result in local penalties and affect relations with the local community 	<ul style="list-style-type: none"> • Formulate and continuously improve the <i>Anti-Corruption Policy</i> and the <i>Whistleblowing Policy</i> to ensure the effective operation of the independent internal audit system covering business ethics audits. Conduct regular training on business ethics and anti-corruption and improve the whistleblowing mechanism • Update and understand compliance policies to adapt to the legal environment in different regions
<p>Product quality and safety</p>	<ul style="list-style-type: none"> • Unqualified product • Products with safety hazards 	<ul style="list-style-type: none"> • If the quality and safety of products are not up to standard, the Company will lose customers and its reputation will be affected 	<ul style="list-style-type: none"> • Pass the domestic and international certifications of the quality management system, strictly control the quality and safety of products throughout the processes, and keep improving the existing management system. • Establish a proper mechanism of product recall and customer complaint
<p>Product innovation</p>	<ul style="list-style-type: none"> • Accelerated product upgrading and increased demands for product innovation • Green and sustainable concepts are gradually integrated into the innovative design of product 	<ul style="list-style-type: none"> • Increased R&D costs and higher skill requirements for R&D teams • There is an urgent need for the value chain to promote sustainable design throughout the lifecycle and the cost should be carefully assessed. 	<ul style="list-style-type: none"> • Enhance the ability to balance the needs of platform-based design and customization, build a stronger R&D team, increase the development of patents, and maintain the leading position in terms of key technologies in the industry. • Keep abreast of the development of green and sustainable design in domestic and international markets, determine the direction of innovative development in advance, and design products in accordance with the concept of "lightweight" and "selection of green materials"
<p>Occupational health and safety (OHS)</p>	<ul style="list-style-type: none"> • Failure to prevent and control various safety hazards as appropriate • Frequent occupational diseases resulting from the inadequate protection of occupational health 	<ul style="list-style-type: none"> • Increased R&D costs and higher skill requirements for R&D teams • There is an urgent need for the value chain to promote sustainable design throughout the lifecycle and the cost should be carefully assessed. 	<ul style="list-style-type: none"> • Set annual health and safety performance targets and conduct quarterly assessments in accordance with the OHS management system • Standardize the approach to preventing and responding to work safety accidents, and optimize the Company's emergency response and rescue, and management • Improve employee benefits, provide them with labor protection appliances, organize regular occupational health checkups, and purchase commercial insurance for employees in specific positions

Communication with Stakeholders

The Group identifies and determines the key stakeholders based on our influence on the scope of sustainable development and industry characteristics. We value the opinions of our stakeholders, have established an efficient communication and feedback mechanism, and actively respond to the demands of our stakeholders following the principles of integrity, interaction, equality, and transparency. The Group is committed to strengthen communication with stakeholders through various measures, by inviting stakeholders to participate in decisions and activities related to corporate sustainable development and listenings to opinions and suggestions. Targeted to improve its ESG performances, the Group strives for a harmonious win-win result for all stakeholders.

Stakeholders' Requirements and the Group's Responses

Stakeholders	Requirements and expectations	Ways of communication	Responses and results
 Customers	<ul style="list-style-type: none"> • Integrity and honesty • Improve service quality • Handle advice and complaints • Protect customer privacy • Sustainable product design 	<ul style="list-style-type: none"> • Exchange visits with customers • Customers' activity days • Official website and official account of social media platforms • Customer communication via hotline and meetings • Customer satisfaction survey • Communication of routine business activities 	<ul style="list-style-type: none"> • Sales service compliance • Guarantee service quality • Complaint handling mechanism • Customer information confidentiality mechanism • Product R&D and green innovation • Energy and carbon emissions management
 Suppliers	<ul style="list-style-type: none"> • Integrity and honesty • Training and empowerment • Open and transparent management • Mutual benefit and win-win result 	<ul style="list-style-type: none"> • Exchange visits with suppliers • Meetings of suppliers • Official website and official account of social media platforms • Communication of routine business activities 	<ul style="list-style-type: none"> • Green procurement procedures • Responsible sourcing and regular monitoring • Sincere communication and cooperation
 Shareholders/ Investors	<ul style="list-style-type: none"> • Increase return on investment • Reduce operational risks • Protect shareholders' rights and interests • Information disclosure • Operate with integrity 	<ul style="list-style-type: none"> • General meeting • Regular reports and company announcement • Investor communication meetings • Official website and official account of social media platforms 	<ul style="list-style-type: none"> • Improve operating efficiency • Enhance management system • Maintain mutual trust with investors • Regularly disclose financial reports
 Employees and the trade union	<ul style="list-style-type: none"> • Enhance compensation and benefits package • Employees' development and promotion • Occupational health and safety • Equal opportunities 	<ul style="list-style-type: none"> • Meetings of employee representatives • Internal meetings • Email and mailbox for the general manager • Internal publications • Official account of social media platforms 	<ul style="list-style-type: none"> • Reasonable remuneration • Diversified training channels • Protection of labour rights and interests • Open recruitment • Develop whistleblower protection methods

Stakeholders	Requirements and expectations	Ways of communication	Responses and results
 Government and regulatory authorities	<ul style="list-style-type: none"> • Compliance management • Information disclosure • Promote local economic development • Fulfill corporate social responsibilities 	<ul style="list-style-type: none"> • Policies and guidelines • Meetings of government • Notices of regulation • Site investigation • Government visit 	<ul style="list-style-type: none"> • Comply with local laws and regulations • Regularly submit regulatory reports • Pay taxes and respond to national policies
 The general public and the neighborhood	<ul style="list-style-type: none"> • Focus on charity • Participate in community construction • Promote community development 	<ul style="list-style-type: none"> • Live interviews • Charitable activities • Official website and official account of social media platforms 	<ul style="list-style-type: none"> • Organize activities for the neighborhoods • Improve the imbalanced educational resources • Support rural revitalization • Promote employees to volunteer activities • Open up complaint channels
 Industry associations/ chamber organizations/ academic institutions/ the media	<ul style="list-style-type: none"> • Committed to driving quality development in the industry • Establish partnerships with non-governmental organizations 	<ul style="list-style-type: none"> • Symposiums and presentations • Industry exhibitions • Official website and official account of social media platforms 	<ul style="list-style-type: none"> • Actively participate in seminars and join professional associations • Actively participate in standards development • Industry-academia-research cooperation

Assessment of Material Issues

● Principles of Defining Material Issues

Based on the Group's determination of material issues in 2022, the Group, through peer benchmarking, analyzing mainstream disclosure standards, rating concerns and stakeholders questionnaires, grasps the latest national strategic directions and stakeholder requirements, and update the determination of material issues on the environment, social and corporate governance in 2023, and categorize and rank the issues to ensure that the information disclosed in the Report covers all key concerns of the Group and its stakeholders.

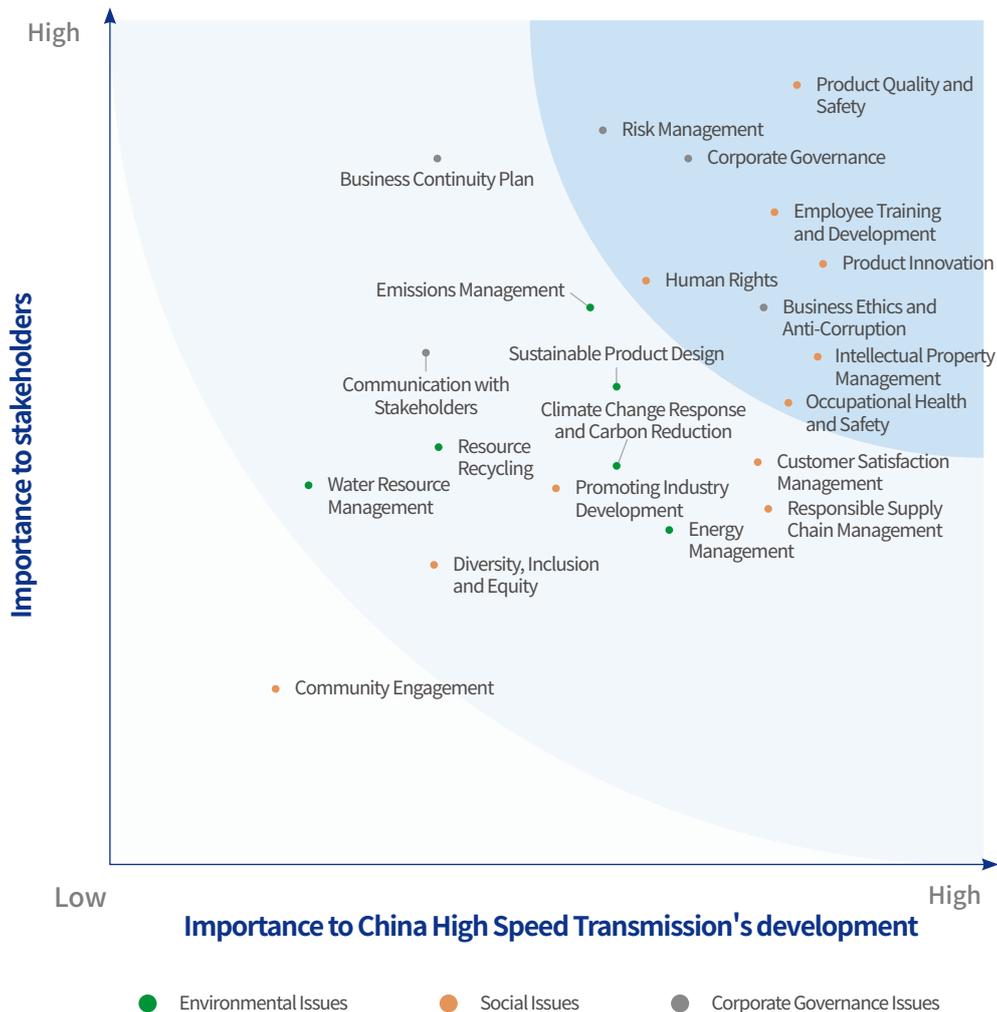
● Identification Process of Material Issues

With the 279 stakeholder questionnaires received in 2023, the Group has identified 22 material ESG issues for the Group and stakeholders.



Materiality Matrix

China High Speed Transmission's ESG Materiality Matrix



● Explanation of Adjustment to Material Issues

In 2023, the Group conducted in-depth research on the identification of material ESG issues and added a new issue of "Promoting Industrial Development" through stakeholder communication and peer benchmarking, aiming to establish closer cooperation with suppliers, customers, peers and research institutions, and improve the overall efficiency of the industrial chain. In addition, through research on reporting disclosure standards and benchmarking with issues disclosed in the industry, the Group adjusted the presentation of 11 issues, including 10 original issues that had been combined.

Modification Types	Current Issues	Original Issues
New issues	Promoting Industry Development	N/A
Adjusted presentation	Product Quality and Safety	Product Quality and Safety Management
	Energy Management	Energy Consumption Management
	Resource Recycling	Material Consumption Management
	Product Innovation	Product Innovation Management
	Responsible Supply Chain Management	Responsible Supplier Management
	Human Rights	Labor Rights
	Diversity, Inclusion and Equity	Employee Engagement and Diversity
	Community Engagement	Public Welfare
	Business Ethics and Anti-Corruption	Business Ethics
	Communication with Stakeholders	Stakeholders on ESG Issues
	Risk Management	ESG Risk Management
Combined issues	Sustainable Product Design	Green Innovation Technology
		Sustainable Product Design
	Corporate Governance	ESG Governance
		Corporate Governance
	Climate Change Response and Carbon Reduction	Greenhouse Gas Emissions Management
		Responses to Climate Change
	Emissions Management	Pollutant Management
		Waste Management
Employee Training and Development	Employee Training	
	Employee Promotion	

● Explanation of Material Issues

Based on the results of the 2023 Materiality Assessment, the Group has identified 3 issues of the highest growing importance to stakeholders and the Group's development: Employee Training and Development, Human Rights and Corporate Governance. Within the Group, there is an increased emphasis on Product Innovation, Business Ethics and Anti-Corruption, Responsible Supply Chain Management.

Material Issues	Dimension	Reason for Increased Importance
Employee Training and Development		In a rapidly changing market environment, employees must update their knowledge and skills with the latest developments, and stakeholders have begun to value the Group's ability to cultivate talent, which is also a core competitiveness of an enterprise.
Human Rights	Importance to stakeholders	Stakeholders are increasingly concerned about whether the Group respects and protects human rights in its global operations.
Corporate Governance		Fair and transparent decision-making and governance mechanisms are the foundation for the stable operation of the Group, and stakeholders' attention to this issue has risen.
Product Innovation		Facing changing market demands and technological breakthroughs, the Group prioritizes investment in product innovation to provide improved products and services.
Business Ethics and Anti-Corruption	Importance to the development of the Group	Maintaining business ethics and anti-corruption are the cornerstones of sustainable development. The Group maintains a clean and transparent internal environment to avoid potential risks.
Responsible Supply Chain Management		Labor disputes, environmental pollution, and quality control failures in the supply chain may pose significant risks. Therefore, the Group needs to identify and manage the above risks more accurately.

1

Stable Operation to Strengthen the Foundation for Development

Material issues in this chapter

- Corporate Governance
- Risk Management
- Business Ethics and Anti-Corruption

Highlight Performances

- Conducted **12** specialized audit projects
- **100%** completion rate for employee business ethics and anti-corruption training
- Signed over **700** *Transparency Agreement* with external partners

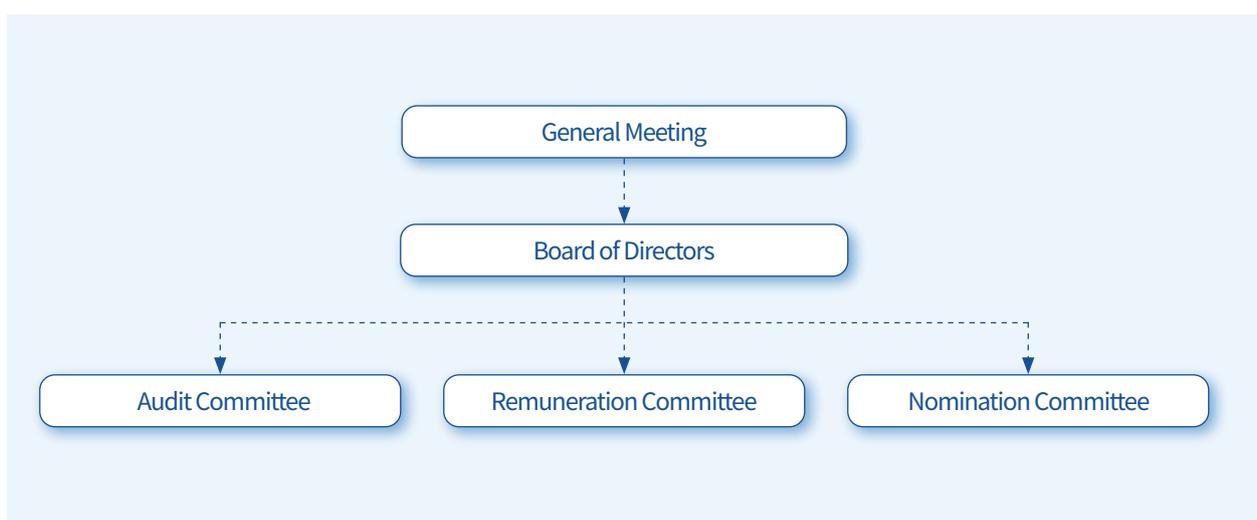
UNSDGs in this chapter



Standardize Corporate Governance

The Group abides by laws, regulations, and regulatory rules, including the *Company Law of the People's Republic of China*, the *Securities and Futures Ordinance of Hong Kong*, and the *Listing Rules*. The Group continues to optimize the corporate governance system and drive corporate governance towards compliance, scientific, and quality development.

The Board is responsible for guiding and monitoring the business and strategic plans for the Group and corporate management. Under the Board are the Audit Committee, Remuneration Committee, and Nomination Committee as shown below. Each performs its own functions to assist the Board to fulfill its missions as above, propelling the Group to form a management system that features coordination, effective checks and balances, efficient operation, and scientific decision-making.



	Audit Committee	Remuneration Committee	Nomination Committee
Number	3	3	3
The number of executive directors	0	1	1
The number of independent non-executive directors	3	2	2
The proportion of independent non-executive directors	100%	66.67%	66.67%
The number of meetings convened	2	1	1

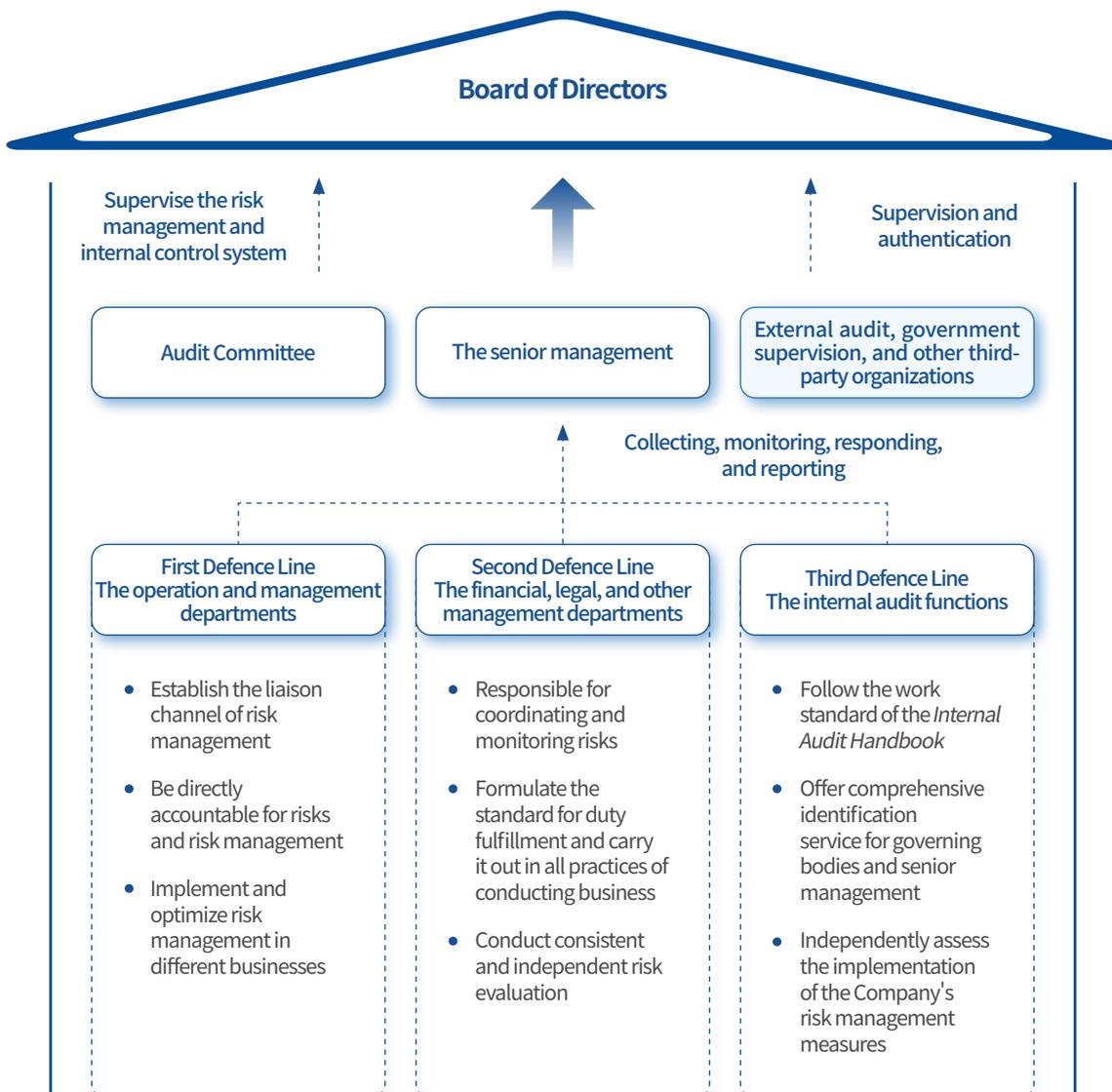
The Company regards diversity at the board level as a key element of sustainable development and has formulated the *Board Diversity Policy*. We adhere to the principle of talent first when selecting candidates and the selection will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service, committing to selecting the best person for the role. Meanwhile, we focus on gender diversity on the Board. During the Reporting Period, the Group had two female directors, accounting for 18% of the Board.

Compliance Risk Management

Adhering to legal and compliant operations, the Group creates a culture of honesty and integrity, attaches great importance to risk prevention and risk management capacity building. We follow the compliance management guidance issued by the relevant national ministries and commissions, the applicable national or regional laws and regulations in the course of the Group's operation, and the *Corporate Governance Code* as set out in Appendix C1 to the *Listing Rules*. We have also established a risk management framework based on the COSO Enterprise Risk Management Framework and ISO 31000:2018 Risk Management System and formulated the *Comprehensive Risk Management System*. Specifically, the Group has established "Three Defence Lines" against risks consisting of the Board, the Audit Committee, and the senior management to standardize effective risk management and to ensure the safe, healthy, stable operation and development of the Group.

As stakeholders of these lines of defence, the Board and the senior management are tasked with setting the Group's strategies, its goals to achieve the strategies, its governance structure, and its management procedure. This can ensure that the "Three Defence Lines" work effectively and minimize the potential risks during business operations.

The Risk Management Framework "Three Defence Lines "



The Group has developed a comprehensive risk management mechanism to manage risks in all aspects. We set risk management goals every year and carry out risk identification, evaluation, prioritization and response management through risk sorting and departmental interviews. In 2023, we updated the comprehensive risk list for the wind power and industrial gear transmission equipment business segments. With more than 500 risk points identified, we carried out targeted risk prevention measures to ensure the steady development of the Company.

To enhance the risk awareness of employees and improve the risk management of the Group, we carry out regular risk management training at different levels for all employees every year. In employee orientation and specified training at different levels given by different functional departments, we place a high emphasis on boosting employees' risk awareness. We also launched serial training on risk control on the NGC Academy e-learning platform for employees. During the Reporting Period, we conducted comprehensive risk management knowledge training and examination for employees holding key positions³. Meanwhile, internal control training was arranged for middle-level employees and above across the Group, with the training completion rate reaching 100%.

Risk Awareness Building

Increase risk awareness of senior executives

- Provide risk management awareness training for senior executives.

Promotion and implementation of policies

- Regularly revise the company-level policies according to the changes in national laws and the external environment and publicize them to all employees.

