



# 2023 SUSTAINABILITY REPORT



# About This Report

This is the 2023 Sustainability Report ("this report") released by Fujian South Highway Machinery Co., Ltd. ("NFLG" or "We"). This report presents stakeholders with an overview of NFLG's ESG management efforts for fiscal year 2023, as well as the initiatives and achievements towards advancing the United Nations Sustainable Development Goals.

## Reference Guidelines

We prepare this report in accordance with the "Global Reporting Initiative Standards" (GRI Standards), the "Sustainability Accounting Standards Board Standards" (SASB Standards), and also refer to the "Guidelines No. 1 of Shanghai Stock Exchange for Self-Regulation of Listed Companies - Standardized Operation", "Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies-Sustainability Report (Trial)", IFRS Sustainability Disclosure Standards (ISDS) developed by International Sustainability Standards Board (ISSB), and the United Nations Sustainable Development Goals (SDGs).

## Reporting Scope

The reporting period is between January 1, 2023, and December 31, 2023, and some parts of the report are beyond the scope mentioned above. Unless otherwise specified, the environmental, economic, and social data disclosed in this report covers all enterprises within the NFLG's scope of consolidation.

## Access to Report and Feedback

We released this report in electronic format in both Simplified Chinese and English. In case of any inconsistencies between the Chinese and English versions, the Chinese version shall prevail. The electronic copies are available on our official website ([www.nflg.com](http://www.nflg.com)) and Shanghai Stock Exchange website ([www.sse.com.cn](http://www.sse.com.cn)). If you have any comments or suggestions on our sustainability performance, please email us at [dong\\_office@nflg.com](mailto:dong_office@nflg.com).

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# Message from the Chairman



2023 proved to be a year fraught with challenges. The persisting impacts of global climate change continued to unleash extreme weather conditions, posing threats to the survival environment of human societies. Meanwhile, risks such as slowing economic growth and geopolitical conflicts presented significant challenges to the sustainable development of businesses. Amidst this evolving external environment, we remained committed to our core values of "specialization, excellence, quality, and longevity," and deepened our research and innovation in the fields of engineering mixing, materials processing, and construction waste treatment with the development philosophy of innovation, coordination, green, openness and sharing. We embraced low-carbon environmental protection and pursued intelligent development pathways to provide overall solutions for green circular building materials to our industry clients, while vigorously propelling the sustainable advancement of our own business and industry ecosystem.

**We offer industry clients overall solutions for green recycling building materials that are safer, environmentally friendly, efficient, and intelligent, jointly building a sustainable development ecosystem for the industry chain.**

In the past year, we anchored ourselves in aggregate processing and actively pursued technological research in crushing, screening, shaping, sand production, and construction waste management. We provided the sand and gravel industry with smarter, eco-friendly machinery for producing sand, offering users overall solutions spanning the entire building materials sector, from raw materials to waste treatment, fostering the low-carbon, eco-friendly, and high-quality development of the sand and gravel aggregate industry together. We continued to drive forward our digitalization and intelligence transformation, actively forging new models for engineering IoT of digital intelligence and property-based service operations management. Through synergistic empowerment, we formulated a holistic "hardware-software services" solution layout. During this year, we pioneered artificial intelligence technologies such as slump detection, AI-assisted unloading, and recycling of discarded concrete, which were applied to the concrete mixing process, resulting in a significant reduction in carbon emissions during production. Furthermore, we established a carbon-negative laboratory to research and apply various product technologies aimed at boosting the development of energy-saving and carbon-reducing technologies, striving to provide more efficient and environmentally friendly solutions for the industry's green and low-carbon transformation.

**We have established harmonious and friendly relationships with the local communities and indigenous peoples, shouldering corporate social responsibility to achieve mutual prosperity and symbiosis between our business and the local communities.**

In the past year, we continued to optimize communication mechanisms with the local community, actively listening to their needs and fostering harmonious community relations. We emphasized on local community education and children's welfare, and donated 110,000 RMB to the Haicheng Experimental

Kindergarten in Fengze District, Quanzhou City, for minor repairs and upgrades to safety facilities. We consistently rewarded outstanding educators in local schools through the "NFLG Education Fund," encouraging their ongoing efforts to nurture more talents for society. We remained committed to local employment and procurement, alleviating local employment pressures and supporting the development of local businesses. We reciprocated and contributed to the local community through real actions, supporting its economic, educational, and cultural development.

**We adhere to a people-centered approach, endeavoring to forge an open, inclusive, and secure professional development platform for our employees, enabling talent to serve as the inherent driving force propelling the enduring growth of our enterprise.**

In the past year, we persisted in reinforcing human rights risk management. We provided our employees with clear career development pathways by constructing a comprehensive and multi-level employee training and development system. We refined performance evaluations and promotion mechanisms to attract, retain, and cultivate top talent, inspiring our employees to collaborate with the company in continuously creating new value.