Training and examination for employees holding key positions

- Conduct training and examination on comprehensive risk management, internal control, and internal audit for employees holding key positions.

New employee training

- New employees must undergo risk management training and can be formally employed only after completing the training.

Promote risk awareness through auditing

- Standardize the audit process and standards, and promote risk management awareness and control in auditing.

Remark:

³.Key positions: Key positions cover the core departments of the main business of the Group, with full coverage of the Purchasing Department and Marketing Department, and all supervisors and above of other departments.

Business Ethics and Anti-corruption

The Group has established multiple internal management rules, among which the *Anti-corruption Policy* is an important component of the Group's corporate governance framework, along with the *Whistle-blowing Policy*, *Commitment Letter of the Management* of the Group and the *Business Conduct and Ethics Guidelines*, the *Procedure for Anti-Fraud Reporting Management Procedure*, the *Employee's Commitment of Compliance* of its subsidiaries, to benchmark against the highest business ethics standards and standardize the mechanism for investigating and reporting corruption, bribery and any unethical business behaviour. Besides, we ask all partners and contractors to abide by our rules of business ethics and prevent unfair competition and corruption from happening by organizing anti-corruption training for our suppliers and requiring them to sign the *Transparency Agreement*.

We have formulated rules such as the *Internal Auditing Handbook* and the *Outgoing Audit* and built an independent internal audit system that is compatible with the development of the Company, covers business ethics audits, and strictly standardizes related matters. We conduct business ethics audits of the Group's businesses on an ongoing basis. Every year, we carry out checking, audit, internal control, and special inspection on 24 business cycles, covering business ethics and anti-corruption. Also, we will make adjustments to the inspection plan based on the risk level and industry dynamics, summarize the problems based on the inspection results, and make continuous improvements. The Group's internal audit covered 100% of the business scope of the wind power and industrial gear transmission equipment. During the Reporting Period, we completed 12 auditing projects, including outgoing audit, special audit, and specialized audit projects.

● Anti-Corruption

The Group strictly complies with such laws and regulations as the *Company Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and the *Interim Provisions on Banning Commercial Bribery*. In Hong Kong, we also refer to the *Prevention of Bribery Ordinance*. In order to continuously improve the construction of the anti-corruption rules and regulations, we have formulated the *Anti-corruption Policy* at the Group level. We hold zero-tolerance towards bribery and corruption in any form and require all persons who provide services to or act on behalf of the Group (including suppliers, service providers, contractors, and customers) to strictly comply with the policy. We strictly prohibit soliciting or accepting bribes or improper benefits from others in relation to the Group's business activities in any region. We insist on cracking down on graft and fraudulent practices, and all employees in violation of these rules shall be subject to stringent punishments by the Company.

At the subsidiary level, we have formulated the *Business Conduct and Ethics Guidelines*, laying out a clear definition of stakeholders and clarifying the hiring, position, payment, and business interaction of stakeholders. We require employees to regularly report their stakeholders to reduce their susceptibility to corruption and thus create an honest and transparent working environment.

Measures against Corruption

- The CEO signs and issues the *Commitment Letter of the Management* annually to act as role models in probity and self-discipline
- All employees holding key positions in the Group sign the *Employee Compliance Commitment* and participate in the anti-fraud training organized by NGC Academy
- To put an end to business bribery altogether, on the basis of abolishing the original *Transparency Agreement* signed between business departments and external companies or individuals, all organizations and individuals with purchasing interactions (except monopoly suppliers of water, electricity, gas, and companies with a contracted transaction of less than RMB 50,000) have re-signed a unified version of the *Transparency Agreement* with the Company. More than 700 agreements were signed in 2023

Over the past three years, the Group had

No corruption-related litigation cases occurred

No employee who was dismissed or disciplined due to corruption

No termination of contracts with business partners due to corruption-related violations

We promote the anti-corruption messages to our employees through various promotion, education, and training events, striving to promote a culture of integrity and self-discipline. We incorporate training on business ethics and anti-corruption into our training system for all employees, requiring them to complete these training sessions and clarify the bottom line of legal compliance. To ensure that our employees understand and act in accordance with the *Business Conduct and Ethics Guidelines*, we organize online training and tests annually for employees holding key positions, strengthening employees' awareness of business ethics constantly.

Key Performance



completion rate of employee training on business ethics and anti-corruption in 2023

100%

Against Unfair Competition

The Group strictly abides by China's and international laws and regulations including the *Contract Law of the People's Republic of China*, and the *Anti-unfair Competition Model Regulations of the People's Republic of China*. To establish an honest and fair competition mechanism and prevent unfair competition from happening, we set out special investigations based on reported evidence. Over the past three years, we have never received any lawsuits on the charge of unfair competition.

● Complainants and Whistleblowers

The Group encourages all stakeholders to report any incidents that might violate the regulations on business ethics. To ensure a prompt and effective response to the requests of stakeholders, we have issued the *Whistle-blowing Policy* and the *Anti-Fraud Reporting Management Procedure*, which serves as a clear mechanism for complaining and reporting and regulates the reporting practices. Real-name or anonymous reporting may be conducted in the following ways:



To safeguard the independent and impartial reporting reception and investigation work, the Group has appointed the Risk Control Department to specialize in anti-fraud investigations and present their findings directly to the Chairman of the Board. The Group is committed to ensuring that the name, workplace, and home address of the whistleblower with complete confidentiality. We forbid any revenge against complainants. Any individual who seeks revenge shall be punished, including the termination of the employment contract. To encourage stakeholders to report practices against business ethics, the Group has set up an exemption right. In other words, if our partners or individuals report or reflect their practices and which later are proven true, we will continue our cooperation with them and exempt them from further investigation and punishment on a case by case basis.

2

Green and Low-Carbon to Advocate Environment-Friendliness

Material issues in this chapter

- Climate Change Response and Carbon Reduction
- Energy Management
- Water Resource Management
- Resource Recycling
- Emission Management
- Business Continuity Plan

Highlight Performances

- Emission intensity of greenhouse gas (GHG) **0.16** tCO₂e /RMB 10,000
- The total amount of photovoltaic power generation **31,184.10** MWh, equivalent to reducing emissions of **17,784.29** tCO₂e
- The total amount of packaging materials **7,084.00** tonnes, a decrease of **24.83%** compared to 2022

UNSDGs in this chapter



Climate Change Response and Carbon Reduction

Under the Double Carbon strategy of "Carbon Peaking and Carbon Neutrality", the Group attaches great importance to the risks and opportunities arising from climate change. We adopt active measures, including accelerating energy structure optimization and promoting energy efficiency, to reduce the carbon emissions in our production and operations, so as to better respond to the national strategy and promote green industrial transformation.

● Respond to Climate Change

Based on the recommendations in the *Guidance on Climate Disclosures* by HKEX, the Group discloses our efforts to address climate change in terms of governance, strategy, risk management, metrics and targets.

Governance

The Group recognizes the importance of climate change and incorporates the management of climate issues into our overall ESG governance structure, in order to respond to the challenges and relevant opportunities presented by climate change.

Strategy

According to the Company's business features and geographical locations, we identified the risks and opportunities related to climate change, and evaluated potential financial impacts, likelihood of occurrence and the level of impact. Meanwhile, based on the evaluation results, we have developed main response measures correspondingly to minimize the impact of climate change on our business and capitalize on the potential opportunities.

Types of risks/opportunities	Detailed description	Potential financial impact	Likelihood of occurrence	Level of impact	Major solutions
Physical risks - acute physical risks	<ul style="list-style-type: none"> Frequent occurrence of catastrophic climate (e.g. rainstorms, typhoons, floods, etc.) may cause damage to the Group's facilities or production disruptions, or may affect upstream and downstream supply due to transportation interruption that will ultimately affect business continuity Extreme weather (e.g. extreme high and low temperatures, etc.) may pose a threat to the occupational health and safety of employees, which in turn may force the Company to increase investment in employee safety or impair the efficiency of productivity and operations 	<p>Operating costs increase</p> <p>Existing assets decrease</p>	High	High	<ul style="list-style-type: none"> Create the <i>Potential Incidents, Emergencies, and Responses List</i> to specify the preparations for and responses to natural disasters Create an emergency plan for typhoons and floods, pay close attention to weather forecasts and other information, provide timely warnings of extreme weather, and take emergency management measures in advance

Types of risks/opportunities	Detailed description	Potential financial impact	Likelihood of occurrence	Level of impact	Major solutions
Physical risks - chronic physical risks	<ul style="list-style-type: none"> Persistent high-temperature weather caused by climate change may lead to higher demands on heat protection measures for frontline employees as well as on the performance and maintenance of cooling equipment 	Operating costs increase	Medium	Medium	<ul style="list-style-type: none"> Supply employees working at high temperatures with heatstroke products and equip the workplace with air coolers and air-conditioned lounges for these employees, improve the cooling equipment performance continually Commission third-party bodies to regularly detect hazards related to high temperatures and take effective mitigating measures according to test results
Transition risks - policy and regulatory risks	<ul style="list-style-type: none"> Governments across the world may issue more stringent policies and regulatory measures on carbon emissions reduction, and the Group's production and operating costs of carbon emissions may increase 	Operating costs increase	Medium	Medium	<ul style="list-style-type: none"> Closely monitor the trends of policies and regulations of the country towards green manufacturing in the wind power industry, keep boosting energy efficiency and increase the use of renewable energy (e.g. install photovoltaic equipment) to cut carbon footprint and carbon emission costs
Transition risks - technological risks	<ul style="list-style-type: none"> Tighter requirements for the carbon footprint of value chain products have led the Company to explore low-carbon operation models and increase investment in the R&D of low-carbon transformation technologies 	Operating costs increase Existing assets decrease	High	Medium	<ul style="list-style-type: none"> Advance the construction of green factories, conduct precise management in line with the full lifecycle philosophy, promote lean production, continuously improve production processes, and tap the potential for emission reduction in production Pay close attention to the development trends of green and sustainable design in domestic and foreign markets, plan innovative development directions in advance, and implement "lightweight" and "green material selection" in the product design stage
Transition risks - market risks	<ul style="list-style-type: none"> Raw material costs (e.g. steel) and energy costs (e.g. electricity) may rise due to climate change and energy transition As customers place increasingly stringent requirements on the management of Scope 3 emissions in the supply chain, the decarbonization level of products and services will likely become an important criterion for customers in selecting suppliers 	Operating income decrease	Medium	High	<ul style="list-style-type: none"> Work together with suppliers to reduce product energy consumption and environmental impact throughout the full product lifecycle through supplier conferences, technology exchanges, etc. Conduct GHG accounting, gradually promote the exploration of advanced energy-saving and consumption reducing technologies, promote clean production, decrease pollutant emissions Build energy storage projects to reduce reliance on fossil fuels

Types of risks/ opportunities	Detailed description	Potential financial impact	Likelihood of occurrence	Level of impact	Major solutions
Transition risks - reputation risks	<ul style="list-style-type: none"> Increasingly stringent requirements from stakeholders (including regulatory authorities, shareholders, investors, customers) and other stakeholders for the transparency of information on climate risks and carbon emissions may lead to increased investment in performance management and information disclosure so that the Company will not be subject to reputation damage, stock price declines or financing disruptions 	<p>Operating costs increase</p> <p>Financing costs increase</p>	Medium	Medium	<ul style="list-style-type: none"> Communicate regularly with stakeholders to fully understand and respond to their concerns and expectations Set energy management targets, better our energy digitalized management and energy measurement methods and gradually conduct transparent and reliable methods of carbon data tracing and reporting to disclose more accurate and timely information Continuously conduct energy conservation and carbon reduction, increase investment in clean technologies, and build a responsible corporate image
Opportunities	<ul style="list-style-type: none"> With more investment institutions signing up to the Principles for Responsible Investment (PRI) or declaring their support for the <i>Paris Agreement</i>, there will be more investment flowing towards green and low-carbon industries Obtain policy support and market preference, and reduce financing costs through Green Factory certification, green project declaration, etc. The Group's low-carbon achievements contribute to the core competitiveness and a responsible brand image 	<p>Operating income increase</p> <p>Financing costs decrease</p>	High	High	<ul style="list-style-type: none"> Enhance the research and application of wind power gear transmission equipment, propel the development of green and low-carbon products, and expand their use scenarios Expand new markets, especially in regions where the demand for green, low-carbon energy such as wind power is high, to boost our revenues Respond actively to the national dual-carbon strategy, declare green projects, build green factories, promote green manufacturing and energy upgrading and transformation Enhance the disclosure of climate-related information, improve ESG rating, and enhance the Group's market credibility and brand image

Risk Management

The Group has included climate-related risks into its overall risk management system. The Sustainable Development Leadership Group coordinates with the Risk Control Department to regularly identify and assess the impact of climate-related risks on our operations, and to update and improve the Group's risk list accordingly. Meanwhile, based on the latest risk list, we continuously update and improve our response measures to address the risks and challenges posed by climate change to ensure the Group's sound operations and sustainable development.

Metrics and Targets

The Group sets the annual targets and indicators for energy consumption, please refer to the "Energy Management" and "Energy Saving and Carbon Reduction" sections for details.

In 2023, we launched GHG accounting targeting our main business segments to figure out our organizational carbon emissions, tap carbon reduction potential, and provide a data basis for formulating carbon reduction strategies and implementing carbon reduction projects. During the Reporting Period, the Group's greenhouse gas emissions data are summarized in the table below:

Data on GHG Emissions⁴

KPIs	Unit	2023	2022
Total GHG emissions ⁵	Tonnes of carbon dioxide equivalent	270,862.71	179,828.81
GHG emissions (Scope 1)	Tonnes of carbon dioxide equivalent	17,605.62	1,421.68
GHG emissions (Scope 2) ⁶	Tonnes of carbon dioxide equivalent	253,257.09	178,407.13
Emission intensity of GHG ⁷	Tonnes of carbon dioxide equivalent/RMB 10,000	0.16	0.12

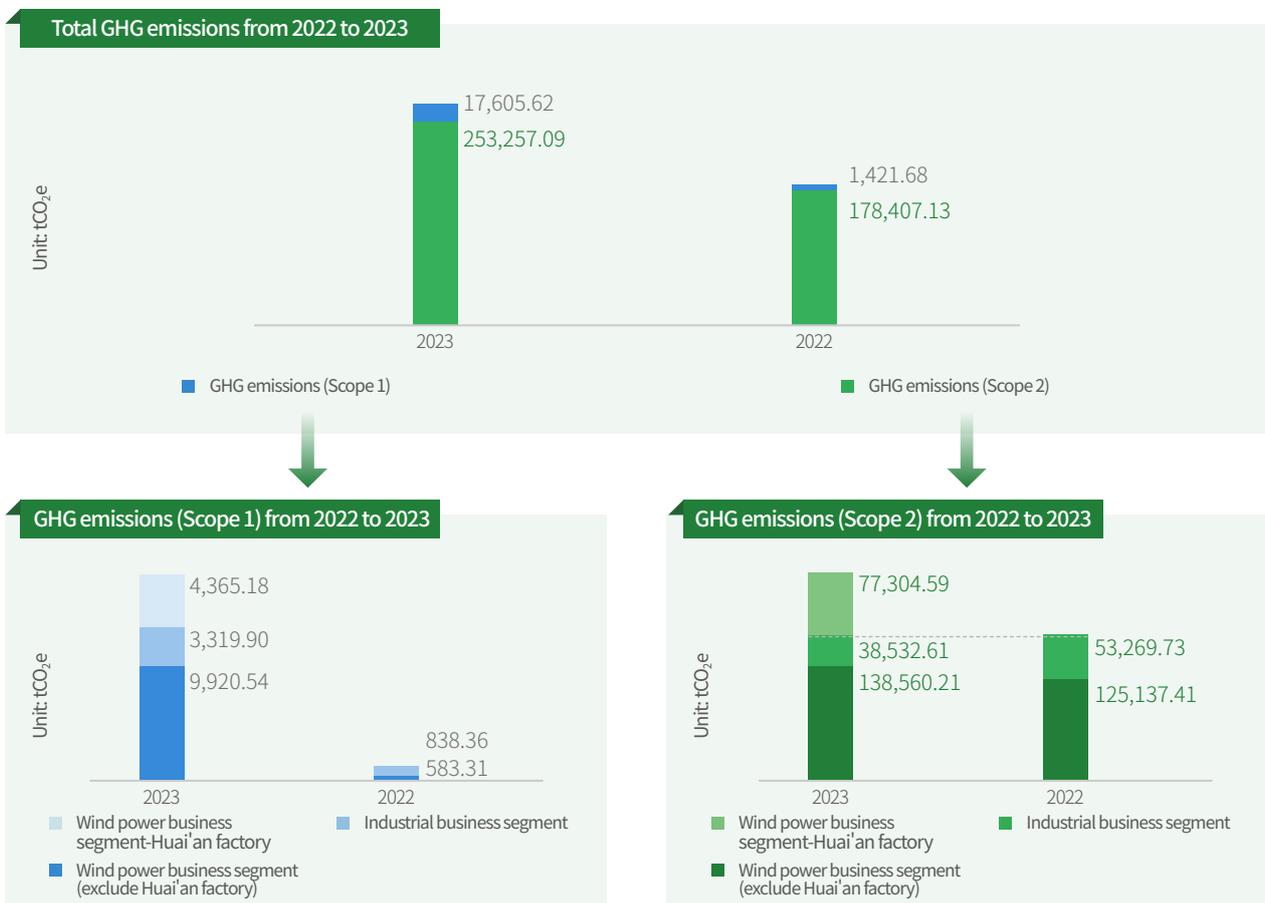
Remark:

4.The data on GHG emissions covers the Group's wind power gear transmission equipment business and industrial gear transmission equipment business.

5.In 2023, the GHG accounting work carried out by the Group expanded the coverage of emission sources and categories, and NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly counted towards the wind power gear transmission equipment business, resulting in an increase in greenhouse gas emissions of the Group.

6.GHG emissions (Scope 2) includes indirect emissions from purchased electricity and purchased steam outside of the Group, among which the coefficient for the emissions of purchased electricity is the average grid emission factor of 0.5703 tCO₂/MWh in 2022 by the Ministry of Ecology and Environment.

7.The parameter used in the calculation of emission intensity of GHG in the Report is the sales revenue of the Group's wind power gear transmission equipment business segment and industrial gear transmission equipment business segment in the corresponding year.



● Energy Management

Adhering to the energy management guideline of "making the best use of resources and delivering green power through green manufacturing", the Group has formulated the *Energy Management Manual*, *Energy Management Regulation* and other regulations, and established a special working group on building energy management system under the Sustainable Development Leadership Group. We have established a sound energy management system to reduce energy consumption, improve the efficiency of energy utilization, and promote sustainable development.

To keep track of the trend of total energy consumption and intensity changing of the Group in a timely manner, we have set up energy managers for the key energy-consuming departments, requiring them to regularly report the energy consumption of key energy-consuming equipment. By the end of the Reporting Period, Nanjing High Speed Gear Manufacturing Co., Ltd. and Nanjing High Speed & Accurate Gear (Group) Co., Ltd., subsidiaries of the Group, had obtained ISO 50001:2018 Energy Management System Certification.

To ensure the effective implementation of the Group's energy management system, during the Reporting Period, we conducted an internal audit for the energy management system and had rectified the non-conformities and recommendations identified in the audit.



The Group's subsidiary, Nanjing High Speed Gear Manufacturing Co., Ltd. has obtained the ISO 50001:2018 Energy Management System certification⁸



The Group's subsidiary, Nanjing High Speed & Accurate Gear (Group) Co., Ltd. has obtained the ISO 50001:2018 Energy Management System certification⁹

Remark:

8. During the Reporting Period, NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly included in production and operation scope of wind power gear transmission equipment business. It was established and put into operation in 2023, and the Group has started to construct its energy management system in 2024.
9. The energy management system certification accounts for 100% of the operating scope of the Group's industrial gear transmission equipment business.

The Group attaches importance to the cultivation and enhancement of energy-saving awareness. Through regular energy-saving and emission reduction promotions or energy-saving skills training, the Group continuously improves the energy-saving awareness among all employees. During the Reporting Period, we carried out the "Energy-saving Publicity Week" and organized the "Energy-saving and Carbon-reducing Regulations Training", with a total of more than 7,500 participants.

Setting of Energy Management Goals

The Group has set energy consumption goals to strictly control energy consumption. The Sustainable Development Leadership Group and the special working group on building energy management system set annual energy-saving goals and plans based on the energy consumption and output value in the previous year and run quarterly assessments of each branch factory. The energy-saving goals are broken down layer by layer and are correlated with employee performance appraisal. Meanwhile, the Sustainable Development Leadership Group has mandated that at least one internal energy audit be conducted per year to continuously improve the building of the energy management system.

Energy Consumption Target of the Main Factories in the Wind Power Gear Transmission Equipment Business



Goals for 2023

Total energy consumption \leq **31,500** tonnes of standard coal

Total energy consumption per unit of output value¹⁰ \leq **0.035** tonnes of standard coal/RMB 10,000



Progress in 2023

Total energy consumption **28,752** tonnes of standard coal

Total energy consumption per unit of output value **0.029** tonnes of standard coal/RMB 10,000

Annual target achieved

Energy Consumption Target of the Main Factories in the Industrial Gear Transmission Equipment Business



Goals for 2023

Total energy consumption \leq **10,000** tonnes of standard coal

Total energy consumption per unit of output value \leq **0.055** tonnes of standard coal/RMB 10,000



Progress in 2023

Total energy consumption **9,909** tonnes of standard coal

Total energy consumption per unit of output value **0.053** tonnes of standard coal/RMB 10,000

Annual target achieved

Remark:

10. Calculation formula: Total energy consumption per unit of output value (tonnes of standard coal / RMB 10,000) = total energy consumption during the Reporting Period / sales revenue of the business segment during the Reporting Period

Data on Energy Consumption^{11,12}

KPIs	Unit	2023	2022
Direct energy consumption	MWh	45,480.20	36,845.35
Gasoline	MWh	607.98	493.95
Diesel	MWh	1,064.05	292.72
Natural gas	MWh	11,518.62	2,573.39
Liquefied petroleum gas (LPG)	MWh	1,105.44	3,190.55
Renewable energy (solar photovoltaic energy)	MWh	31,184.10	30,294.74
Indirect energy consumption	MWh	447,243.81	312,830.33
Purchased electricity	MWh	443,424.32	312,830.33

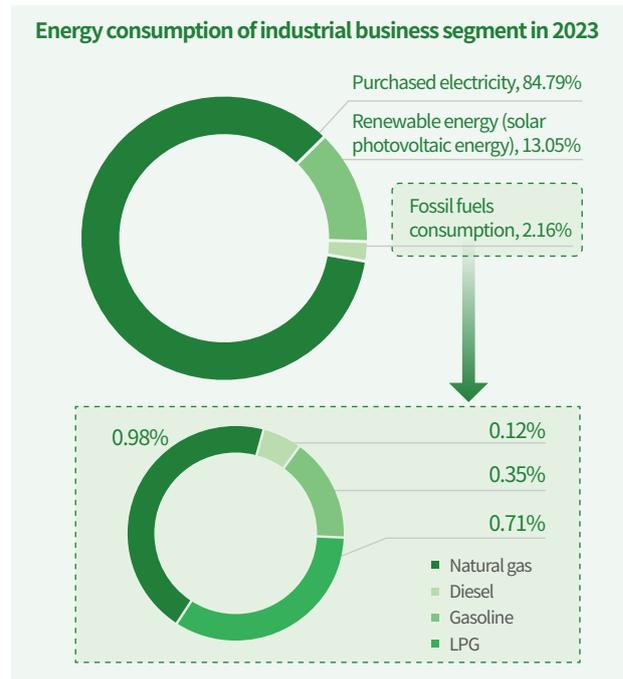
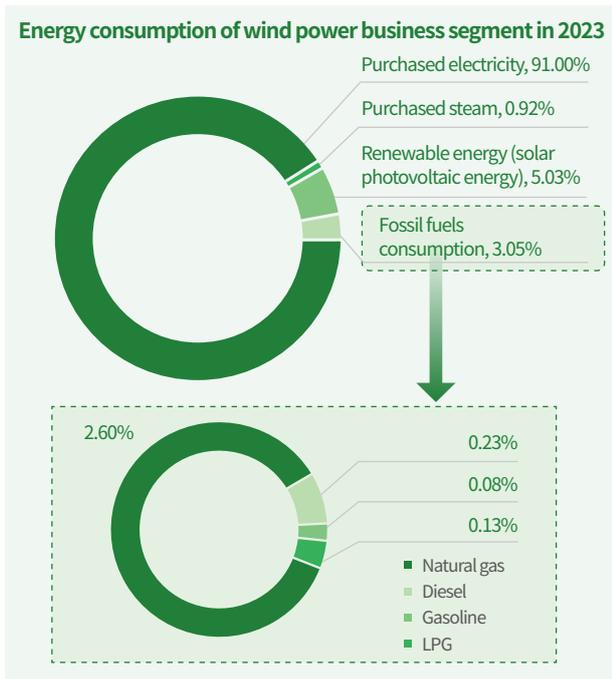
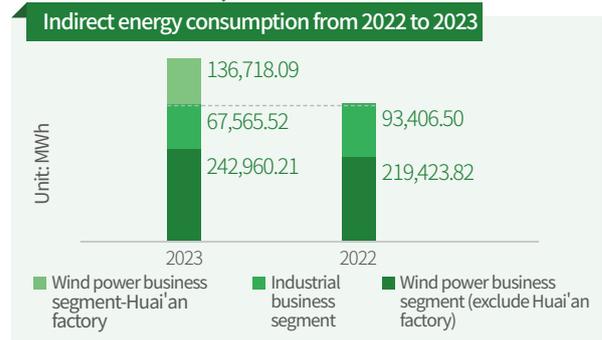
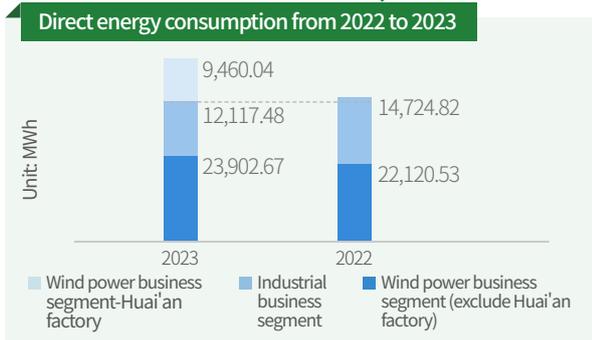
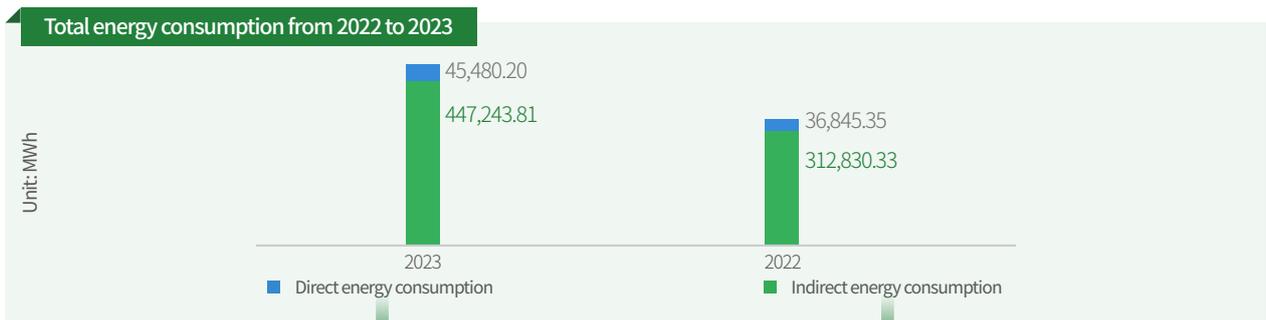
KPIs	Unit	2023	2022
Purchased steam	MWh	3,819.49	/
Total energy consumption	MWh	492,724.01	349,675.68
Intensity of total energy consumption ¹³	MWh / RMB 10,000	0.29	0.23

Remark:

11.The calculation of energy consumption refers to the *Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Machinery and Equipment Manufacturing Enterprises (Trial)* published by the National Development and Reform Commission.

12.In 2023, NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly counted towards the wind power gear transmission equipment business, resulting in an increase in energy consumption statistics for the year.

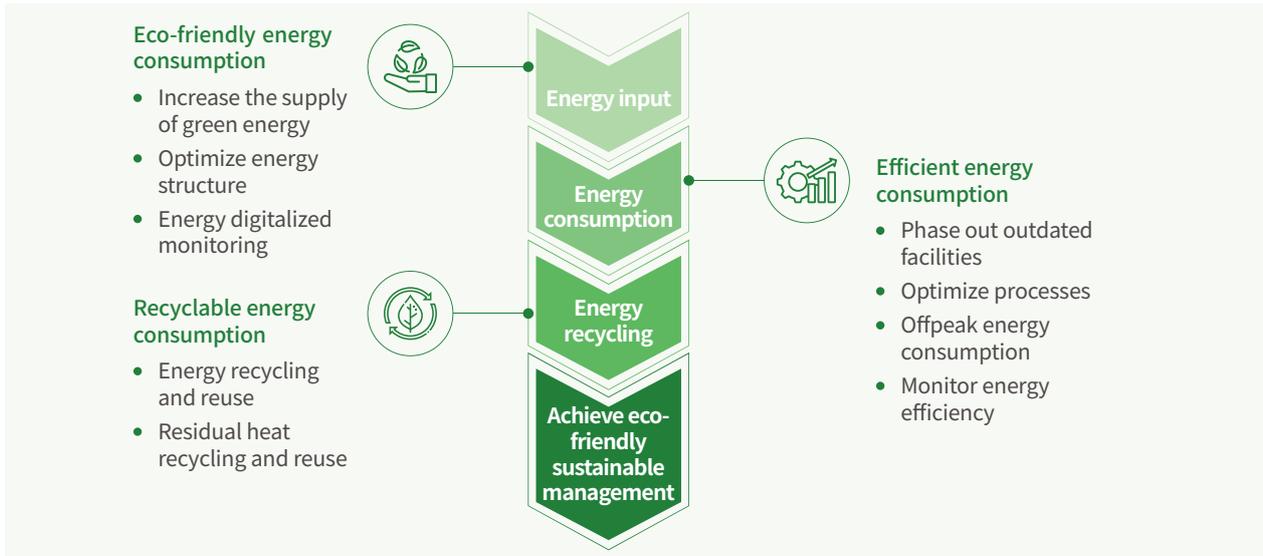
13.The parameter used in the calculation of intensity of energy consumption in the Report is the sales revenue of the Group's wind power gear transmission equipment business segment and industrial gear transmission equipment business segment in the corresponding year.



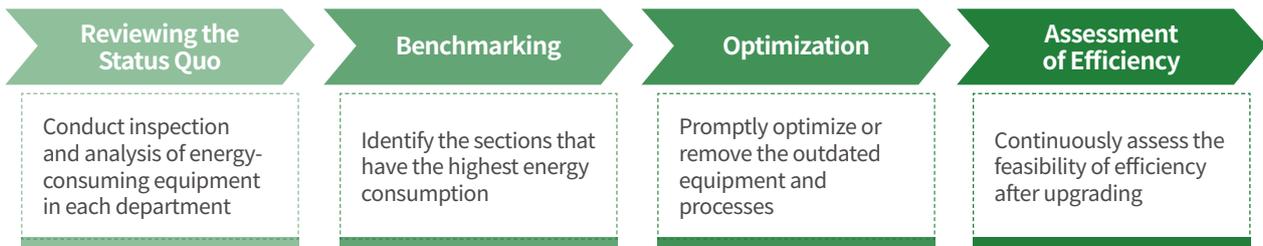
Energy Refined Management

The Group has progressively promoted to energy refined management and formulated respective strategies and measures from energy input, consumption to the recycling stage. We follow the four procedures of "reviewing the status quo, benchmarking, optimization and assessment of efficiency" to explore the processes and equipment with the most energy-saving potential, timely optimize and evaluate the feasibility of the improved benefits, so as to improve the efficiency of energy utilization.

The Group's Energy Management Strategy



Energy-Saving Management Procedures



Energy storage power station

To achieve refined energy management, the Group has undertaken an energy storage project. The project adopts the Prime series distributed energy storage system based on iron phosphate, with a maximum output power of 2.6 MW per unit, a maximum energy storage capacity of 10.4 MWh, and a peak storage capacity of 10,000 kWh. The project charges and discharges twice a day, reducing energy costs and dependence on the traditional power grid through the peak-valley price difference.

Besides, the Group leverages technologies such as the IoT and AI algorithms to promote the construction of energy digital platforms such as the heat treatment scheduling system, the energy management and control system and the intelligent system for remote monitoring of air compressors, facilitate the efficient monitoring of energy management and promote lifecycle management of energy.

● Energy Saving and Carbon Reduction

The Group reduced energy consumption and enhanced energy efficiency by strengthening the management of energy consumption processes, improving production processes, upgrading equipment facilities, eliminating outdated equipment, and other energy saving measures. In addition, the Group has also formulated relevant rules such as *Management Rules for Electricity Saving* and *Management Rules for Central Air Conditioning* to regulate the electricity consumption in production and office and minimize energy waste. We also actively explore the use of clean energy, increase the number of solar power systems in our plants through collaborations with the upstream and downstream players of the new energy industry, continuously increasing the proportion of renewable energy in the mix.

Energy saving at the management aspect

Organizational structure	Systematic construction	Digitalized management	Exchange and communication
<ul style="list-style-type: none"> Set up a Sustainable Development Leadership Group, with the Group president as the group leader, the general manager as the deputy group leader, and each responsible general manager as group members 	<ul style="list-style-type: none"> Establish and implement the ISO 50001:2018 Energy Management System Utilize management methods such as performance evaluation, internal audit, management review, and continuous improvement to continuously optimize energy use and improve energy efficiency 	<ul style="list-style-type: none"> Construct and optimize the energy monitoring platform, establish the performance-based planning and monitoring model, keep track of key processes and facilities, and conduct in-depth analysis of energy efficiency and the operating conditions of devices, achieving refined energy management 	<ul style="list-style-type: none"> Timely understanding and learning of relevant legal and regulatory requirements, identify and evaluate demands of external stakeholder on a regular bases Proactively disclose KPIs such as energy outlines, plans and goals and efficiency, accept the supervision from all stakeholders

Energy saving at the technology aspect

Equipment upgrade	Optimize production processes	Fossil fuel consumption reduction	Energy mix optimization
<ul style="list-style-type: none"> Phase out densely energy-consuming devices and replace low-efficient processing devices Upgrade old cleaning machines with heavy-duty small and medium-sized assembly, so as to improve cleaning efficiency Replace horn fans with industrial energy-saving ceiling fans for ventilation and cooling, so as to reduce energy consumption Carry out energy-saving review for equipment procurement, and put forward clear requirements for equipment energy efficiency and numerical control rate 	<ul style="list-style-type: none"> Develop new materials to improve the efficiency of heat treatment Adjust process parameters to improve carburizing efficiency Update the welding gear charging from the layered approach to the stacked approach, so as to reduce the weight of tooling and power consumption 	<ul style="list-style-type: none"> Diesel/LPG forklifts are phased out and replaced by electric ones The devices to treat the waste gas generated from the heat treatment process is powered by natural gas instead of LPG as it was 	<ul style="list-style-type: none"> Use clean energy, increase the proportion of green electricity The rooftop solar power installed capacity reaches 41 MW in Nanjing industrial park. In 2023, The total power generated of the Group is 31,184.10 MWh, avoiding 17,784.29 tons of carbon dioxide equivalent

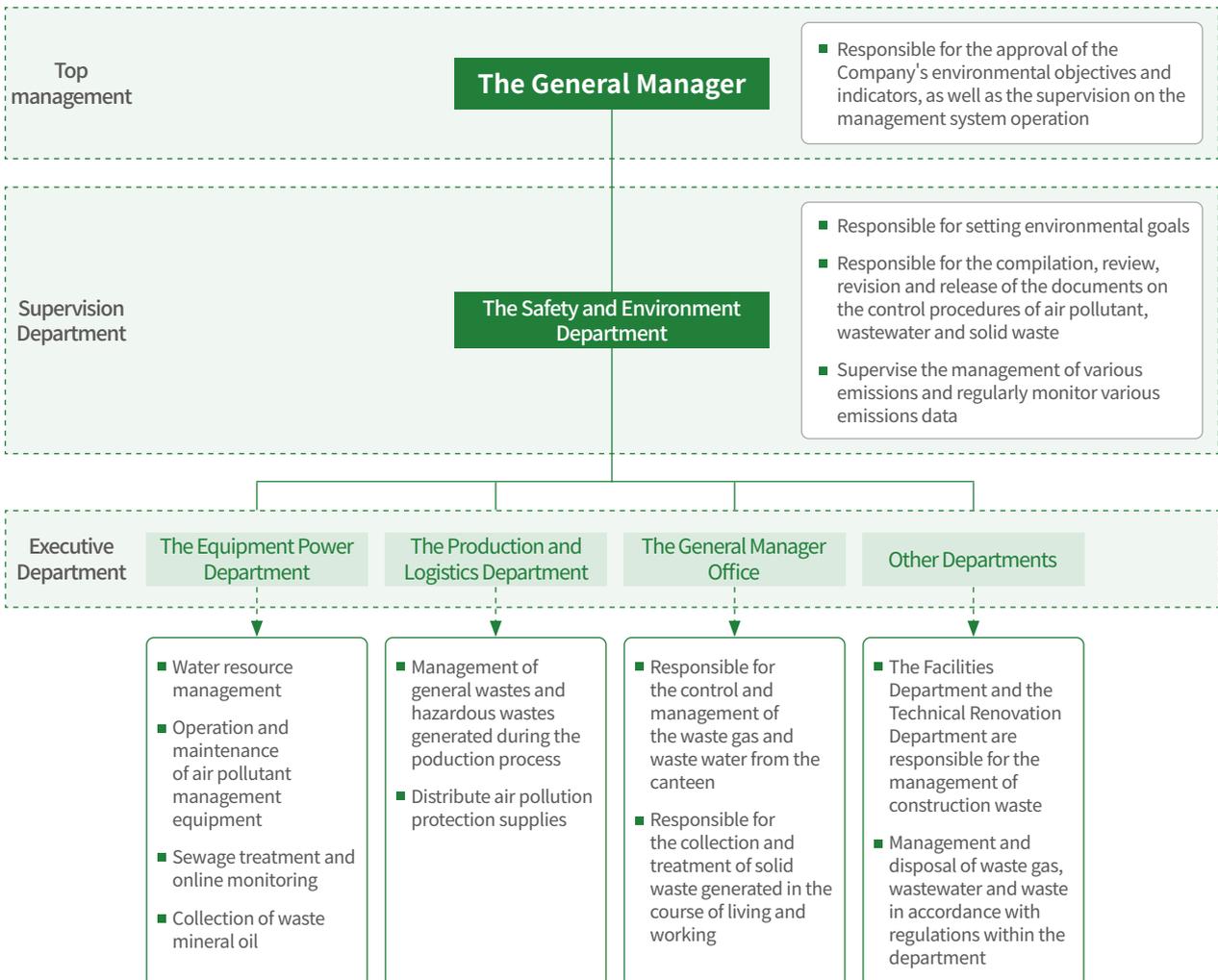
Environmental Compliance Management

The Group firmly implements the concept of green development and actively promotes green and low-carbon transformation and upgrading. We continue to improve the construction of our environmental management system. Through performance appraisal, environmental risk evaluation, and internal and external reviews, we are able to ensure the effective operation of the environmental management system. At the same time, we actively create an environmental protection culture within the Group, to enhance the awareness of low-carbon and environmental protection among all employees, and promote the confidence and determination for green development.

● Establish a Sound Environmental Management System

The Group has strictly complied with relevant such laws and regulations in China such as the *Environmental Protection Law of the People's Republic of China* and the *Cleaner Production Promotion Law of the People's Republic of China*, and developed the *Environmental and Occupational Health and Safety Management Manual* in accordance with the standards and requirements such as ISO 14001:2015 Environmental Management System, establishing and continuously improving the environmental management system. In addition, we have established an environmental management structure to ensure the effective operation of the environmental management system.

Environmental Management Structure



Our subsidiary companies, Nanjing High Speed Gear Manufacturing Co., Ltd. and Nanjing High Speed & Accurate Gear (Group) Co., Ltd., have obtained ISO 14001:2015 Environmental Management System Certification and regularly conduct internal audits and external audits of third-party professional organizations on the environmental management system as required by the system certification, covering all operating locations of the system certification to ensure the continuous adaptability, adequacy, and effectiveness of the system.



The Group's subsidiary, Nanjing High Speed Gear Manufacturing Co., Ltd. has obtained the ISO 14001:2015 Environmental Management System certification¹⁴



The Group's subsidiary, Nanjing High Speed & Accurate Gear (Group) Co., Ltd. has obtained the ISO 14001:2015 Environmental Management System certification¹⁵

Remark:

- 14. During the Reporting Period, NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly included in production and operation scope of wind power gear transmission equipment business. It was established and put into operation in 2023, and the Group has started to construct its environmental management system in 2024.
- 15. The environmental management system certification accounts for 100% of the operating scope of the Group's industrial gear transmission equipment business.

To urge all departments to implement production, the Group has formulated the *EHS Performance Assessment Regulation*, which will analyze the fulfillment of EHS responsibilities of each department on a quarterly basis and impose corresponding incentives or penalties based on the results. The Safety and Environment Department will also conduct annual EHS performance assessment on the management at all levels annually, and the results will be credited to the promotion and salary increment of the management.

In terms of environmental risk prevention, we have formulated the *Emergency Plan for Environmental Emergencies* to improve our ability to respond to environmental risks and accidents. We have also conducted emergency drills for possible environmental emergencies to effectively reduce the harm caused by environmental accidents. In 2023, the Group carried out an environmental risk evaluation to identify potential environmental hazards and scientifically evaluate our ability to prevent and control environmental risks. For the risks identified in the environmental risk evaluation, we have completed the rectifications.

During the Reporting Period, Nanjing High Speed Gear Manufacturing Co., Ltd. and Nanjing High Speed & Accurate Gear (Group) Co., Ltd., the subsidiaries of the Group, were awarded "Green Factory of Jiangsu Province (the Fourth Batch)". Nanjing High Speed Gear Manufacturing Co., Ltd. was awarded "Nanjing Environmental Protection Model Enterprise in 2023", reflecting that our environmental management work has received professional recognition.

● Cultivate an Environmental Protection Culture

The Group focuses on creating a cultural atmosphere of environmental protection and resource conservation, strengthening the environmental awareness of all employees by conducting environmental training and emergency drills. The Group has set up a series of courses on green enterprise construction, including five dimensions of green design, green procurement, green manufacturing, green recycling and green management. To assess the training effect, the Group has set up examinations, so as to comprehensively enhance the environmental protection awareness of employees in relevant positions and strengthen their environmental management capabilities. Meanwhile, we attach importance to cultivating the environmental awareness of external parties, providing them with targeted training on environmental protection, and conducting training and assessment regarding the *Safety, Environment and Occupational Health Agreement*.



Drill for environmental protection equipment failures

In March 2023, the Group organized a drill for environmental protection equipment failures to test the effectiveness and feasibility of the *Emergency Plan for Environmental Protection Equipment Failures* and to enhance the rescue ability of employees in dealing with emergencies. By simulating the failures of environmental protection equipment at the paint coating line, the relevant personnel executed the emergency procedures quickly and correctly to control the spread of pollution timely, ensure the safety of employees, and enhance their emergency response and handling capabilities.

Resource Recycling

To use resources effectively and raise environmental benefits, the Group has formulated the *Energy and Resources Control Procedure* to manage the consumption of water, raw materials, and office supplies, to realize the economical use and recycling of resources.

● Water Resources Management

The applicable water sources in the region where the Group is located are easily accessible. We also attach great importance to protecting water resources during production and operation, actively taking various water-saving measures. For example, we detect and try to prevent water running, emitting, dripping, and leaking by detecting the plumbing system of all departments, to avoid waste of water resources. In addition, we make a detailed ledger on the amount of water consumption and collect monthly data. By analyzing the month-on-month water consumption, we analyze the reasons behind unusual cases and make targeted improvements. We also reduce water resource consumption by measures such as carrying out equipment renovation projects and introducing new equipment.