Moving forward, we will remain steadfast on our strategic orientation of product-service integration, digitalization, intelligence, environmental sustainability, and internationalization, forging ahead on the path towards becoming a leader with overall solutions for green recycling building materials. We are dedicated to integrating the principles of sustainable development with our business expansion. With a heightened sense of social responsibility, we will collaborate with industry partners and stakeholders to tirelessly work towards achieving the Sustainable Development Goals of human society.



The chairman of NFLG

# About NFLG

NFLG (Stock Code: 603280.SH), established in 1997, has been deeply engaged in the field of engineering mixing for over 25 years. Based on insights and expertise in the construction sand and gravel aggregate industry, we have gradually formed a complete industry chain and multi-level product system covering "primary aggregate processing, engineering mixing, and aggregate resource recycling and processing." We integrate customized design, research and development, production, and sales, and conduct business including quarry crushing and screening, aggregate processing, construction and road material mixing, and construction waste resource recycling. Creatively, we provide the market with integrated solutions for green recycling building materials, addressing customers' procurement needs for a full range of green building material equipment with one-stop service.

## Our Overall Solutions for Green Recycling Building Materials

Our products include equipment for primary aggregate processing, engineering mixing, and aggregate resource recycling, which are widely used in downstream markets such as construction, roads, bridges, tunnels, water conservancy, and real estate development. Leveraging our solid technological research and development advantages, robust professional distribution network, strong brand reputation, stable product quality, and comprehensive integrated services, we have become a provider of overall solutions for green recycling building materials. We are committed to assisting customers in establishing a virtuous circular ecosystem for the production and recycling of construction materials.