Water-saving Measures Adopted by the Group

Measures	Description	Achievements
Conduct water balance test	<ul style="list-style-type: none"> Carefully review and check water consumption scenarios, install water meters and readers in the places lacking water metering, conduct water balance tests and analyze water balance and water usage rationality Locate water leakage points by measures such as analyzing the flowing statistics 	<ul style="list-style-type: none"> Control unusual water consumption, make detailed data management of water resources, and promote the development of water-saving plans During the water balance test, a total of 15 leaks were identified and repaired in a timely manner, resulting in a decrease in unit water consumption of approximately 3%
Establish the centralized fluid supply system	<ul style="list-style-type: none"> It is imperative to dilute cutting fluids with water before using them. Achieve centralized management of cutting fluid by adding bypass filtration and oil removers Regularly monitor indicators of cutting fluid to significantly extend the service life, reduce consumption of cutting fluid, thereby reducing water consumption and operating costs 	<ul style="list-style-type: none"> During the Reporting Period, the service life of cutting fluid was extended by more than 6 times, and the consumption of cutting fluid was reduced by more than 10%
Strengthen the Management of Water-Using Equipment	<ul style="list-style-type: none"> Strengthen the control of water-cooled units and pipeline water valves, and repair the failed water valves in time 	<ul style="list-style-type: none"> Decrease the consumption of cooling water and tap water
Introduce new cooling towers	<ul style="list-style-type: none"> A new type of closed cross-flow cooling tower is adopted for air-conditioning equipment to reduce water drift and dispersion 	<ul style="list-style-type: none"> Decrease water loss of cooling towers

The Target of Water Consumption of the Main Factories in the Wind Power Gear Transmission Equipment Business



Goals for 2023

Water consumption \leq **481,000** tonnes
 Water consumption per unit of output value¹⁶
 \leq **0.45** tonnes/RMB 10,000



Progress in 2023

Water consumption **403,457** tonnes
 Water consumption per unit of output value
0.41 tonnes/RMB 10,000

Annual target achieved

The Target of Water Consumption of the Main Factories in the Industrial Gear Transmission Equipment Business



Goals for 2023

Water consumption \leq **150,600** tonnes
 Water consumption per unit of output value
 \leq **0.75** tonnes/RMB 10,000



Progress in 2023

Water consumption **125,104** tonnes
 Water consumption per unit of output value
0.67 tonnes/RMB 10,000

Annual target achieved

Remark:

16. Calculation formula: Water consumption per unit of output value (tonnes / RMB 10,000) = water consumption during the Reporting Period / sales revenue of the business segment during the Reporting Period

Data on Water Resource Consumption¹⁷

Indicators	Unit	2023	2022
The water consumption ¹⁸	m ³	825,623.00	657,324.00
Intensity of water consumption ¹⁹	m ³ /RMB 10,000	0.49	0.43

Remark:

17.The data on water resource consumption covers the wind power gear transmission equipment and the industrial gear transmission equipment businesses.

18.In 2023, NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly counted towards the wind power gear transmission equipment business, resulting in an increase in in water consumption statistics for the year.

19.The parameter used in the calculation of intensity of water consumption in the Report is the sales revenue of the Group's wind power gear transmission equipment business segment and industrial gear transmission equipment business segment in the corresponding year.

Resource Utilization

The Group actively adopts resource utilization and recycling measures in various aspects, making full use of resources to enhance utilization efficiency and promote green and sustainable development.

The Group's Measures for Resource Utilization

Measures	Description	Achievements
Improve production processes	<ul style="list-style-type: none"> Formulate scientific production processes, adopt new technologies and skills, and minimize the use of toxic chemicals Value the utilization rate of materials and the qualification rate of products in each step during production 	<ul style="list-style-type: none"> Decline environmental pollution, material loss, and waste loss
Upgrade raw material composition	<ul style="list-style-type: none"> All cutting oil (fluids) that we use are environmentally friendly as they are low in sulphur, phosphorus, chlorine, and formaldehyde Work closely with suppliers to enhance the formulas of cutting oil used in the cutting process and make it more environmentally friendly Extrude and separate, filter and test, and then recycle the cutting oil in the grinding area of the plant 	<ul style="list-style-type: none"> Use environmentally friendly fundamental materials, curb pollutants from the source and improve the environment in the workshops Improve the recycling rate of cutting oil and reduce resource consumption
Introduce environmental protection technologies	<ul style="list-style-type: none"> Replace traditional cutting oil lubrication with micro-lubrication in machining operations Inject precisely measured amounts of micro-lubricants into the machining area, reducing the cutting fluid consumption while ensuring effective cooling and lubrication 	<ul style="list-style-type: none"> Effectively reduce the cutting oil or fluids consumption

Measures	Description	Achievements
Optimize product design	<ul style="list-style-type: none"> Develop wind power gearboxes with "integrated chain, multi-planetary gear, and sliding bearing". Through the integrated design, the size of the whole transmission chain is reduced by 2-5 meters compared with the traditional models, which makes the gearboxes smaller and lighter and improves the transmission efficiency 	<ul style="list-style-type: none"> The product is more compact and lightweight, with the weight reduced by more than 15%, which greatly reduces the amount of materials consumed and saves land resources Transmission efficiency has been increased from 97.5% to 98%
Recycling packaging	<ul style="list-style-type: none"> Formulate the <i>Management Regulations on Comprehensive Reuse of Packaging Materials</i> Build a packing recycling mechanism with our customers and packaging suppliers. Packaging suppliers manufacture recyclable packaging shelves according to the Group's recyclable packaging scheme, and recycle regularly after use. 100% of the main materials of domestic packaging (steel frame and wooden frame) are recycled 	<ul style="list-style-type: none"> During the Reporting Period, the Group saved around 1,603.8 cubic meters of wood and over 6,164.9 tonnes of steel for packaging
Advocating green office	<ul style="list-style-type: none"> Adopt a collaborative office system, achieve digital and paperless office Initiate electronic work platforms for human resource management, including the NGC Academy and electronic signing system Encourage employees to use double-sided paper, recycle single-sided waste paper, and examine the use of office supplies The Group's annual report is printed on environmentally friendly paper made from basically chlorine-free bleached and dyed pulp, using chemical-free rinsing plate and soy ink 	<ul style="list-style-type: none"> Promoted a paperless office and reduced paper use effectively Reduced environmental pollution in printing



Packing recycling mechanism

The Group collaborates with customers and packaging suppliers to establish a packaging recycling mechanism. The packaging suppliers manufacture recyclable packaging shelves based on the Group's recyclable packaging scheme. The packaging shelves are transported with the finished products to the customer's location. After using, the packaging shelves are temporarily stored in a certain quantity, and we recycle and transport them to the packaging supplier's location for unified management. In 2023, the Group saved a total of 1,603.8 cubic meters of wood and 6,164.9 tonnes of steel for packaging.



Packing recycling mechanism

Data on Packaging Material Consumption²⁰

Indicators	Unit	2023	2022
Total packaging material consumption	Tonnes	7,084.00	9,424.10
Intensity of packing material consumption ²¹	kg/RMB 10,000	4.22	6.15

Remark:

20.The data on packaging material consumption covers the wind power gear transmission equipment and the industrial gear transmission equipment businesses. Packaging materials include wood, steel, and plastics used in the sales and transportation of products by the Group.

21.The parameter used in the calculation of the intensity of package material consumption in the Report is the sales revenue of the Group's wind power gear transmission equipment business segment and industrial gear transmission equipment business segment in the corresponding year.

Pollution Prevention and Control

The Group has made great efforts in comprehensively promoting pollution prevention and control. Specifically, we have formulated a series of strict pollutant discharge management systems, so as to ensure that emissions are managed in a standardized manner. At the same time, we continue to optimize the production process, introduce advanced environmental protection equipment. We also actively carry out waste treatment projects to monitor the lifecycle of pollutants, so as to minimize the pollutants generation and ensure that the discharge standards are met.

● Pollutant Control

The Group complies with the laws and regulations related to air pollutants, water pollution, and solid waste. Taking into account the Group's actual production and operation, we have formulated a series of management rules. By clarifying responsibilities for every division and department, we have been improving emission management.

To effectively implement emission management and ensure compliance with emission standards, we have specified operating procedures for all pollution prevention and control facilities. We also implement a daily pre-operation inspection system to ensure that all the facilities are in good condition before the operation begins. Meanwhile, we have installed online monitoring devices at air pollutant and wastewater discharge outlets respectively, to continuously monitor the discharge of waste gas and wastewater.

To ensure the accuracy and objectivity of the discharge data, we have commissioned qualified third-party monitoring agencies to monitor the air pollutants and wastewater emitted by the Group quarterly according to emission criteria. The monitoring results are publicized on the Group's official website and the environmental management information platform designated by the environmental authorities. If any of the pollutants exceed the standards, we will immediately shut down the emitting devices, find out the reasons, and correct our approaches in time. Besides, we have set up the *EHS Performance Assessment Regulation* to assess issues identified during investigation.

During the Reporting Period, all outlets and emission factors of the Group met the pollutant discharge permits, and the Group did not break emission requirements and was not punished.

Air Pollutants

Following the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the Group has formulated the *Air Pollution Prevention and Control Procedure*, to strengthen the control of air pollutants. Meanwhile, we adopt appropriate waste gas treatment facilities at each stage of processing to ensure that the emission standards are met. The Ministry of Ecology and Environment issued pollutant discharge permits for every air pollutant of the Group, among which our actual emissions, according to each of the indicator, were far below the requirement, achieving all air pollutant emissions within limits.

In 2023, Nanjing High Speed Gear Manufacturing Co., Ltd., a subsidiary of our Group, was awarded the title of "Environmental Protection Model Enterprise". The Houjiao Road Factory was exempted from the air pollution control in autumn and winter and ozone pollution control in summer in Jiangsu Province.

Measures to Control Air Pollutants

Processing section	Waste gas treatment facilities	Treatment effect	Online monitor
 Heat treatment section	Wet dust removal + 2-stage pre-treatment washing + primary dust removal + high efficiency dust removal + molecular cracking integration ²² + tail cracking	100% compliance with emission standards Achieved extremely low concentration emissions regarding some indicators ²³	Real-time observation: Discharge data are directly connected to supervisory departments, online monitor of emission concentration and rate of exhaust pollutants to detect unusual data in time, reducing the risk of exceeding the emission standard Emergency mechanism: If any data are unusual, the alarm device will be activated immediately to alert the personnel on site. This mechanism has improved the response efficiency
 Hobbing and milling section	Primary oil removal + high efficiency oil removal + molecular cracking integration + tail cracking	100% compliance with emission standards Achieved extremely low concentration emissions regarding some indicators	
 Coating section	Zeolite rotor + RTO catalytic combustion + activated charcoal adsorption + desorption condensation	Treatment efficiency increased to 92%	
 Cleaning section	Scrubber tower + dry filtration + desorption + condensation recovery	Treatment efficiency increased to 90%	
 Polishing section	Venturi wet dust removal + mist removal	Treatment efficiency increased to 90%	

Remark:

22. We have adopted an advanced high-pressure system, microwave and oxidation catalyst technology for the molecular cracking equipment, which can effectively degrade complex macromolecules into small molecules, remove all smelly pollutants, and add tail scrubbing device to eliminate odor.

23. It is in line with the local standard of Jiangsu Province: Integrated Emission Standard of Air Pollutants (DB32 4041-2021).

The Target of Air Pollutants of the Main Factories in the Wind Power Gear Transmission Equipment Business



Goals for 2023

VOCs emissions \leq **157.64** tonnes



Progress in 2023

VOCs emissions **1.63** tonnes

Annual target achieved

The Target of Air Pollutants of the Main Factories in the Industrial Gear Transmission Equipment Business



Goals for 2023

VOCs emissions decreased by **3%** compared to 2022



Progress in 2023

VOCs emissions decreased by **15.5%** compared to 2022

Annual target achieved

Data on Air Pollutants²⁴

Indicators	Unit	2023	2022
Emission of nitrogen oxides	kg	2,224.81	546.59
Emission of sulphur oxides	kg	142.39	68.19
Emission of particulate matter ²⁵	kg	2,778.37	20.34

Remark:

24.The data on air pollutants covers the wind power gear transmission equipment and the industrial gear transmission equipment businesses. Emission of nitrogen oxides, sulphur oxides, and particulate matter are converted with reference to the *How to Prepare an Environmental, Social, and Governance Report* of the Hong Kong Stock Exchange. In 2023, due to changes in the waste gas disposal methods and increased business volume in the industrial gear transmission equipment business and NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly counted towards the wind power gear transmission equipment business, resulting in an increase in the emission of air pollutants statistics for the year. The total amount and concentration of major air pollutants emitted by the Group were superior to national and local standards.

25.In 2023, we increased the disclosure of fixed source emission of particulate matter, resulting in a significant increase in particulate matter emission, but the emission is still below the required levels.



Increase investment in clean technology and environmental protection to promote green production

During the Reporting Period, the Group increased its investment in clean technology, and continuously optimized its production process. Specifically, we reduced waste gas emissions by changing the tempering of planetary gear rings from oil quenching to water-based quenching, and establishing the continuous carburizing quenching production line. In addition, we improved the paint technology by changing the three-layer paint of some products to single-layer paint and replacing the original non-high-solid paint of primer and topcoat with high-solid paint. This helps reduce VOC emissions by about 5 kg per unit and 56% in total.

In order to achieve the sustainable development objectives, the Group continues to increase its investment in environmental protection to reduce pollution emissions and promote green production. During the Reporting Period, we implemented a hydrocleaning project before painting, investing RMB 2.35 million in a new cleaning room, which replaced all solvent-based cleaning agents with high-pressure water containing 4% water-soluble cleaning agents. The wastewater generated during the cleaning process will be collected separately and sent to a sewage treatment station for professional treatment. Each device can reduce VOC emissions by up to 50 kg, which can reduce VOC emissions by 96% in total.

Wastewater

Following laws and regulations such as the *Water Pollution Prevention and Control Law of the People's Republic of China* and the *GB 8978-1996 Integrated Wastewater Discharge Standard*, the Group has formulated rules including the *Waste Water Control Procedure* and the *Wastewater Discharge Management Regulation*. Also, various sewage prevention and control measures have been taken to strengthen the control and management of discharging sewage and ensure that wastewater is discharged in accordance with standards.

Sewage Prevention and Control Measures Adopted by the Group

Measures	Description	Achievements
Upgrade wastewater treatment standards	<ul style="list-style-type: none"> Add a special evaporation and concentration treatment device for emulsion Add MBR membrane system in the biochemical treatment section to improve the efficiency of removing pollutants in the wastewater 	<ul style="list-style-type: none"> The control requirements for all indicators of industrial water are lower than the national discharge standards Realize the classified treatment of wastewater, improve the removal efficiency of COD, ammonia nitrogen and total phosphorus, and effectively prevent eutrophication in water bodies Increase the comprehensive treatment capacity from 550 to 600 tonnes per day; and increase the daily treatment capacity from 50 to 100 tonnes per day
Surface the ground with anti-seepage materials	<ul style="list-style-type: none"> Surface the ground with anti-seepage materials in sewage stations, hazardous waste storage sites, and hazardous chemical storage sites Chemicals that drip on the ground during production will be treated and thus will not be directly washed into sewers 	<ul style="list-style-type: none"> Avoid leakage of sewage and chemicals from key areas and seepage into the soil or into the sewers
Renovate underground sewage pipes	<ul style="list-style-type: none"> Switch underground pipes to above-ground open ones and realized remote pumping through electric control 	<ul style="list-style-type: none"> Solve the problem of transporting sewage at the terminal equipment such as heat treatment equipment and avoid soil contamination caused by leaking underground pipes
Monitor data online	<ul style="list-style-type: none"> Monitor the wastewater discharge data in real time through online monitoring systems. The systems were networked to the national monitoring data platform 	<ul style="list-style-type: none"> Timely detect unusual data, ensuring compliance with emission standards, and avoiding environmental pollution

Data on Wastewater²⁶

Indicators	Unit	2023	2022
Total wastewater discharge ²⁷	m ³	236,105.00	211,319.00

Remark:

26.The data on wastewater discharge covers the wind power gear transmission equipment and the industrial gear transmission equipment businesses.

27.In 2023, NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly counted towards the wind power gear transmission equipment business, resulting in an increase in the wastewater discharge statistics for the year.

Waste

In compliance with the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, the Group has formulated the *Solid Waste Control Procedure and Waste Management Regulation*. Besides, we strictly follow the *GB 18597-2023 Standard for Pollution Control on Hazardous Waste Storage* to regulate waste management to ensure that the discharge and disposal of waste meet regulatory requirements.

The Target of Waste Emissions of the Main Factories in the Wind Power Gear Transmission Equipment Business



Goals for 2023

Total hazardous waste emissions ≤ **968.2** tonnes
Hazardous waste emissions per unit of output value²⁸
≤ **1.38** kg/RMB 10,000



Progress in 2023

Total hazardous waste emissions **668.6** tonnes
Hazardous waste emissions per unit of output value
0.67 kg/RMB 10,000

Annual target achieved

The Target of Waste Emissions of the Main Factories in the Industrial Gear Transmission Equipment Business



Goals for 2023

Compared to 2022,
Total Hazardous waste emissions reduced by **10%**
Hazardous waste emissions per unit of output value
reduced by **5%**



Progress in 2023

Compared to 2022,
Total hazardous waste emissions reduced by **21%**
Hazardous waste emissions per unit of output value
reduced by **23.6%**

Annual target achieved

Remark:

28.Calculation formula: Hazardous waste emissions per unit of output value (kg / RMB 10,000) = total hazardous waste emissions during the Reporting Period / sales revenue of the business segment during the Reporting Period

The Group monitors the solid waste in a full lifecycle to ensure a traceable line from its production, collection, storage, and transfer. Upholding the principle that "whoever produces, registers, and transfers the waste should be held accountable", we combine the full-cycle record with the responsible person system, achieving effective management of waste. Meanwhile, we monitor the amount of waste generated by various facilities and entrust qualified third-party institutions to properly dispose of the waste generated in production and operation. During the Reporting Period, the collection, storage, transfer and disposal of waste by the Group have met the requirements of relevant environmental protection departments.

Meanwhile, the Group continues to carry out solid waste reduction projects to reduce the discharge of solid wastes. By measures such as introducing sludge drying equipment and using large-function plate and frame filter presses in sewage treatment stations, we can improve the sludge pressure filtration effect, significantly reduce sludge, and then reduce the discharge of hazardous wastes. In 2023, the Group's industrial gear transmission equipment business carried out waste reduction projects at the source. We reduced hazardous wastes from three dimensions of source substitution, process control and terminal categorization, such as promoting the use of integrated paint and cleaning and reusing oily rags, effectively reduced the generation of hazardous waste.

Data on Waste²⁹

Indicators	Unit	2023	2022
Total wastes ³⁰	Tonne	37,313.13	8,195.98
Intensity of total wastes ³¹	kg/RMB 10,000	22.25	5.35
Total hazardous wastes ³²	Tonne	1,395.84	1,287.79
Intensity of hazardous wastes	kg/RMB 10,000	0.83	0.84
Total non-hazardous wastes ³³	Tonne	35,917.29	6,908.19
Intensity of non-hazardous wastes	kg/RMB 10,000	21.42	4.51

Remark:

29.The data on discharged waste covers the wind power gear transmission equipment and the industrial gear transmission equipment businesses.

30.In 2023, the non-hazardous wastes added two categories which are iron filings and scrap steel, and NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly counted towards the wind power gear transmission equipment business, resulting in an increase in total wastes statistics for the year.

31.The parameter used in the calculation of intensity of wastes in the Report is the sales revenue of the Group's wind power gear transmission equipment business segment and industrial gear transmission equipment business segment in the corresponding year.

32.The classification of hazardous waste is based on the *Directory of National Hazardous Wastes (Version 2021)*.

33.Non-hazardous waste includes grinding metal chips, wood, iron filings and scrap steel generated during the production operations of the Group. Iron filings and scrap steel were newly added categories in 2023, resulting in an increase in total non-hazardous wastes in the Group.

Key Performances

In 2023



3

Reform and Innovation to Pursue Supreme Quality

Material issues in this chapter

- Sustainable Product Design
- Product Quality and Safety
- Product Innovation
- Customer Satisfaction Management
- Intellectual Property Management

Performance Highlights

- Had **3** national technology innovation platforms, **4** provincial technology innovation platforms, and **3** industry technology innovation platforms
- Established **16** Integration of Industry, Education and Research projects
- Has been granted **872** patents authorized by the state
- Achieved **100%** customer satisfaction target for **6** consecutive years

UNSDGs in this chapter



Lead Technological Innovation

Upholding the corporate spirit of "Climb up the summit step by step, Strive for perfection bit by bit", the Group leads the industry in technological innovation with an innovation-driven strategy. We strive to promote the diversification and large-scale development of wind power gear transmission equipment products and try to expand overseas markets. At the same time, in the field of heavy-duty transmission, we have independently developed standardized, modular, and intelligent products with international competitiveness, which can drive the industry toward sustainable and high-tech upgrading.

● Create an Innovative Environment

The Group rely on the nationally recognized enterprise technology center and other national and provincial technology innovation platforms for continuous technology accumulation and product research, striving to promote scientific and technological innovation and achievement transformation. In 2023, the Huai'an Wind Power Gear Transmission System Engineering Technology Research Center of NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd., a subsidiary of the Group, was successfully selected for the list of "Proposed New Municipal Engineering and Technology Research Center of 2023".

Key Performances

By the end of 2023, we had



3

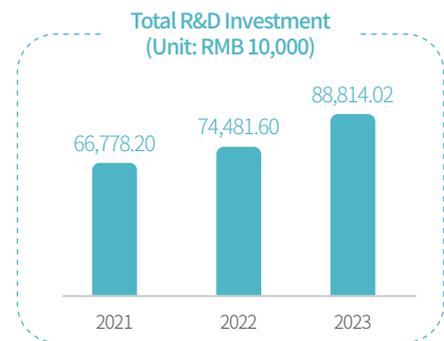
national technology innovation platforms

4

provincial technology innovation platforms

3

industry technology innovation platforms



The Group's Technology Innovation Platform Construction

Part of R&D centers owned by the Group	Certification units
Nationally Recognized Enterprise Technology Center	National Development and Reform Commission, Ministry of Science and Technology, Ministry of Finance, General Administration of Customs, State Taxation Administration
Key Laboratories of the Wind Power Gear Transmission System, Heavy-Duty Transmission Engineering Research Center of the Machinery Industry	National Machinery Industry Association
Heat Treatment Technology Innovation Demonstration Bases	China Heat Treatment Society
Jiangsu Wind Power Gear Equipment Engineering Technology Research Center	Jiangsu Provincial Department of Science and Technology
Provincial-level Enterprise Technology Center in Jiangsu Province	Industry and Information Technology Department of Jiangsu, Jiangsu Provincial Development and Reform Commission
Jiangsu Province Industrial High-speed Fine Gear Transmission Device Engineering Research Center	Jiangsu Provincial Development and Reform Commission
Jiangsu Industrial Gear Engineering Research Center	Jiangsu Provincial Department of Science and Technology
Huai'an Wind Power Gear Transmission System Engineering Technology Research Center³⁴	Huai'an Municipal Science and Technology Bureau

Remark:

34. New R&D center in 2023

● Construct R&D Talent Echelon

To establish a sound management mechanism for R&D investment, the Group has formulated a series of policies, such as the *R&D Organization Management Policy*, the *Application Procedures for Continuous Improvement and Innovation Project Initiation*, the *R&D Investment Accounting Management Policy*, and the *R&D Expenses Special Account Management Policy*. These policies are designed to regulate the requirements for R&D inputs and to ensure that R&D personnel have sufficient resources to engage in R&D activities. Additionally, we stimulate R&D personnel's enthusiasm for innovation and work through good training and incentive mechanisms, so as to promote the comprehensive cultivation and development of our R&D employees.

The Conditions of the Group's R&D Team Construction

Indicator	2022	2023
Number of R&D team members	558	562
R&D investment ratio of wind power gear transmission equipment business segment ³⁵	4.53%	5.15%
R&D investment ratio of industrial gear transmission equipment business segment	5.67%	6.42%

Remark:

35. R&D investment ratio of wind power and industrial business segments = R&D investment in each segment/sales revenue in each segment

The Group has made active efforts to develop the cultivation of research talents and has formulated the *Measures for Talent Introduction Management* to standardize the process and management of talent introduction. We also adopt various approaches to cultivate high-quality technical and managerial personnel suitable for the development of the Company. Our measures include sending young and middle-aged technical backbone personnels to study abroad and participate in foreign technical exchanges, and inviting external experts to the Company for training.

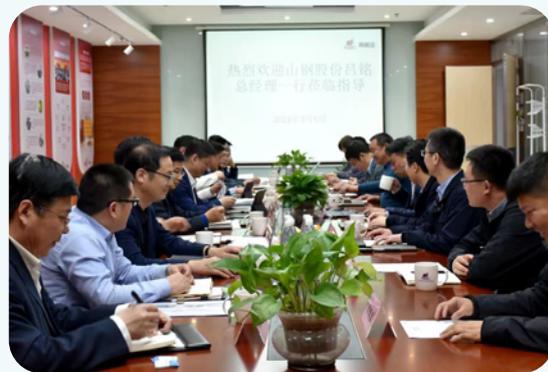
Key Performance



In 2023
professional training for R&D
technicians reached **19**
hours per capita



Design problem case sharing



Internal and external technical exchanges

Integration of Industry, Education and Research

The Group deepens the cooperation with universities and scientific research institutions to unleash the creativity of the entire industry. For instance, we have worked with Southeast University, Chongqing University, Gear Research Center of Technical University of Munich and other universities and research institutions to launch R&D projects, contributing our efforts to the development and innovation of the industry.

Key Performance



By the end of 2023
the Group established

16

Integration of Industry, Education and Research projects

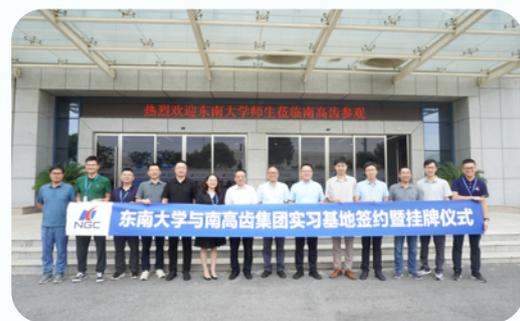
Part of the Industry-Education-Research Projects of the Group

	Project	Cooperation unit
Wind power gear transmission equipment	National key R&D program: key technology and application of sliding bearings for wind turbines	Chongqing University, Taiyuan University of Science and Technology
	Typical steel grade development for NGC microalloying	Gear Research Center of Technical University of Munich
	Fatigue strength test project of FZG gear	Gear Research Center of Technical University of Munich
Industrial gear transmission equipment	Research on key technologies of high linear speed lightweight gear transmission system	Southeast University, Chongqing University, Nanjing University of Aeronautics and Astronautics, Shanghai Jiao Tong University
	Major project of the intelligent prediction of errors of mining equipment and health management system	Southeast University, Nanjing University of Aeronautics and Astronautics
	Development and industrialization of high-speed and high-efficiency gear transmission devices for steam turbine	Southeast University, Nanjing University of Aeronautics and Astronautics
	Development and industrialization project of high-torsional parallel twin-screw gearbox for large extrusion granulator	University of Science and Technology Beijing, Beijing University of Chemical Technology



China Transmission held a signing ceremony with Southeast University's off-campus practice base

To foster the integration of industry, education and research, reinforce complementary advantages, and promote win-win cooperation, the Group held a signing ceremony with the off-campus practice base of Southeast University in September 2023. In the future, the Group will carry out more diversified industry-education-research projects with Southeast University to support student internship and employment, hence cultivating an innovative force for coordinated development.



Southeast University practice base signing ceremony

Innovation Incentive Mechanism

To enhance the enthusiasm and initiative of technical personnel, we have formulated a series of management and rewarding measures for technological innovation work, such as the *Implementation and Incentive System for the Transformation of Scientific and Technological Achievements*, the *Management System for Professional and Technical Credentials of Technical and Project Engineers*, and the *Incentive Management Measures*. Beyond that, we have also made detailed provisions on technological innovation projects, technological innovation funds and management, and the rewards for various technological innovation activities.

To cope with the challenges of new technologies and new risks arising from the accelerated iteration of wind power products, the Group's wind power business segment carries out technological innovation conferences every year to stimulate employees' motivation and ability to innovate, select the most feasible innovative ideas and transform them into actual products or solutions. In 2023, we discussed innovations such as "temperature measurement and maintainability design of gearbox bearings", "low-speed bearing lubrication scheme" and "bearing inner ring slip detection and monitoring method", which provided valuable references for actual production through brainstorming, and further promoted technological progress and product upgrading.

● Promote Product Iteration

Focusing on the R&D of green technologies, the Group is committed to driving the rapid iteration and upgrading of new products with "Optimal design cost". Besides, we continue our efforts to promote the R&D of green and low-carbon products, so as to provide customers with better quality and more competitive products.

Ecological R&D

The wind power industry is developing rapidly, and the products are iteratively evolving towards "large-scale, low-cost, high-speed ratio, high torque density, high reliability, and green design". We incorporate cyclic utilization of resource, along with pollution and carbon reduction into product design and manufacturing technique. And we actively carry out ecological research and development to keep up with industry green trends.

 <p>Economical use of raw materials</p> <p>Develop smaller and lighter wind power gearboxes.</p>	 <p>Carbon and cost reduction</p> <p>Use the external spline processing technology of the planetary frame, saving 60% of working hours and reducing costs by 70%.</p>	 <p>Reduction of environmental pollution</p> <p>Develop the internal gear ring scanning induction hardening, water-air alternative timed quenching (ATQ) and other technologies, while adopting advanced heat treatment technology to reduce environmental pollution.</p>
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Development of novel high hardenability steel

Based on the current situation of the Company, the technical department has actively developed a new material, high-hardenability steel. The material not only solves some performance challenges but also greatly reduces the development difficulty of induction hardening, which increases heat treatment productivity by more than 70% and significantly reduces the cost of heat treatment.



Successful development of a new generation of yaw drive with overload protection function

With an in-depth insight into the wind power industry's demand for wind power yaw systems, the Group successfully developed a "New Generation of Yaw Drive with Overload Protection" for the first time in China. At present, the product has passed the testing and certifications of Europe's top energy companies and authoritative certification agencies and has successfully applied for 15 patents. The product has the characteristics of light weight, small size, and high reliability throughout the life cycle. Through the optimized design of the yaw system's transmission chain, the cost of the yaw system has been reduced by more than 15%, which fully reflects the Group's product philosophy of "greenness, reliability, and added value".



"New Generation of Yaw Drive with Overload Protection" at the assembly plant

Technology Breakthrough

Through cooperation with upstream and downstream, we carry out a number of national and provincial key scientific research projects, follow the latest trends of industry development, provide forward-looking input into the research of cutting-edge technologies, and break through a number of "bottleneck" key technical problems in the gearbox industry.

National, Provincial, and Municipal Projects Conducted by the Group in Collaboration with Client Companies

Project	Initiator
National key R&D program: key technology and application of sliding bearings for wind turbines	Ministry of Science and Technology of the People's Republic of China
National key R&D program: key technology of high reliability and high torque planetary gear transmission	Ministry of Science and Technology of the People's Republic of China
National key R&D program: key technology and industrial test platform for large wind power gear transmission system	Ministry of Science and Technology of the People's Republic of China
Research on key technologies of high linear speed lightweight gear transmission system	Ministry of Science and Technology of the People's Republic of China
Special projects for industrial base reengineering and high-quality development of the manufacturing industry in 2022: development and application projects of high-power wind power main bearings, gearbox bearings, and wind power hub	Ministry of Industry and Information Technology of the People's Republic of China
Development and industrialization project of high-torsional parallel twin-screw gearbox for large extrusion granulator	Ministry of Industry and Information Technology of the People's Republic of China
Special fund for the commercialization of research findings of Jiangsu province: offshore 7MW and above high-power wind power gearbox R&D and industrialization	Jiangsu Provincial Department of Science and Technology
Development and industrialization of high-speed and high-efficiency gear transmission devices for steam turbine	Jiangsu Provincial Department of Science and Technology
Technology identification of new products in Jiangsu Province	Industry and Information Technology Department of Jiangsu
Major project of the intelligent prediction of errors of mining equipment and health management system	Industry and Information Technology Department of Jiangsu
Nanjing major science and technology project: key technology of sliding bearings for wind power gearbox with 8 MW and above	Nanjing Municipal Science and Technology Bureau
Technology list of the major demonstration project of "dual carbon" scientific and technological innovation in Inner Mongolia Autonomous Region: research on domestic large onshore wind turbines adapt to high altitude and low temperature	Department of Science and Technology of Inner Mongolia

We have made a three-dimensional layout in terms of innovative technologies, patents and markets, and actively explore green and efficient transmission solutions. Additionally, we keep launching new products in line with the low-carbon trend to meet the market's urgent demand for green and environmentally friendly products.

**Part of the Technology and Innovation Awards Received by the Group
by the End of 2023**



**State Science and Technology
Advancement Award**

The State Council of the People's Republic of China



**Jiangsu Science and Technology
Advancement Award**

Jiangsu Provincial People's Government



**China Machinery Industry Science and
Technology Award**

China Machinery Industry Federation



**The Second Prize of the National Science and
Technology Progress Award for Outstanding
Achievement in Scientific Research Higher
Education Institutions**

Ministry of Education of the People's Republic of China



**First Prize in Jiangsu for Science and
Technology Progress in the Machinery
Industry in 2023**

Jiangsu Provincial Association of Machinery Industry
Jiangsu Provincial Institution of Engineering and
Technology



**Advanced Innovative Enterprise of the
Machinery Industry in Jiangsu Province**

Jiangsu Provincial Association of Machinery Industry



**Third Prize of Metallurgical Science and
Technology Awards**

The China Iron and Steel Association
The Chinese Society for Metals



**"Wind Power Leader" in 2023 -
The best Wind Power Gearbox**

China Wind News



The Group's GearSight passed CMMI level 3 certification

Following the latest trend of technological innovation, the Group has thoroughly incorporated digital technology into the main machinery - gearbox, and our GearSight has passed the CMMI (Capability Maturity Model Integration) Level 3 certification. The obtaining of this certification indicates that the Group's competencies in software R&D, process organization, and project management have been recognized by relevant international organizations in terms of standardization, normalization, and maturity.



CMMI level 3 certification

Patent Management

Firmly upholding the concept of intellectual property protection, the Group strictly follows the *Patent Law of the People's Republic of China* and other laws and regulations. On this basis, we have formulated a series of internal policies, such as the *Patent Management Policy*, the *Copyright Management Policy*, and the *Infringement Retrieval Process Management Regulations* to promote the standardization, systematization, and refinement of patent management and use. To minimize the risk of infringement of products or technologies, we conduct Free to Operate (FTO) patent searches, and design around technologies at risk of infringement. We also carry out patent-related training on a regular basis to continuously improve internal intellectual property management, maintenance, and application. In 2023, the Group was awarded the title of "National Intellectual Property Advantageous Enterprise" by the China National Intellectual Property Administration. During the Reporting Period, the Group was not involved in patent infringement lawsuits.

Patent Management Processes of the Group



Indicators	Unit	Wind power business segment	Industrial business segment
Number of new patent applications in 2023	Item	61	65
Number of new patents granted in 2023	Item	68	48

Key Performances

By the end of 2023, the Group



had been granted a total of
872 patents authorized nationally



had been submitted
437 patents for approval

Pursue Supreme Quality

Driven by the corporate vision of "Leader of the global power transmission field", the Group has been committed to building an excellent and mature quality management system for many years. We adhere to the philosophy of designing highly reliable products and focus on constructing customer perceived value of product quality. Furthermore, we insist on sustainable development, aiming to fully open the new era of "Quality 2.0".

● Product Quality

The Group has always adhered to the guiding principle of "Quality First, Customer Foremost, Outstanding Service and Good Faith", strictly implemented the concept of zero defects, and advocated the preventive management culture of "Getting things right on the first try". We have established a systematic quality performance management system, and set quality objectives such as the qualified rate of procurement inspection, the qualified rate of finished product inspection, the quality failure rate, and the customer satisfaction index. We continuously pursue excellent quality through multi-level decomposition, regular measurement and evaluation to improve organizational performance. By doing so, we achieved a pass rate of 100% in the sampling inspections conducted by government quality and technical supervision departments at all levels over the years.

Quality Management System

In strict compliance with the requirements of the *Product Quality Law of the People's Republic of China* and other relevant laws and regulations, the Group has formulated and continuously updated the policies like the *Introduction to the Quality Management System*, the *Description of the Quality Management Process* and the *Quality Examination and Management Provisions* based on the actual quality management work of the Company to ensure the effective realization of the Company's quality policy and quality objectives.

During the reporting period, we passed the annual supervision and audit of the ISO 9001:2015 Quality Management System. On this basis, we have successively introduced a number of quality management systems, including GB/T 19580-2012 Outstanding Performance Management System, VDA6.3 Process Quality Management System, APQP₄ Wind³⁶ Advanced Product Quality Planning and PRI Special Process Certification derived from aviation standards, to continuously promote the Company's quality management level to a new height.



The Group's subsidiary, Nanjing High Speed Gear Manufacturing Co., Ltd. has obtained the ISO 9001:2015 Quality Management System certification³⁷



The Group's subsidiary, Nanjing High Speed & Accurate Gear (Group) Co., Ltd. has obtained the ISO 9001:2015 Quality Management System certification³⁸

Remark:

36. APQP₄Wind is a quality standard and optimal practice for the entire wind power industry to plan and implement quality assurance throughout the supply chain from manufacturer to component suppliers, with the aim of making the production quality assurance requirements process and production part approval process (PPAP) as clear as possible.

37. During the Reporting Period, NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly included in production and operation scope of wind power gear transmission equipment business. It was established and put into operation in 2023, and the Group has started to construct its quality management system in 2024.

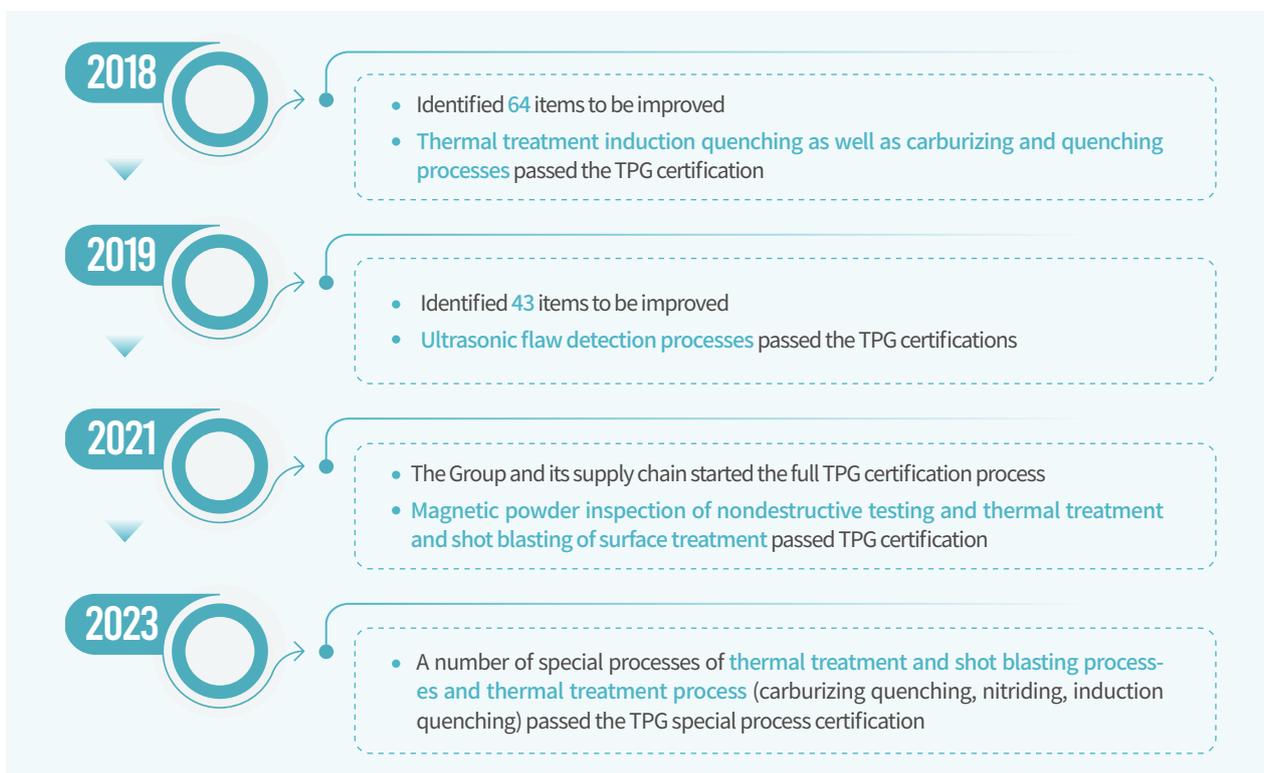
38. The quality management system certification accounts for 100% of the operating scope of the Group's industrial gear transmission equipment business.

Since 2018, the Group has introduced TPG certification³⁹ and benchmarked with aerospace standards to continuously improve product quality, reduce failure costs, and enhance control over special processes. In addition, a number of our gearbox R&D products have passed high-tech appraisals and hundreds of international certifications, such as EU CE Certification, GOST Russian Certification, and MA Certification.

Remark:

39. TPG (Transportation and Power Generation) is a certification for special processes to suppliers based on the requirements of GE company on transportation and energy equipment. This certification is in line with the Nadcap (National Aerospace and Defence Contractors Accreditation Program) standard. The certified companies will be listed on the PRI (Performance Review Institute) website as the top choices for all manufacturing buyers in the world.

TPG Certification Journey of the Group



To achieve standardization of the production process, we have formulated over 70 technical standards and specifications, and updated or supplemented more than 200 collection standards, providing clear and comprehensive quality guidance for the production process. With these standards, we can ensure that the quality of the products during design, production, and inspection is traceable and verifiable.

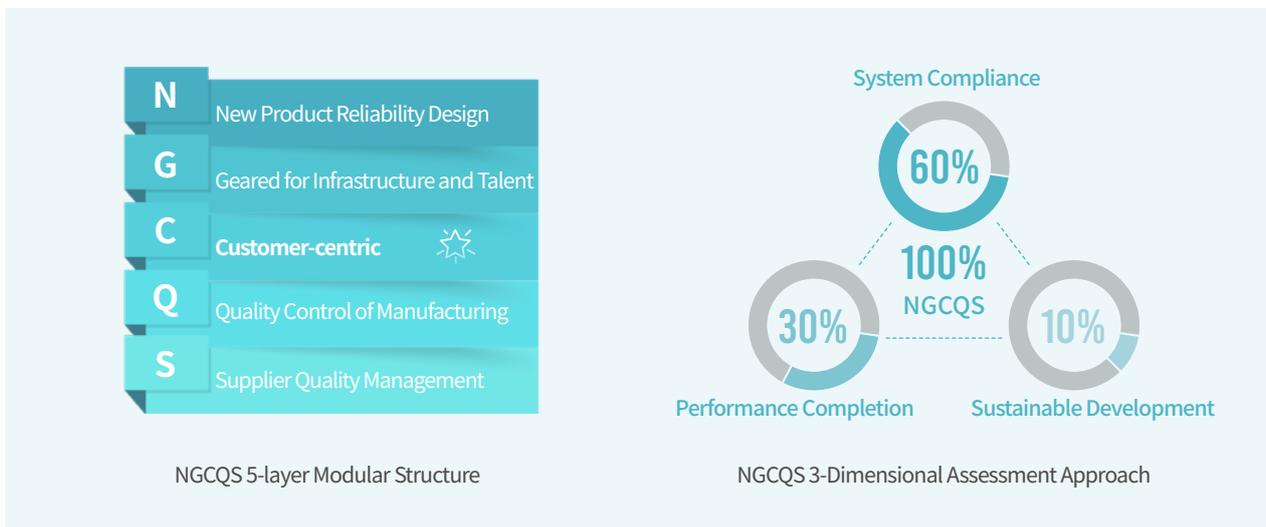
Excellence in Quality Management

Aligned with our overall strategic framework, the Group has put forward the management philosophy of "Carrying forward the spirit of the craftsman and leading the quality benchmark". This approach is underpinned by a long-term quality strategy powered by a dual engine of technological innovation and management optimization. To achieve excellent performance, we have continuously empowered our quality management system in terms of customer satisfaction, zero-defect management, the NGCQS excellent quality management system, and quality risk management.



NGCQS Excellent Quality Management System Construction

We continually seek out more comprehensive quality management approaches. Since 2017, building on our quality and performance management systems and unique strengths, we have developed a customer-focused, three-dimensional excellence quality management system, NGCQS. Within the Group, we implement this quality management system across five key aspects. Furthermore, we have formulated the *Guidelines for NGCQS Excellent Performance Management System*, which allows us to conduct a comprehensive, systematic assessment of NGCQS in terms of system compliance, performance completion, and sustainable development.