### Aggregate Treatment Equipment



Aggregate Shaping and Sand Making Equipment



Tracked Mobile Crusher and Screen



Stationary Crusher

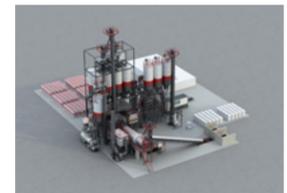
### Mixing Equipment



Concrete Mixing Equipment

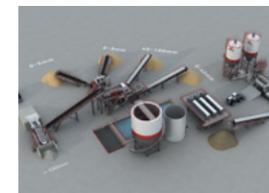


Asphalt Mixing Equipment



Dry Mortar Mixing Equipment

### Aggregate Resource Recycling and Processing Equipment



Sludge Washing Processing Line



Renovation Waste Processing Line



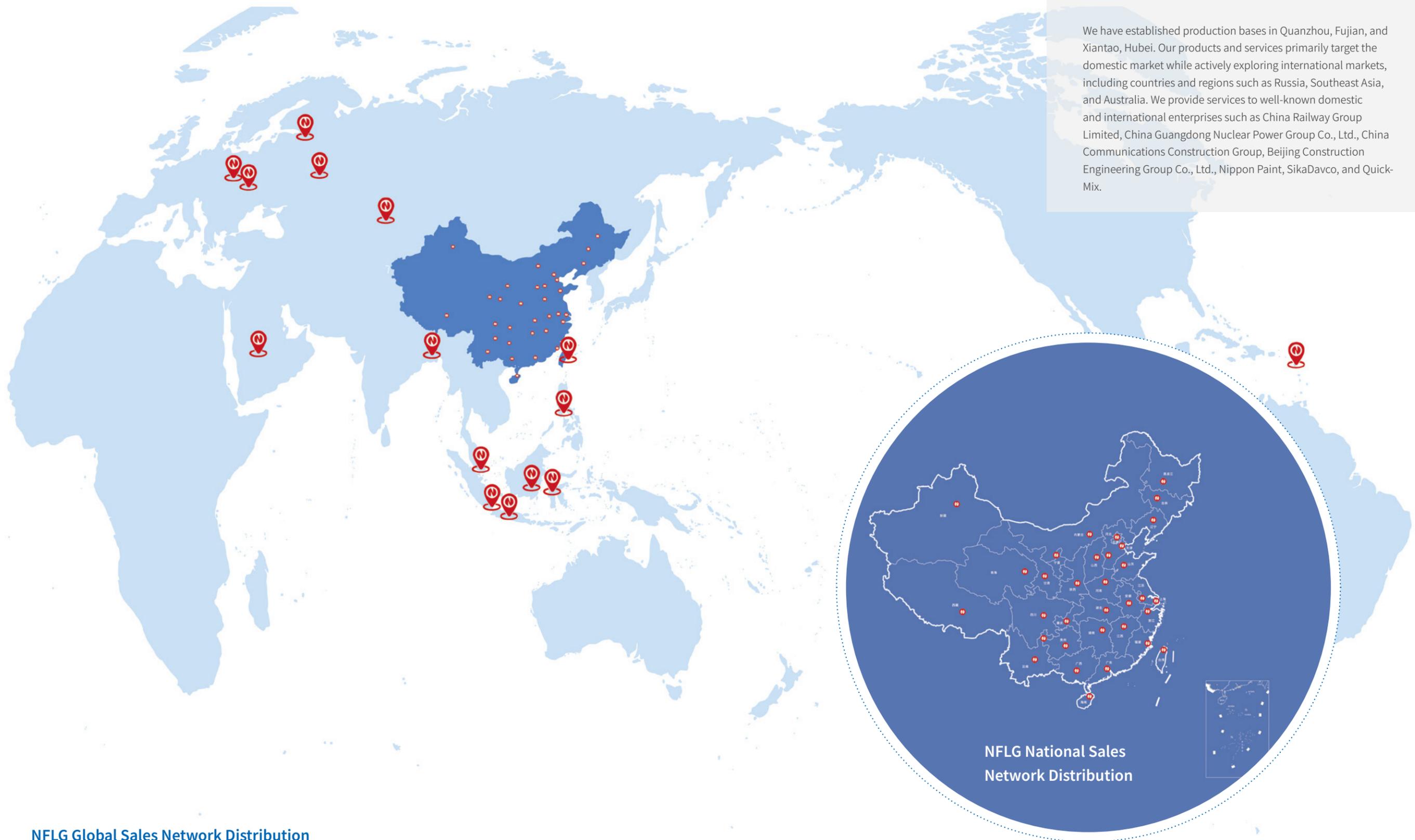
Mobile Demolition Waste Processing Line





### Our International Business Layout

We have established production bases in Quanzhou, Fujian, and Xiantao, Hubei. Our products and services primarily target the domestic market while actively exploring international markets, including countries and regions such as Russia, Southeast Asia, and Australia. We provide services to well-known domestic and international enterprises such as China Railway Group Limited, China Guangdong Nuclear Power Group Co., Ltd., China Communications Construction Group, Beijing Construction Engineering Group Co., Ltd., Nippon Paint, SikaDavco, and Quick-Mix.



NFLG Global Sales Network Distribution



NFLG National Sales Network Distribution

## 2023 At a Glance



Environmental	Social	Social	Economic
<p>Total environmental protection input <b>1.44</b> million RMB</p>	<p>Total social contributions <b>253.73</b> million RMB</p>	<p>Research and Development input <b>73.46</b> million RMB</p>	<p>Total asset <b>2,016.89</b> million RMB</p>
<p>GHG emissions <b>4,357.48</b> tCO<sub>2</sub>e</p>	<p>Including: Tax payment <b>39.04</b> million RMB</p>	<p>Occupational fatalities <b>0</b> persons</p>	<p>Operating revenue <b>1,140.95</b> million RMB</p>
<p>GHG emission intensity <b>381.92</b> tCO<sub>2</sub>e/hundred-million RMB of operating revenue</p>	<p>Employee compensation <b>184.09</b> million RMB</p>	<p>Work safety input <b>4.22</b> million RMB</p>	<p>Operating cost <b>848.87</b> million RMB</p>
<p>Energy consumption intensity <b>92.65</b> tons of coal equivalent/ hundred-million RMB of operating revenue</p>	<p>Dividends paid to shareholders <b>34.69</b> million RMB</p>	<p>Total training hours of occupational health and safety <b>13,420</b> hours</p>	<p>Net profit attributable to shareholders of the parent company <b>120.42</b> million RMB</p>
<p>Water resources consumption intensity <b>1,247.93</b> m<sup>3</sup>/ hundred-million RMB of operating revenue</p>	<p>Social donations <b>0.34</b> million RMB</p>	<p>Number of emergency drills <b>9</b> times</p>	
	<p>Minus government subsidies received <b>4.43</b> million RMB</p>	<p>Total number of employees <b>1,234</b> persons</p>	
	<p>Social contribution per share <b>2.34</b> RMB</p>	<p>Total employee training input <b>0.51</b> million RMB</p>	
		<p>Total employee training hours<sup>1</sup> <b>30,235.50</b> hours</p>	

<sup>1</sup> The total training hours for employees in 2023 only include the employee training organized by the company's Human Resources Department and Safety and Environmental Department.