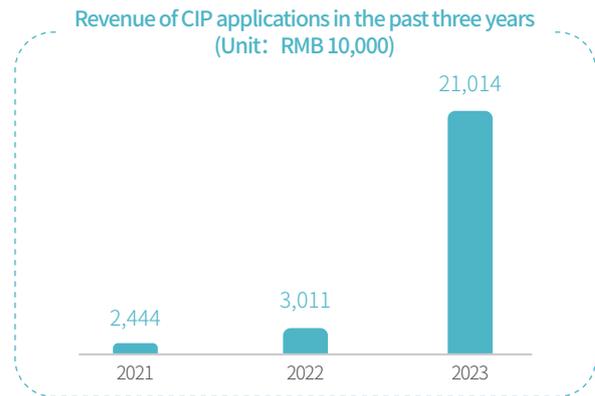
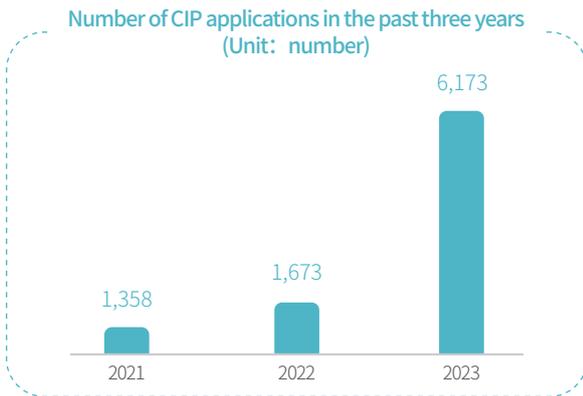


Continuous Improvement in Quality Management

Committed to enhancing and optimizing quality, the Group has established a culture of continuous improvement and innovation. By implementing the "Continuous Improvement Process (CIP)" and introducing "Six Sigma Management" training and projects, we ignite employees' analytical thinking and passion for enhancement, thereby cultivating a workplace culture of continuous improvement. We stipulate the tracking, closure and verification of corrective preventive measures for quality problems through our *Corrective and Preventive Actions for Control Process*, and we also specify the handling process of product recalls in the *Product Recall Process*. When we provide defective products or services that may endanger personal safety or property damage, we will report immediately to the relevant administrative departments and inform consumers, and take measures such as stopping sales, warning, recall, harmless treatment, disposal, and stopping production to minimise the losses caused by the product recall to our customers and the Company.

CIP Closed-loop Management Mechanism

To effectively motivate employees to engage in continuous improvement with enthusiasm, we have established the *CIP Management Measures*, created a CIP network and developed a mobile APP accessible to all employees to encourage improvement activities in areas of system processes, management, technology, production, and working sites. Additionally, we have also implemented a point-based CIP system and regularly organized evaluation, rewarding, verification, closed-loop, and recognition activities. In 2023, the number of applications for CIP projects reached 6,173, with total revenues amounting to RMB 210.14 million.



Elite Six Sigma Management Culture

In 2015, we launched the elite Six Sigma management and established the *Six Sigma Management Measures*. We also created a suite of high-quality Six Sigma training courses and assembled a team of instructors for green and black belts, thereby developing a corps of professional Six Sigma experts and elevating the Company's quality standards with a systematic approach. At the same time, we also extended the application of Six Sigma methodologies to our suppliers, in order to improve their data analysis skills and quality management. The Group's Six Sigma program has been in operation for 8 years, having cumulatively trained 334 licensed and paid employees, completed 233 Six Sigma projects, and achieved revenues exceeding RMB 190 million.

Data-Based Large-Closed-Loop Quality Management System for Continuous Improvement

In response to internal and external quality issues, we adopt a large-closed-loop quality management approach to improve management in 8 aspects, namely traceability and containment, emergency response plans, RCA initiatives, correction/verification/ confirmation, platform products, new products, knowledge base, and failure application. Besides, we also conduct multi-faceted reviews and summaries to create a comprehensive problem knowledge base to ensure continuous improvement. We have also developed a closed-loop electronic system to streamline the problem-solving process, which can effectively prevent potential failure modes during the new product design phase, thereby improving product reliability at source.

Layered Process Audits

To ensure that our products consistently meet stringent quality standards, we have established a comprehensive internal audit mechanism that encompasses product audits, process audits, internal system audits, designated supplier quality representative audits, and institutional audits. In doing this, our goal is to supply users with products that are of high precision, reliability, quality, and safety.

Quality Culture Cultivation

The Group has integrated product quality training into the corporate culture. To encourage our people to continually pursue and adhere to quality standards in their daily work, we have developed a series of training courses on product quality on our "NGC Academy" platform, to cultivate quality consciousness and problem-solving skills among our employees.

Not only do we improve our own quality management, but we also communicate our quality expectations to our partners. In September 2023, we officially launched the Supplier Quality Academy of Nanjing High Speed & Accurate Gear (Group) Co., Ltd. Quality representatives from 48 suppliers participated in the event to discuss how to improve the overall quality of the supply chain and achieve high-quality development.



Quality Month special event - "Quality prevention towards a new era of Quality 2.0"



聚焦质量预防, 奔向质量2.0新征程!

NGC质量月

In September 2023, the Group launched a Quality Month special event to promote a quality-oriented culture and boost the employees' awareness of quality through a variety of publicity approaches and activities. To implement the "Quality 2.0" strategy, we organized the "inspection skills competition", conducted training our suppliers on quality requirements, and held quality warning meetings to enhance the capabilities of both employees and suppliers.

To popularize knowledge about quality, products, and operations, we initiated a series of activities, including "Getting things right on the first try" Classes and competitions on quality-related knowledge, with over 5,400 employees participating. These initiatives further ignite employees' interest in quality-related knowledge and improve their understanding and application of quality fundamentals.



Inspection skills competition



Quality warning meeting

● Smart Lean Manufacturing

The significance of an enterprise's lean intelligent manufacturing capabilities has become even more pronounced against the backdrop of today's complex and ever-evolving trends in international supply chains. The Group has intensified lean manufacturing management, introduced intelligent technologies and digital tools, and independently developed a key manufacturing data platform. As such, we are continually driving the enterprise towards intelligent transformation and digital upgrading.

Lean Production

To reduce losses during production, we have formulated a series of policies related to lean production such as the *Management by Walking Around*, the *Description of Lean Production Process*, and the *Manual of Visualization Management of Working Sites*. We also actively listen to employees' opinions and suggestions, proactively seek opportunities for improvement, and provide guidance and support for employees in implementing improvement measures.

Key Performances

In 2023, the Group's lean production department conducted



Areas of lean production	Benefits brought by lean production
Factory policy deployment management	<ul style="list-style-type: none"> Efficiency improvement: Develop an online policy deployment management process to enable each department to regularly submit project progress and status updates online; and adopt an approval and feedback mechanism to ensure project implementation and completion, and address project delays through effective closed-loop management. Data quantification: Generate a factory policy deployment report based on project progress, completion time nodes, and benefit analysis, to visualize the project implementation status of each department and the strategic benefits of the factory.
Four-layered digital bulletin boards	<ul style="list-style-type: none"> Data transparency: Display key indicators of each department on electronic screens for ease of viewing and understanding. Paper saving: Replace physical bulletin boards with electronic screens for more efficient and convenient presentation of information.
Industrial Portal	<ul style="list-style-type: none"> Efficiency improvement: Integrate basic functions such as production processes, drawings, shift handovers, and other tools into the Industrial Portal to provide frontline employees with a more intuitive and convenient operating experience.
End-of-life (EOL) and repair process of industrial cutting tools	<ul style="list-style-type: none"> Efficiency improvement: Develop an online EOL/Repair process to speed up the flow of information and facilitate more convenient and rapid processing for all staff at each node. Paper saving: Avoid paper documents used in the EOL/Repair process of cutting tools.
Sales suspension and cancellation of material processing and warehousing procedure	<ul style="list-style-type: none"> Data transparency/Efficiency improvement: Introduce the order cancellation pause feature to enable the prompt and efficient relocation of corresponding materials to alternative idle warehouses, thereby ensuring data transparency and facilitating real-time access to information.
Line-side inventory location	<ul style="list-style-type: none"> Efficiency improvement: Correlate materials with their planned production schedules, to maintain alignment between the information flow and the material flow, thereby enhancing the circulation efficiency of materials.

Lean Culture

The Group firmly believes that lean talents can help foster a lean culture within an organization. Therefore, we have formulated various internal policies such as the Lean Knowledge Training Method and the Lean Star Rating System. Through course training, star ratings, achievement presentations and other initiatives, we endeavor to create an atmosphere of continuous learning and improvement. We also provide lean training for newly hired fresh graduates, which includes Lean basics and the use of lean tools. The aim is to cultivate their understanding of lean production and enhance their practical abilities so that they can better integrate into the Company and improve work efficiency.

Intelligent Manufacturing

The Group advocates green industry and is dedicated to creating an intelligent system in the era of "Industry 4.0". By leveraging data and equipment visualization, we have further improved production efficiency and optimized resource utilization. At the same time, the Group uses data to drive the refinement of management. By integrating product characteristics and production expertise, we have independently developed MES/QMS systems, gradually achieving automation and digitalization and advancing industrial production towards intelligent manufacturing. The Group's "Large Wind Power Gear Heat Treatment Intelligent Workshop" and "Industrial Planetary Transmission Equipment Intelligent Manufacturing Workshop" have been recognized as "Intelligent Manufacturing Demonstration Workshop in Jiangsu Province".

In 2023, we designed and developed a machine intelligent platform for gearbox performance testing. By integrating multiple test contents such as temperature, vibration, pressure, flow rate, and noise, this intelligent data collection system not only simplifies the testing process and improves testing efficiency but also provides a solid foundation for intelligent analysis of gearbox testing.

Respond to Customer Demands

The Group always adheres to the service principle of "customers first" and is committed to providing excellent full-life-cycle services, so as to comprehensively enhance customers' perceived value of our product quality. We continuously optimize our service processes to quickly respond to customer needs when they use our products, while fully ensuring the privacy and data security of our customers to increase customer satisfaction.

● Customer Satisfaction Management

The Group is customer-centric and continuously optimizes the service experience. Domestically, our service network covers more than 30 provincial administrations, ensuring that we can quickly respond and arrive at the customer's premises within 48 hours to provide timely service. Besides, we have established an international service network to provide our global partners with comprehensive solutions as well as immediate and convenient service and support. This comprehensive service network enables us to better cater the diverse needs of various regions and customers, thereby forging stronger partnerships.

Customer Service

To understand and improve customer satisfaction, and to provide better products and services, we have established the Customer Satisfaction Control Procedures. We set annual customer satisfaction targets, conduct third-party customer satisfaction surveys each year, and monitor the attainment of our customer satisfaction targets. We also continuously optimize our customer communication channels. By utilizing our private cloud information platform, we quickly respond to customer requests for information resources, enhance our business response speed, and provide our customers with better products and services.

Key Performance



For **6** years, a **100%** customer satisfaction target was achieved

Service Awards and Honors in 2023



Best Service Award

Zhengzhou Yutong



Outstanding Partner

SANY



2023 Best Partner

CRRC



Best Service Award

Shanghai Electric



Platinum Supplier

Sany Heavy



Outstanding Contribution Award

China Baowu Steel



5A Best Technical Partner

Windey Energy



Excellent Supplier

Sany Renewable Energy

Complaint Handling Mechanism

The Group strictly adheres to the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and has established policies and procedures to standardize customer complaint handling and after-sales service so that customer complaints and feedback can be addressed and resolved promptly. These policies and procedures include the *Customer Complaint Handling Procedure*, the *Provisions for Closed-Loop Customer Complaints Management*, and the *RCA Analysis Process*.

We are always attentive to our customers' needs and experiences. To ensure customers can get in touch with us easily and quickly, we have established various complaint channels, including QR codes, service hotlines, WeChat official account, and email address. For customer complaints, we have adopted multiple pre-treatment solutions in advance, including compensating customers for replacement parts and providing remote guidance for replacement, on-site repair by professional personnel, returning to the factory for repairs, exchanging products, and returning old machines for repairs. During the reporting period, the Group did not receive any litigation cases related to product liability.

● Data Security and Customer Privacy Protection

While providing high-quality products and services, the Group places great emphasis on the protection of customer privacy and business information security. We have established customer information confidentiality-related policies such as the *Customer and Supplier Property Control Procedures*. For customers' intellectual property, including patents, product specifications, and business secrets, we have established comprehensive procedures and requirements, as well as standards and confidentiality measures for the handling of customer information. In 2023, we newly formulated the *Information Equipment Security Management Policy* to refine and elaborate on the usage specifications for office equipment, thereby ensuring the security, reliability, integrity, and effectiveness of information and data.

To guarantee network, system, and data security, we have enacted a suite of data and information security measures to ensure the stable operation of the system throughout the informatization process while continuously bolstering our proactive defence capability in cybersecurity. Furthermore, we provide regular data and information security training for all employees, and organize examinations to make sure they master the necessary information security knowledge.

Key Performance

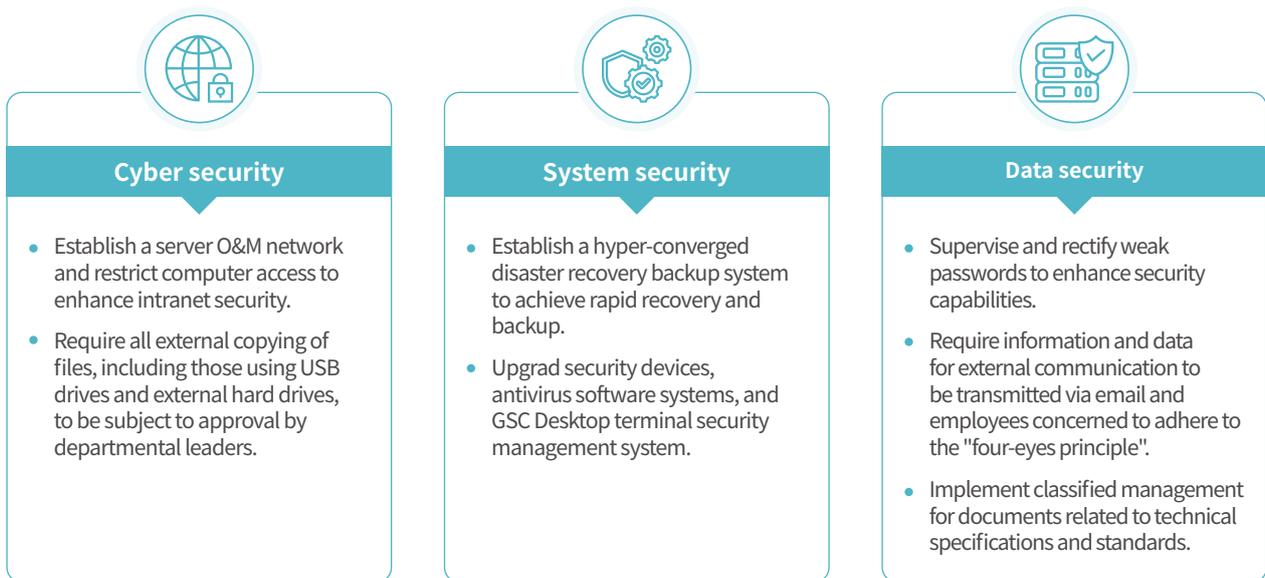


During the Reporting Period, the Group has

NO

litigation related to customer privacy

■ Data and Information Security Measures of the Group



Upon detecting an information leakage incident, we will take timely remedial actions and notify the relevant departments and leaders. Following investigation and assessment, we will proceed with isolation and recovery measures, initiate notification and communication protocols, and execute follow-up processes to prevent the incident from spreading further. We will also conduct in-depth summaries and analyses of the incident, regularly review and update emergency plans, and enhance overall data security.

Comply with the *Advertising Law of the People's Republic of China* and the *Anti-unfair Competition Law of the People's Republic of China*, among other laws and regulations, we stringently manage information outlets including paper media, television, the internet, and streaming media to ensure the legitimacy, authenticity, and accuracy of our publicity.

4

Value Co-Creation to Promote Industrial Development

Material issues in this chapter

- Responsible Supply Chain Management
- Business Continuity Plan
- Promoting Industry Development

Performance Highlights

- Conducted annual reviews of **100** suppliers with a passing rate of **100%**
- Achieved a **100%** signing rate of the *Transparency Agreement* among new suppliers
- Participated in the development of **15** national, industry, and group standards currently in effect

UNSDGs in this Chapter



Sustainable Supply Chain

The Group has always insisted on building a safe, stable and sustainable supply chain. We are committed to working with our suppliers to achieve sustainable development by demanding high standards in all aspects of our business and passing them on to our suppliers.

● Supplier Management

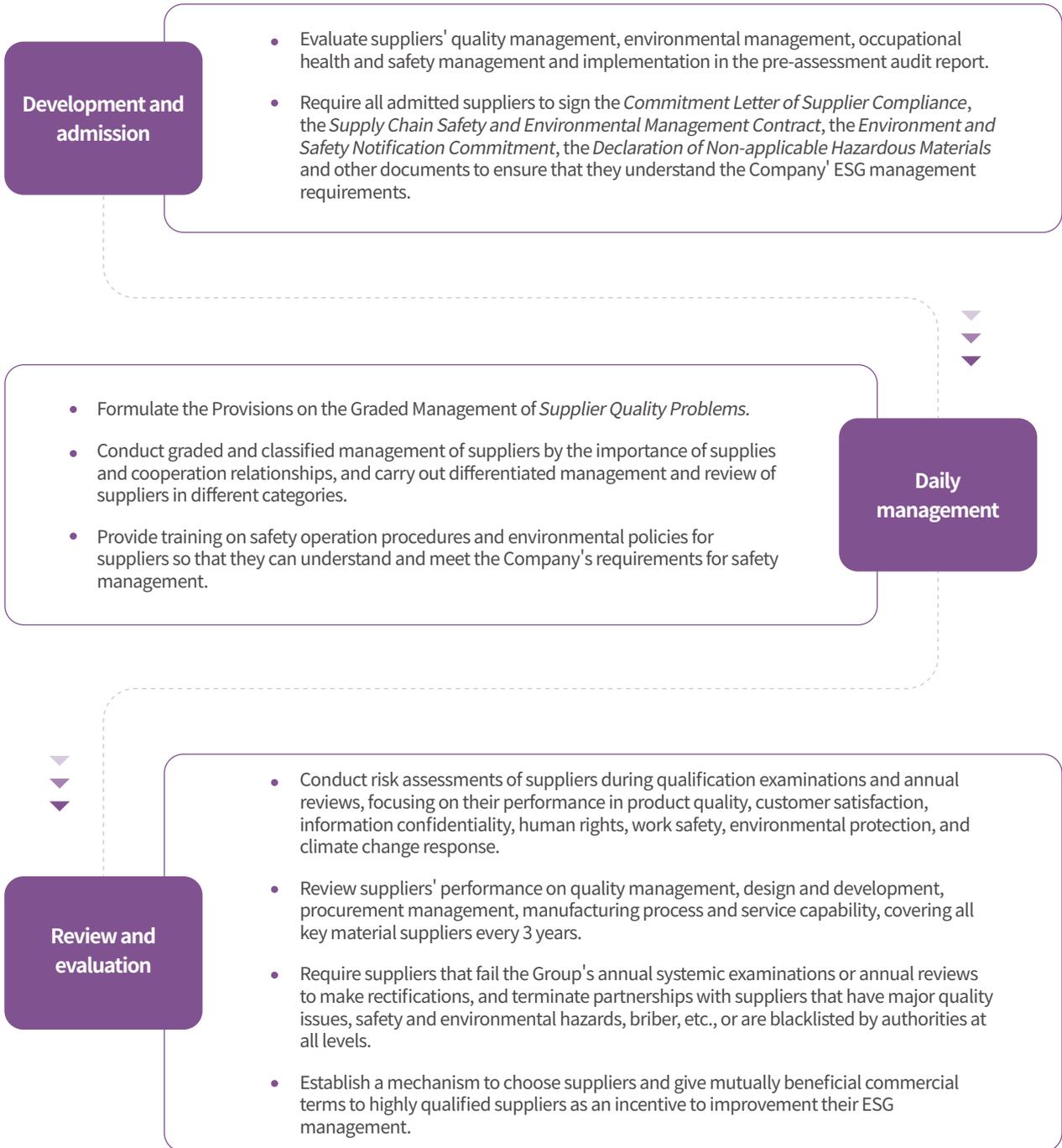
In strict compliance with relevant laws and regulations, we have formulated the Instructions on *Supplier Discovery and Management*, the *Questionnaire of Supplier Information*, the *International Procurement Management Procedure*, the *Supplier-Related Risk Register*, and the *Register of Passed and Approved Suppliers*, etc., to put forward requirements on the performance of suppliers in fulfilling their social and environmental responsibilities, and take one veto on red line discrepancies.

ESG-Related Issues Subject to Veto in the Evaluation of Suppliers' Qualifications

Environmental factors	Social factors	Governance factors
<ul style="list-style-type: none">Absent of documentation or certification to prove that companies abide by local environmental regulations	<ul style="list-style-type: none">Absent of information confidentiality procedure or ruleUnwilling to sign the quality guarantee agreement and no warranty periodCompanies employing child labor	<ul style="list-style-type: none">Companies in the poor credit list released by the government



Supplier Management Process of the Group



Key Performances

During the Reporting Period



We checked the qualifications of **56** new applicant suppliers and gave admissions to **54** qualified suppliers



We conducted annual reviews of 100 suppliers with a passing rate of **100%**

We also extend supplier audits to Tier-2 suppliers, requiring suppliers to examine the qualification of the products and services provided by Tier-2 suppliers to confirm that they meet our requirements.

Supply Chain Stability and Resilience

The Group fully utilizes risk assessment, diversified procurement, strategic cooperation and other means to ensure the stability and security of the supply chain, reduce systemic risk across the supply chain and ensure its stable operation.

Measures to Ensure Supply Chain Stability of the Group

Risk Assessment

- Conduct annual supplier risk assessment that focuses on suppliers' delivery capability and natural disaster response capability, and set scientific risk thresholds and risk management measures.

Diversified Procurement

- Establish partnerships with various domestic suppliers to reduce dependence on a single supplier.
- Strengthen the elimination mechanism and reinforce the risk-sharing mechanism.

Strategic Cooperation

- Establish long-term and stable cooperative relations with quality suppliers via supplier conferences, supplier training, mutual visits and technical exchanges, and jointly develop and implement quality management and continuous improvement plans.



Supplier digital system training



Enhancement training on project management for suppliers



2023 Wind Power Suppliers Conference

In March 2023, the Group held a wind power supplier conference to discuss the development of the wind power sector with more than 200 domestic suppliers. We shared the current situation and trend of the wind power market as well as the dynamics of the wind power host market in the plenary speech. Through this conference, we hope to strengthen in-depth cooperation and explore future development directions with our supply chain partners, so as to accelerate the iteration of product technology and advance the in-depth integration of the industrial chain.



2023 Wind Power Suppliers Conference

● Responsible Procurement

The Group perform duties in strict accordance with relevant policies and requirements and take effective measures to ensure the compliance and ethics of the supply chain. In the future, we will work with our partners to cope with market changes and challenges and build a responsible supply chain together.

Transparent Procurement

Committed to building a transparent business environment, the Group has established the *Anti-corruption Policy* and the *Business Conduct and Ethics Guidelines*, to clearly define the red line for conflicts of interest. We adopt a zero-tolerance attitude towards any form of corruption and require suppliers to hold the same position as us. We make our tender process public, and sign *Transparency Agreement* with suppliers. If suppliers violate the provisions, we will take measures such as charging liquidated damages or compensation, or placing them on the permanent non-cooperation list.

In addition, we have formulated the *Whistle-blowing Policy* and the *Procedure for Anti-Fraud Reporting Management Procedure* to encourage stakeholders to monitor and report on our business practices and those of our suppliers to jointly maintain a transparent business environment.

Key Performance



During the Reporting Period,
100% of the Group's
new suppliers signed the
Transparency Agreement

Conflict Minerals

The Group promises to "avoid the using metals (including tin, tantalum, tungsten, and gold) from companies in conflict from the Democratic Republic of the Congo" and explicitly requires suppliers not to use mineral resources from conflict areas.

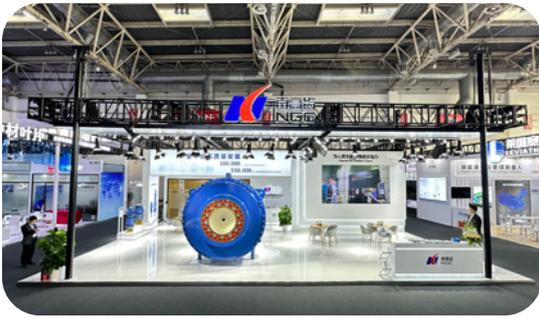
Join Hands with the Industry

As the world's leading supplier of gear transmission solutions, the Group has always adhered to the principles of "equality, mutual benefit, and win-win cooperation", and work with all parties to jointly build a sustainable industrial value chain to achieve common development and mutual benefit.

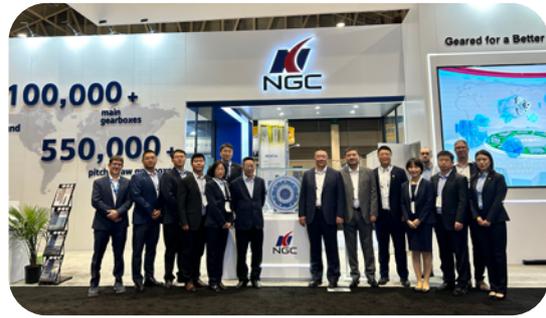
● Industry Exchanges for Common Prosperity

In 2023, the Group, together with its products, participated in more than ten industry conferences on wind power, energy, rubber and plastics, and batteries to discuss the development path with industry partners. By sharing our product advantages and innovative technologies, we strive to promote the high-quality development of the industry.

Part of the Group's Attendance at International Conferences and Exhibitions in 2023



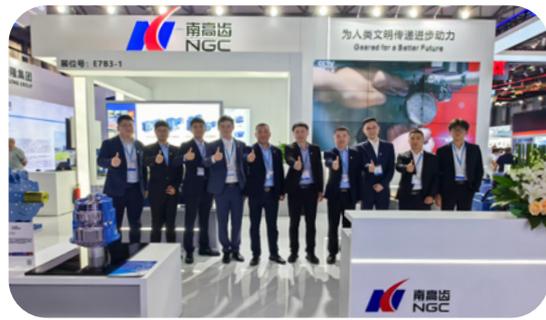
China Wind Power (Beijing) (CWP2023)



2023 American Clean Power Conference and Exhibition



2023 (2nd) China Carbon New Materials Upstream and Downstream Industrial Chain Summit Forum



PTC ASIA 2023 - International Exhibition for Power Transmission & Control

Industry Standard Construction

The improvement of industry quality is inseparable from standardization construction. As a director of the Wind Power Equipment Branch of the China Association of Agricultural Machinery Manufacturers, a member of the Wind Power Professional Committee of the Chinese Renewable Energy Industries Association and the Jiangsu Energy Industry Association, the Group has actively hosted and engaged in the compilation of various national, industry, and group standards. In 2023, the Group participated in the formulation of three national standards, including the *GB/T 17879 Gears - Surface Temper Etch Inspection After Grinding*, the *GB/T8542 Specification for Turbine Gearings*, and the *GB/T 10095.2 Cylindrical Gears - ISO System of Flank Tolerance Classification - Part II*. By the end of the Reporting Period, we had participated in the formulation of 15 standards, which contributed to the improvement of industry standards and continuously promoted the high-quality development of the industry.

The Group actively participates in standardization pilot projects, continuously improves the standardization management mechanism, and has built a standardization system suitable for the Company. While enhancing the standardization awareness of all employees, we also boost the Company's innovations into productivity.



The Group's attendance at the Standardization Work Conference of China Building Material Machinery Association in 2023



NGC's "high-speed efficient drive equipment for steam turbines" selected as part of Jiangsu's strategic emerging industries standardization pilot project in 2023

In 2023, the Group's "High-Speed Efficient Drive Equipment for Steam Turbines" was selected as part of Jiangsu's Strategic Emerging Industries Standardization Pilot Project. The equipment's performance indicators, such as vibration, temperature rise and stability during operation, have all reached the international advanced level, which is conducive to improving industry standardization and enhancing the competitiveness of the Company.

5

Diversity and Inclusion to Grow with Employees

Material issues in this chapter

- Human Rights
- Employee Training and Development
- Occupational Health and Safety
- Diversity, Inclusion and Equity

Performance Highlights

- Score of employee engagement survey **82.7%**
- Average training hours per employee **22.60** hours

UNSDGs in this chapter



Protect Employee Rights

The Group is committed to protecting the basic rights and interests of employees. We respect employees' demands and constantly improve their welfare, to create a relaxed and pleasant workplace for employees.

● Human Rights Protection

The Group complies with the relevant provisions of the *Labor Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, and *Provisions on Prohibition of Child Labor*, and the internationally recognized principles of human rights protection. In our *Employee Handbook* and *Recruitment Management Policy and Process*, we clearly stipulate that all forms of slavery and forced labor, as well as prison labor and child labor are prohibited in the Group's operations. The Group verifies the identity information of candidates through third-party background checks, litigation lists and other channels to ensure that the recruitment of candidates complies with regulations. During the Reporting Period, not a single illegal case such as child labor or forced labor happened within the Group. All of our full-time employees had signed contracts.

Key Performance



During the Reporting Period, **100%** of full-time employees signed labor contracts

● Working Hour Management

The Group completely respects employees' right to rest and take leave and supports them in balancing their work and life as much as possible. We strictly adhering to and in compliance with the *Labor Law of the People's Republic of China*, provide our employees with statutory holidays such as marriage leave, bereavement leave, maternity leave, paternity leave, lactation leave, nursing leave, prenatal care leave, and parental leave. Besides, the Group carries out the examination and approval system of overtime work to promote efficient working manner and reduce the possibility of overtime work.

● Remuneration

A fair emolument system guarantees the maintenance and enhancement of employee's enthusiasm. The Group regularly cooperates with professional consultants to comprehensively evaluate the emolument system using industry benchmarks and social development indicators, ensuring a fair and competitive emolument system. In our *Performance Management Policy*, we have established a tiered performance appraisal system to evaluate and reward employees with excellent performance and development potential.

● Welfare

The Group attaches great importance to humanistic care and establishes a comprehensive welfare system. We provide all employees with social insurances and housing fund, supplementary commercial insurance, children's commercial insurance, annual leave, annual physical examination and other welfares, as well as benefits and logistics services such as onboarding gift package, work meal, commuting shuttle bus, graduate apartment, holiday gifts.

● Democratic Management

The Group attaches great importance to democratic management. We regularly hold employee representative conferences every year to discuss issues of concern to employees, such as emolument and welfare, career development. The Group signs collective contracts covering all employees with the trade union and implements them in accordance with laws and regulations such as the *Labour Law of the People's Republic of China*, the *Trade Union Law of the People's Republic of China*, and the *Specification for Collective Contract*. To better protect the legitimate rights and interests of employees, we have established a collective contract supervision and inspection team, which reports annually to the employee representative conference on the fulfilment of the collective contract.

Key Performance



Collective contract covers
100%

● Whistle-blowing Procedures

The Group has formulated the *Employee Whistle-blowing Procedures*, set up various channels for reporting and complaining, such as e-mail and mailbox, and ensures that employees' complaints and opinions can be received by the managers and HR specialists directly. If the issue cannot be resolved, they may further escalate the appeal to higher-level supervisors or company management, making every endeavor to protect all employees' legitimate rights and interests, including human rights.

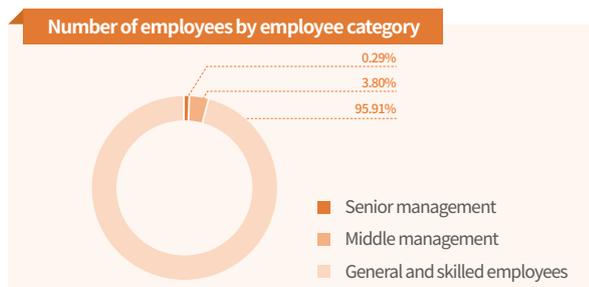
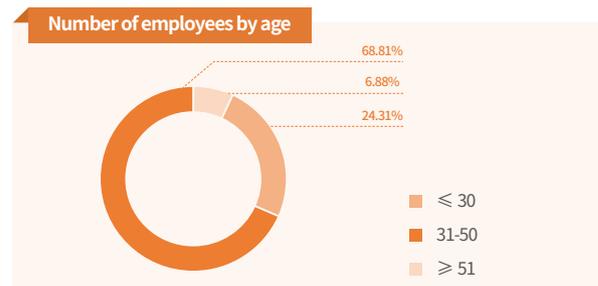
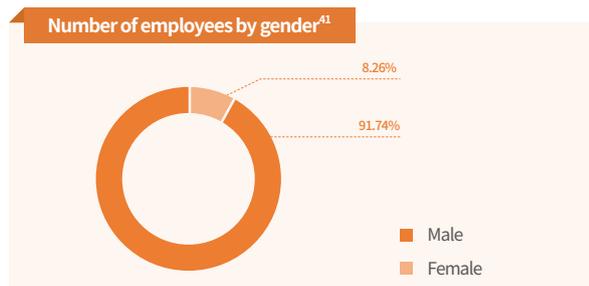
✉ E-mail address for whistle-blowing
NGC_TSJB@ngctransmission.com

📍 Mailbox positions for whistle-blowing
Prominent positions in each plant of the Group

● Employee Size and Composition

■ Employment in 2023

Total number of employees ⁴⁰	Full-time	Part-time
7,483	7,483	0



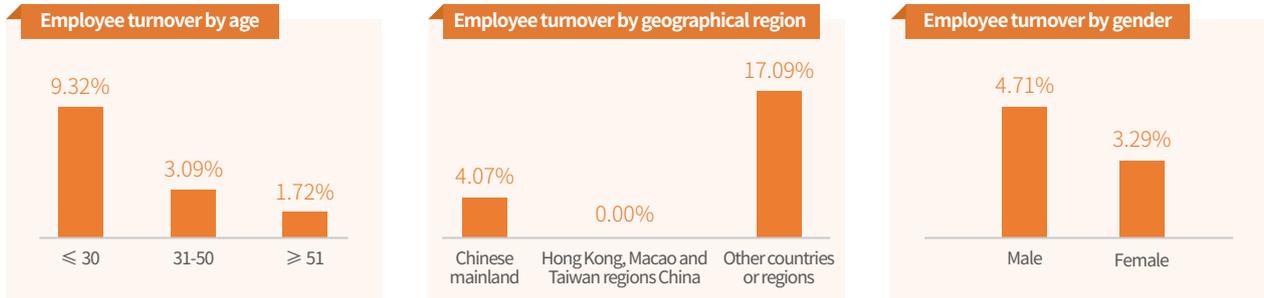
Remark:

40. The employee-related data for 2023 covers 99.7% of the full-time employees in the group, which amounts to 7,483 individuals. The method of statistics is based on the descriptions of social key performance indicators found in How to Prepare Environmental, Social, and Governance Reports

41. The difference in the ratio of male to female is mainly attributed to the industry where the Group operates and thus does not deviate from the Group's principle of equal employment (including recruitment, promotion, and training).

Employee Turnover⁴²

Total employee turnover rate 4.59%



Remark:

42. Employee turnover rate by age/region/gender = Number of employees of resigned in the category during the Reporting Period / (Number of employees of resigned in the category during the Reporting Period + Total number of employees in the category at the end of the Reporting Period) * 100%

Talent Recruitment and Inclusion

We work constantly to strengthen talent recruitment management, clarify recruitment principles, optimize the recruitment process, and build an efficient talent recruitment system. We respect individual differences of employees, and actively build an equal, diverse, and inclusive workplace environment.

Employer Brand Building

The Group is committed to creating an outstanding image to facilitate the attraction, motivation, and retention of targeted talents. We have established an employer brand management system to achieve differentiated employer value propositions based on corporate culture, corporate stability, and comprehensive compensation mechanisms. We also set up a regional responsibility system for colleges and universities, and publicize the Group's brands in multiple channels and enhance the competitiveness of talent attraction through employer branding activities together with the "online plus offline" promotion model.



The Group actively carries out school-enterprise cooperation

The Group has established good cooperative relations with more than 30 universities. In 2023, we established internship bases and modern industry colleges in our partner universities. We effectively enhance the exchange between students and enterprises by establishing internship bases and modern industry colleges in partner universities, organizing CAD application skills competitions, alumni "Phoenix Returns to the Nest" lectures, initiating "Mentor into the Classroom" programs, and hosting "NGC Open Day" among other diverse cooperative activities, and helped college students to experience our corporate culture and technology strength.

In 2023, the Group carried out 69 school-enterprise activities and cooperated in 18 projects in total.



"Tanning Intelligent Manufacturing" activity with the department of mechanical engineering of Tsinghua University



The "NGC Cup" CAD Application Competition

In 2023, the Group was awarded the "Outstanding Award for Human Resources Management - Outstanding Employer" by 51Job and the "2023 Excellent Practice Award in Campus Recruitment" in China Human Resources Venus Conference. Four subsidiaries of the Group were awarded the title of "2023 Enterprises with Harmonious Labor Relations in Jiangning District, Nanjing".

● Diversified Recruitment Channels

The Group continuously improves the talent recruitment and management system, clarifies recruitment principles and workflows, and constructs a diversified recruitment channel including campus recruitment, offline job fairs, live-stream recruitment, and social recruitment, enhancing the efficiency of talent attraction. In 2023, we continued to construct the human resource sharing center, further improved the establishment and response of talent recruitment goals, and explored talents needed by the Group in a more diversified and comprehensive method.

● Diversity, Inclusiveness and Equity

The Group advocates for a culture of diversity, equality, and inclusion, respecting diversity in terms of nationality, gender, race, ethnicity, skin color, age, sexual orientation, faith, and more, and prohibits any form of discrimination and harassment. We strictly comply with the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China*, and have issued the *Statement on Protecting Employees from Discrimination, Harassment, and Freedom of Association, guaranteeing*. All employees are required to sign a confirmation letter upon joining, ensuring full awareness and understanding of the anti-discrimination and anti-harassment principles specified in the *Employee Handbook*. Additionally, the Group actively responds to national requirements by providing employment support for individuals with disabilities, offering suitable positions and vocational training for them.

● Protection of Women's Rights

The Group places great emphasis on the protection of rights and care for female employees, strictly prohibiting discrimination against female employees in the selection of management. We provide a hygiene allowance for female employees every month, regularly offer women-specific health examinations, set up mother and baby rooms in factories where conditions allow, and support female employees in balancing work and life.

Focus on Employee Care

The Group insists on putting people first and creating a confident, positive and happy workplace for employees. We continue to carry out employee motivation activities, and employee satisfaction and engagement surveys. We also organize a variety of employee activities to enhance employees' sense of belonging and satisfaction.

● Employee Motivation

In line with the six requirements of the quality model (public interests before private interests, honesty and integrity, embracing changes, teamwork, customer orientation, and taking responsibility), we holds annual activities to motivate employees including the selection of outstanding individuals and teams, the evaluation of innovative technology projects, the evaluation of technology patents, the selection of excellent CIP suggestions and the awarding of long-term service. We recognize employees' contributions and reward them with both spiritual and material incentives, sharing the fruits of development with the employees.

Key Performances

In 2023, the Group selected



32

outstanding teams

45

excellent individuals

7

technical innovation teams

4

technical innovation individuals

Employee Communication

Annually, we conduct regular surveys on employee engagement and satisfaction, utilizing anonymous questionnaires to understand employees' views and suggestions on company culture, communication efficiency, and career development, then formulate improvement measures based on research results.

Key Performances

Employee satisfaction and engagement questionnaire



Issued

7,000

Valid

5,965

Survey participation

85.21%

Employee satisfaction score

83.10%

Employee engagement score

82.70%

Employee Activities

The Group regularly organize activities such as parent-child activities, birthday parties, tea parties, sports competitions, and quarterly major cultural and sports events. We also support employees to organize amateur interest groups, such as badminton, photography, reading and fishing to enhance team cohesion and work-life balance.



Team activity



"Kite making" activity



"Water carnival" activity



Table tennis competition

Employee Care

The Group visits employees on the production line and provides them with heatstroke prevention and cooling supplies during the hot summer. We also care about the needs of employees facing family difficulties and injuries, and provide them with funds and psychological supports, so that they can feel the warmth from the big family.

Enable Employee Development

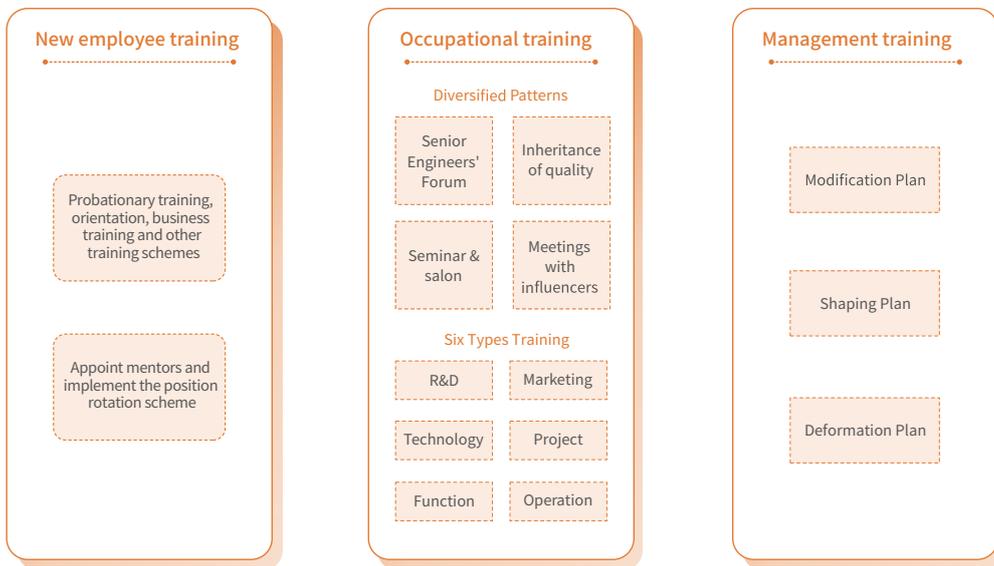
The Group support the employee development and places great emphasise on stimulating the potential of each employee. We provide comprehensive training and clear promotion paths to help employees achieve their career goals.

● Employee Training

Upholding the corporate spirit of "Climbing up the summit step by step, Striving for perfection bit by bit" the Group focuses on empowering talent development, and values the growth and ability enhancement of employees. We have established a "dual-path" training system that focuses on expertise and management capability respectively, to provide employees with vertical and horizontal development opportunities. We keep improving the courses and enlarging the pool of lecturers to help employees to sharpen their skills and achieve higher career ladder levels.

In order to better share knowledge and experience, the Group has established an internal lecturer certification system and regularly selects internal lecturers from both expertise and teaching dimensions.

|| The training system of the career development



The Second Micro-Course Competition to Select Internal Lecturers

In 2023, the Group held the second micro-course competition, which received nearly 200 works in total, and 57 excellent course works were selected after multiple rounds of evaluation. The activity helped cultivate a number of "micro-course greats" for the Group.



The second micro-course competition



NGC Academy

The Group has launched an e-learning platform, "NGC Academy," to customize learning maps for employees, record learning profiles, focus on employees' personalized knowledge enhancement needs, and assist them in deepening their professional knowledge in their roles. We encourage employees to record the course and upload it to the company knowledge base, creating a micro-class ecosystem within the enterprise. By the end of the Reporting Period, "NGC Academy" had developed nearly 1,000 courses.



NGC Academy

Employee Training in 2023

Total number of trainees	The percentage of Trainees ⁴³	Total training hours	Average training hours completed per employee
7,441	99.44%	168,130.45	22.60

Divided by categories		Unit	Number
The percentage of employees trained by employee category ⁴⁴	Senior management	%	100.00
	Middle management	%	97.89
	General and skilled employees	%	99.50
Average training hours by employee category	Senior management	Hour/person	24.27
	Middle management	Hour/person	28.40
	General and skilled employees	Hour/person	22.36
The percentage of employees trained by gender	Female	%	96.12
	Male	%	99.74
Average training hours by gender	Female	Hour/person	18.21
	Male	Hour/person	22.98

Remark:

43. Some employees at the management level, due to their special positions, did not engage in occupational training during the Reporting Period.

44. The percentage of employees trained by employee category/gender = the number of trained employees in this category / the number of all employees in this category * 100%

Promotion Paths

The Group formulated the *NGC Group Qualification Management System*, set up for employees a clear, transparent, and fair promotion mechanism and process in support of employees' self-fulfilment. During the Reporting Period, the Group fostered 28 managers at the grass-roots level and 145 employees got promoted. We offer tuition reimbursement to employees who excel, pass the national examination, and obtain master's or doctoral degrees. We also encourage our engineering team to obtain relevant professional titles and qualifications, rewarding employees who get the engineering corporate titles with prizes vary with the levels of their titles.

Safeguard Employee Health and Safety

The Group continues to invest in employee safety. We have established a strict occupational health and safety management system, achieved the safety targets set for this Reporting Period, and continuously optimized our safety management measures to provide a safe and healthy working environment.

Occupational Health and Safety Management System

The Group strictly abides by and complies with national and regional laws and regulations on occupational health and safety management including the *Law of the People's Republic of China on Work Safety* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (Revised in 2018)*. We formulate and keep improving the *Environmental and Occupational Health and Safety Management Handbook*, *Safety Production Responsibility System of All Employees*, *Responsibility System of All Departments as EHS Entities* and other management systems. In 2021, we obtained the ISO 45001: 2018 Occupational Health and Safety Management System Certification. We have since then carried out what is required in the system on a regular basis and implemented closed-loop rectification of items in contradiction with the system to ensure the steady operation of the system.



The Group's subsidiary, Nanjing High Speed Gear Manufacturing Co., Ltd. has obtained the ISO 45001:2018 Occupational Health and Safety Management System certification⁴⁵



The Group's subsidiary, Nanjing High Speed & Accurate Gear (Group) Co., Ltd. has obtained the ISO 45001:2018 Occupational Health and Safety Management System certification⁴⁶

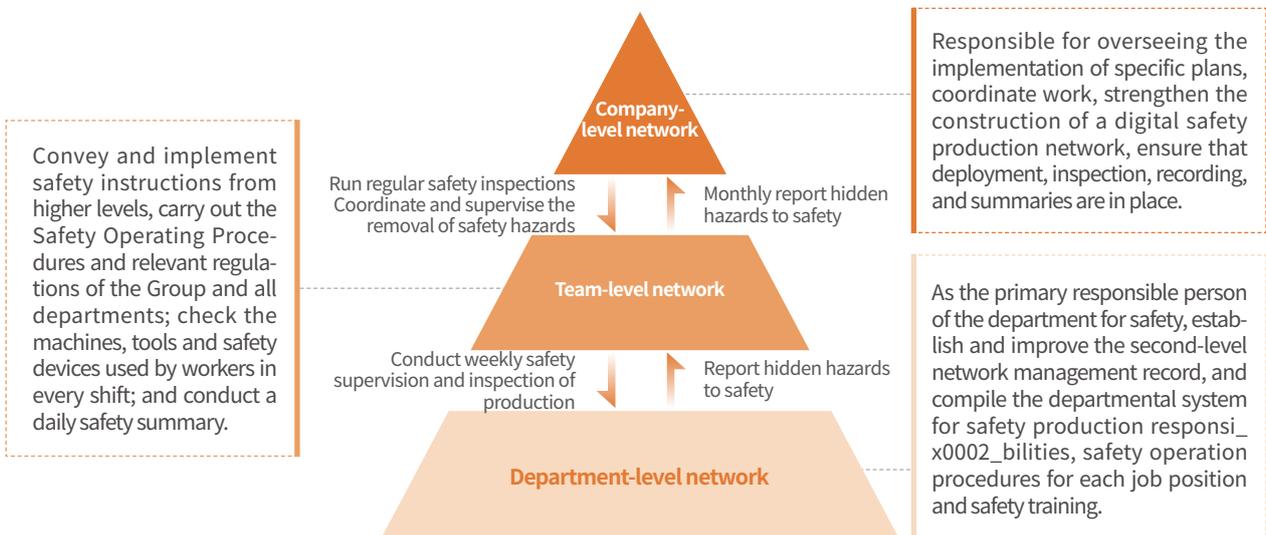
The Group promotes the responsibility system for safety and environmental protection-based production for all employees. We define safety management responsibilities for all employee levels, each production process, and all relevant parties, continue to promote the grid management model, requires our employees to sign up for the *Environment and Occupational Health and Safety Responsibility Document*. We assess our employees regarding the safety production responsibility each year, and further improves safety standard management.

Remark:

45. During the Reporting Period, NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly included in production and operation scope of wind power gear transmission equipment business. It was established and put into operation in 2023, and the Group has started to construct its occupational health and safety management system in 2024.

46. The Occupational Health and Safety Management System certification accounts for 100% of the operating scope of the Group's industrial gear transmission equipment business.

The Framework of Safe Production Management



Occupational Health and Safety Target

Pursuant to the *2025 Development Plan for Environment and Occupational Health and Safety*, the Group sets up indicators for the annual health and safety targets and then breaks these targets down into measurable ones for different departments. Each quarter, the Group reviews how many of these sub-targets are fulfilled, which is correlated with the performance appraisal of the departments. In 2023, all departments reached their annual objectives, without being disciplined or punished. In the past three years, the Group has no work-related fatalities.

2023 Target	Achievement Review
Occupational hazard factor monitoring meets the standards	Achieved
employees 100% passed the Occupational Health Assessment	Achieved
Major incidents happened 0 times	Achieved
Work-related incident rate per 200 thousand work hours \leq 0.70	Achieved
100% review and approval of dangerous work (working at high altitudes, with fire, or in a confined space)	Achieved
98% of safety hazards removed	Achieved

The Group implements management measures, such as occupational disease prevention and control, equipment management, operation safety management, and fire safety management, to ensure employee safety in production. We also arrange safety culture building, EHS training, and safety production work meetings to enhance employee's safety awareness and promote safety culture.

Occupational Health and Safety Management Actions

Safety risk management

- Organize hazard troubleshooting work including comprehensive, special, holiday, and regular examinations, records the discovered hazards for further tracking and closed-loop removal
- Establish management ledger on on-site safety and environmental hazard, develop special rectification measures based on their repetitiveness, secondary nature and materiality, and track their implementation

Work safety management

- With the *Management System of the Permission of Dangerous Work*, the Group strictly follows the review procedure for dangerous work, and ensure that all hazardous operations are carried out according to plan, and that all operators are licensed
- Organize regular safety education and training for operators, and supervise the operation process every day

Safety management of stakeholders

- Established the *Safety and Environment Management System of Stakeholders*. Before stakeholders enter the workplace, they must sign the safety agreement, accept safety qualification audit
- After approval, stakeholders must take safety and environmental protection training, accident warning lessons, and provide daily work reports before and after the operation

Prevention and control of occupational diseases

- Set up a management system of occupational health
- Searches for hazards to employees' health regularly
- Provide personal protective equipment for the employees, run regular checking and maintenance
- Equip workplace with medicine kits, emergency medications, AEDs and other emergency equipment, buy eye wash lotion for places where chemicals are used, and check all medicines regularly

Fire emergency management

- Formulated the *Emergency Plan for Fire*
- Full check on fire safety regularly to eliminate the hazards
- Organize fire emergency drills and routine fire safety training regularly
- Improve emergency response plans for production safety accidents and establish internal emergency rescue teams
- Equip with emergency rescue equipment and regularly conduct accident emergency drills

Safety training

- Set up the management system for safety culture, compile a safety guidebook, and introduce detailed rules for environmental and safety points rewards
- Organize "Safety Production Month", "Taking Photos of Hidden Hazards", safety and environmental protection CIP improvement and other activities every year
- Provide various safety and environmental protection training courses on the training platform

Emergency Drills



Firefighting drill



First aid drill



Hazardous waste leakage drill



Drill for environmental protection equipment accidents

Key Performances

In 2023

Held emergency drills

135 times

Organized safety training

610 times

Created **285** online
safety training courses

Attracted

69,283 viewing

Detected **1,892**
problems and hazards

100%
safety hazards removed

Invested in production safety
35,864,994.52 RMB

Management of Occupational Health and Safety

Indicators	Unit	2023	2022	2021
Work-related fatalities	Person	0	0	0
Lost days due to work injury ⁴⁷	Day	1,557	597	1,291
The proportion of employees who have taken the physical examination	%	100	100	100

Remark:

47. NGC (Huai'an) High Speed Gear Manufacturing Co., Ltd. was newly counted towards the wind power gear transmission equipment business, resulting in an increase in lost days due to work injury of the Group.

6

Devote to Community Welfare to Create a Better Living Environment

Material issues in this chapter

- Community Engagement

Performance Highlights

- The Group's expenditure in donations was RMB **216,600**
- Participating in the volunteer activities was **61** person-time

UNSDGs in this chapter



The Group upholds the corporate mission of "Geared for a Better Future" involves in community development and construction. We support education equality, care for the lives of disadvantaged groups, devote ourselves to social welfare and take the initiative in assuming social responsibility.



"Shell Breaking Action" education fund project

In 2021, together with Amity Foundation and local education sector, we set up "Shell Breaking Action" project to make donations for high school students from humble family backgrounds with good academic performance and moral conduct to complete their studies and reduce their financial pressure, helping to break the education gap. We have provided support to 15 students from Jiangsu Gaochun Senior High School for three consecutive years, with a total donation of over RMB 140,000. In September 2023, to cheer on the 15 grantees, we sent gift packages to boost students' morale and confidence as they prepare for the college entrance exam.



Volunteer service team visits students in need



Volunteer service team brings gift packages to students in need



"Good Neighbours Knocks at the Door" public welfare program

In December 2023, the Group joined hands with Qixia District, Nanjing and the Amity Foundation to actively conduct warm-hearted activities to protect, empower and send love to the elderly. The Group donated mattresses, warm sleeping bags and other winter supplies to the empty-nest elderly through the "Qicai Guardian - Good Neighbours Knocks at the Door" program. We hope to bring love and care to them, so that the elderly could live at home with greater peace of mind and comfort, and to help them turn "being old" into "enjoying being old".



Donate to the elderly in the community



"Hope of the Heart" public welfare program

In December 2023, volunteers of the Group carried out a special activity of "Hope of the Heart" to welcome the New Year with the children with congenital heart disease at the Department of Cardiothoracic Surgery of the Children's Hospital of Nanjing Medical University. During the activity, volunteers established a close bond with the children and distributed New Year's gifts to them. We donated RMB 50,000 to the "Assisting Children with Congenital Heart Disease" program of the Amity Foundation & Children's Hospital of Nanjing Medical University for the treatment of children with congenital heart disease.



Volunteers visit children with congenital heart disease



Volunteers make handicrafts with children

Appendix

KPIs of the HKEX ESG Reporting Guide

Environmental KPIs			
KPIs	Unit	2023	2022
A1.1 Air pollutant emissions in total and intensity			
Total air pollutant emissions	kg	5,145.56	635.13
Emission of nitrous oxides (NOX)	kg	2,224.81	546.59
Emission of sulphur oxides (SOX)	kg	142.39	68.19
Emission of particulate matter	kg	2,778.37	20.34
Intensity of air pollutant emissions	kg/RMB 10,000	0.0031	0.0004
A1.2 GHG emission in total and intensity			
Emission intensity of GHG	Tonnes of carbon dioxide equivalent/RMB 10,000	0.16	0.12
GHG emissions intensity (Scope 1)	Tonnes of carbon dioxide equivalent/RMB 10,000	0.01	0.0009
GHG emissions intensity (Scope 2)	Tonnes of carbon dioxide equivalent/RMB 10,000	0.15	0.12
Total GHG emissions	Tonnes of carbon dioxide equivalent	270,862.71	179,828.81
GHG emissions (Scope 1)	Tonnes of carbon dioxide equivalent	17,605.62	1,421.68
GHG emissions (Scope 2)	Tonnes of carbon dioxide equivalent	253,257.09	178,407.13
A1.3 Hazardous waste produced in total and intensity			
Total wastes	Tonne	37,313.13	8,195.98
Intensity of total wastes	kg/RMB 10,000	22.25	5.35
Intensity of hazardous wastes	kg/RMB 10,000	0.83	0.84
Total hazardous wastes	Tonne	1,395.84	1,287.79
Waste of paint residue	Tonne	179.60	174.64
Waste of lead acid battery	Tonne	25.31	20.05
Waste oil	Tonne	124.30	153.91
Contaminants	Tonne	402.62	329.43
Waste oil containers	Tonne	68.14	75.96
Waste chemical containers (including waste paint buckets)	Tonne	108.16	92.07
Waste cleaner	Tonne	22.45	23.46
Waste activated carbon	Tonne	118.56	78.13
Waste quenching oil	Tonne	6.17	20.53

KPIs	Unit	2023	2022
Dross (including sludge)	Tonne	194.75	199.40
Waste salt	Tonne	0.50	0.00
Waste rust preventive oil	Tonne	3.35	1.02
Waste lubricating oil	Tonne	22.99	/
Waste cutting oil	Tonne	1.89	/
Waste cotton filter	Tonne	28.96	/
Online monitoring equipment for detecting liquid waste	Tonne	0.11	/
Oily waste	Tonne	87.98	119.19
A1.4 Non-hazardous waste produced in total and intensity			
Intensity of non-hazardous wastes	kg/RMB 10,000	21.42	4.51
Total non-hazardous wastes	Tonne	35,917.29	6,908.19
Grinding metal chips	Tonne	1,108.02	878.36
Wood	Tonne	7,868.29	6,029.83
Iron filings	Tonne	25,376.64	/
Scrap steel	Tonne	1,564.34	/
A2.1 Direct and/or indirect energy consumption by type in total and intensity			
Intensity of energy consumption	MWh/RMB 10,000	0.29	0.23
Total energy consumption	MWh	492,724.01	349,675.68
Direct energy consumption	MWh	45,480.20	36,845.35
Natural gas	MWh	11,518.62	2,573.39
LPG	MWh	1,105.44	3,190.55
Diesel	MWh	1,064.05	292.72
Gasoline	MWh	607.98	493.95
Renewable energy (solar photovoltaic energy)	MWh	31,184.10	30,294.74
Indirect energy consumption	MWh	447,243.81	312,830.33
Purchased electricity	MWh	443,424.32	312,830.33
Purchased steam	MWh	3,819.49	/
A2.2 Water consumption in total and intensity			
Intensity of water consumption	m ³ /RMB 10,000	0.49	0.43
Total water consumption	m ³	825,623.00	657,324.00
Total wastewater discharge	m ³	236,105.00	211,319.00
A2.5 Packaging material used for finished products with reference to per unit produced			
Intensity of packaging material used	kg/RMB 10,000	4.22	6.15
Total packaging material used	Tonne	7,084.00	9,424.10
Steel	Tonne	1,236.00	3,941.80
Plastics	Tonne	228.00	209.30
Wood	Tonne	5,620.00	5,273.00

Social KPIs				
KPIs	Unit	2023	2022	
B1.1 Total workforce by gender, employment type, age group and geographical region				
Total number of employees	Person	7,483	6,893	
Number of employees by gender				
Female	Person	618	607	
Male	Person	6,865	6,286	
Number of employees by age				
≤ 30	Person	1,819	1,457	
31-50	Person	5,149	4,912	
≥ 51	Person	515	524	
Number of employees by type of employment				
Full-time	Person	7,483	6,893	
Part-time	Person	0	0	
Number of employees by geographical region				
Chinese mainland	Person	7,220	6,646	
Hong Kong, Macao and Taiwan regions China	Person	1	2	
Other countries or regions	Person	262	245	
Number of employees by employee category				
Senior management	Person	22	26	
Middle management	Person	284	278	
General and skilled employees	Person	7,177	6,589	
B1.2 Employee turnover rate by gender, age group and geographical region				
Total Employee turnover rate	%	4.59	5.11	
Employee turnover rate by gender				
Female	%	3.29	4.86	
Male	%	4.71	5.13	
Employee turnover rate by age				
≤ 30	%	9.32	11.43	
31-50	%	3.09	3.50	
≥ 51	%	1.72	0.95	
Employee turnover rate by geographical region				
Chinese mainland	%	4.07	4.59	
Hong Kong, Macao and Taiwan regions China	%	0.00	0.00	
Other countries or regions	%	17.09	17.23	
B2 Health and Safety				
Number of deaths related to work -Total number	Person	0	0	
Number of deaths related to work -Female	Person	0	0	

KPIs	Unit	2023	2022
Number of deaths related to work -Male	Person	0	0
Working days lost due to injury related to work- Total number	Day	1,557	597
Working days lost due to injury related to work -Female	Day	0	0
Working days lost due to injury related to work -Male	Day	1,557	597
Number of injuries due to work -Total number	Item	23	27
Number of injuries due to work -Female	Item	0	0
Number of injuries due to work -Male	Item	23	27
B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management)			
Total trainees	Person	7,441	6,855
Number of trainees by gender			
Female	Person	594	592
Male	Person	6,847	6,263
Number of trainees by employee category			
Senior management	Person	22	26
Middle management	Person	278	269
General and skilled employees	Person	7,141	6,560
Total training hours			
Total training hours	Hour	168,130	152,101
Total training hours by gender			
Female	Hour	10,817	9,847
Male	Hour	157,313	142,254
Total training hours by employee category			
Senior management	Hour	534	533
Middle management	Hour	7,894	7,324
General and skilled employees	Hour	159,702	144,244
B3.2 The average training hours completed per employee by gender and employee category			
Average training hours completed per employee by gender			
Female	Hour/Person	18.21	16.60
Male	Hour/Person	22.98	22.71
Average training hours completed per employee by employee category			
Senior management	Hour/Person	24.27	20.50
Middle management	Hour/Person	28.40	27.23
General and skilled employees	Hour/Person	22.36	21.99
Average training hours	Hour/Person	22.60	22.20
Total number of courses	Course	3,551	3,410

KPIs	Unit	2023	2022
B5.1 Number of suppliers by geographical region			
Total number of suppliers	Number	623	670
Total number of suppliers -Chinese mainland	Number	603	650
Total number of suppliers -Hong Kong, China	Number	0	0
Total number of suppliers -Other countries or regions	Number	20	20
B6 Product Responsibility			
The number of products receiving complaints	Number	0	0
The number of products which must be recalled due to safety and health reasons among the total sold or delivered products	Number	0	0
The number of products receiving complaints - Related to the health and safety of products	Number	0	0
The number of products receiving complaints - Related to customer privacy	Number	0	0
B7 Anticorruption			
Number of lawsuits concluded in association with the Group or the bribery of its employees	Number	0	0
B8 Community Investment			
Person-time of participating in the volunteer activities	Person	61	77
Person-time of participating in the volunteer activities -the employees of the Group	Person	35	65
Person-time of participating in the volunteer activities -employees outside the Group	Person	26	12
Total hours of participating in the volunteer activities	Hour	14	2,700
Expenditure in donations	RMB	216,600	10,164,000

Index Table of the HKEX ESG Reporting Guide

Aspect	Indicator Content	Page
A1	Emissions	Page
General Disclosure	Information on: (a)The policies; and (b)Compliance with relevant laws and regulations that have a significant impact on the issuer. relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P21-41
A1.1	The types of emissions and respective emissions data.	P36-41、 P78-79
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P4、 P24、 P78
A1.3	Total hazardous waste produced and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P41、 P78-79
A1.4	Total non-hazardous waste produced and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P41、 P79
A1.5	Description of emission target(s) set and steps taken to achieve them (e.g. per unit of production volume, per facility).	P21-41
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P36-41
A2	Resource Consumption	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	P25-36
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P4、 P26-27、 P79
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P4、 P34、 P79
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P25-29
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P32-34
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P79
A3	Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	P21-41
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P6-7、 P21-41
A4	Climate Change	

Aspect	Indicator Content	Page
General Disclosure	Description of the significant impacts of climate-related issues that have and may affect the stakeholders and the actions taken to manage them.	P21-24
A4.1	Description of the significant impacts of climate-related issues that have and may affect the stakeholders and the actions taken to manage them.	P21-24
B1	Employment and Labour Practices	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P66-70
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	P67、 P80
B1.2	Employee turnover rate by gender, age group and geographical region.	P68、 P80-81
B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P73-75
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P75、 P81
B2.2	Lost days due to work injury.	P75、 P81
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P73-75
B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	P71-72
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P72、 P81
B3.2	The average training hours completed per employee by gender and employee category.	P4、 P72、 P81-82
B4:	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P66
B4.1	Description of measures to review employment practices to avoid child and forced labour.	P66
B4.2	Description of steps taken to eliminate such practices when discovered.	P66
B5	Supply Chain Management	

Aspect	Indicator Content	Page
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P60-63
B5.1	Number of suppliers by geographical region.	P82
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	P60-63
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P60-63
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P60-63
B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P43-58
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P82
B6.2	Number of products and service related complaints received and how they are dealt with.	P57、 P82
B6.3	Description of practices relating to observing and protecting intellectual property rights.	P49
B6.4	Description of quality assurance process and recall procedures.	P50-56
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P58
B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P17-19
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	P18
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P17-19
B7.3	Description of anti-corruption training provided to directors and staff.	P18
B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P77
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P77
B8.2	Resources contributed (e.g. money or time) to the focus area.	P76-77、 P82

Feedback from Readers

If you wish, please leave your information so that we can respond to your comments and suggestions in a timely manner:

Name: _____

Company: _____

TEL: _____

Email: _____

You can email to return to the following contact:

Email: esg@chste.com

Dear readers:

Thank you for reading this Report. To effectively advance the management and practice of environment, social, and governance at China High Speed Transmission, we highly value and look forward to hearing your valuable opinions and suggestions.

Please select your stakeholder category

- | | | |
|--|--|---|
| <input type="radio"/> Government and regulatory bodies | <input type="radio"/> Shareholders and investors | <input type="radio"/> Customers |
| <input type="radio"/> Employees and the trade union | <input type="radio"/> Suppliers/Partners | <input type="radio"/> The general public and the neighborhood |
| <input type="radio"/> Media and Non-Governmental Organisations(NGOs) | <input type="radio"/> Industry Associations/ Chamber Organizations | <input type="radio"/> Other () |

1. What is your overall assessment of the Group's ESG Report?

- Very good Good Normal Poor

2. What do you think about the authenticity, accuracy and effectiveness of information and data disclosure in this Report?

- Very good Good Normal Poor

3. How do you think this Report reflects the Group's significant environmental, social and governance impacts?

- Very good Good Normal Poor

4. What do you think of the Group's performance in stakeholder communication?

- Very good Good Normal Poor

5. Do you think the language description, content layout and layout of this Report are easy to read?

- Yes No

6. What are your comments and suggestions on the Group's implementation of the Environmental, Social and Governance Report?