## 2023 Honors and Awards

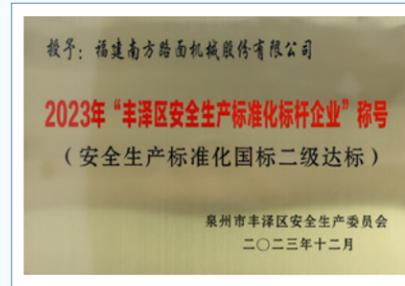


**26th place on "World Top 100(PLUS 50) Construction Machinery Manufacturer"**  
 awarded by T50 Summit of World Construction Machinery Industry and China Construction Machinery Magazine



**51st place on the list of "Top 100 Private Enterprises in Quanzhou for 2023"**  
 issued by the Quanzhou Investment Promotion Bureau

**"2023 Benchmark Enterprise for Work Safety Standardization in Fengze District"**  
 awarded by the Fengze District Work Safety Committee of Quanzhou City



**"2023 Outstanding Equipment Suppliers in the Aggregates Industry"**  
 awarded by China Aggregates Association



**"Innovative Enterprise in the Aggregates Industry 2023"**  
 awarded by China Aggregates Net



**"2023 Influential Brands in the Ready-mixed Mortar Industry"**  
 awarded by China Building Materials Federation Ready-mixed Mortar Branch



**"2023 Innovative Enterprises in the Aggregates Industry"**  
 awarded by China Aggregates Association



**"Outstanding Equipment Supplier in the Aggregates Industry 2023"**  
 awarded by China Aggregates Net



**"2023 Model Enterprises of the Aggregates Industry for the 'Belt and Road' Initiative"**  
 awarded by China Aggregates Association



**"2023 Outstanding Enterprises in the Aggregates Industry"**  
 awarded by China Aggregates Association



**"The 2023 Municipal-Level Industrial Leading Enterprises in Quanzhou"**  
 awarded by Industry and Information Technology of Quanzhou City

# Environmental

## 2023 Management Goals for Environmental Issues

- 1 Completion of annual inventory of GHG emissions (Scope 1 and Scope 2)
- 2 Gradual reduction of non-renewable energy consumption and increase in the proportion of renewable energy usage
- 3 Innovative development of more green products and services to help industry clients effectively reduce carbon emissions
- 4 Achievement of 100% compliance in pollutant emissions (wastewater, exhaust gas, noise, waste)
- 5 100% implementation rate of environmental “Three simultaneous” practices(safety facilities shall be designed simultaneously, constructed simultaneously, and put into operation simultaneously with the main building)
- 6 Advocacy for water conservation to reduce water resource waste
- 7 100% compliant disposal rate of hazardous waste according to regulations
- 8 100% rectification rate of environmental hazards
- 9 100% effectiveness rate of environmental facilities
- 10 Increase in the quantity of products for recycling construction waste resources compared to the same period last year

 Climate Response

 Pollution Control and Ecosystem Protection

 Resource Utilization and Circular Economy



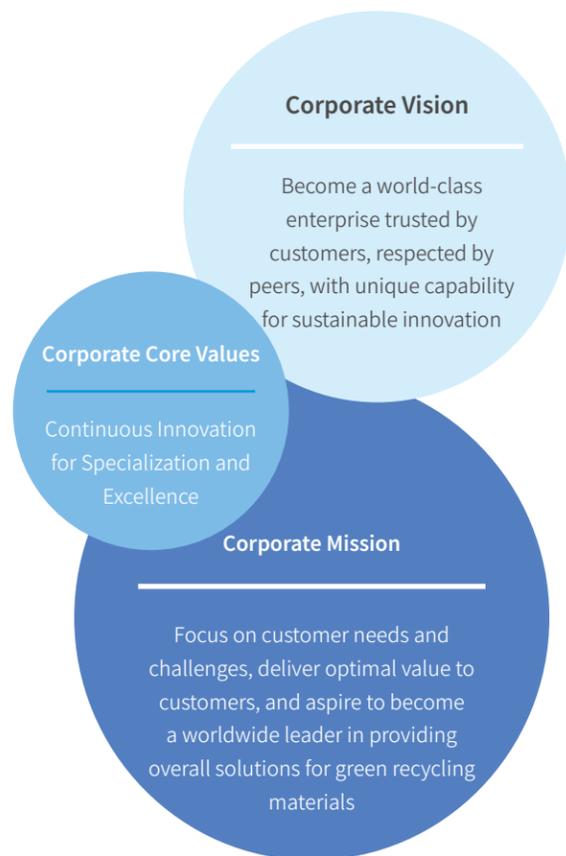


## Climate Response

Climate change has emerged as a severe global challenge. We proactively respond to the national carbon peaking and net zero goals, as well as the temperature control objectives outlined in the Paris Agreement. We gradually integrate low-carbon transformation with our corporate development strategy, earnestly embracing our responsibility in addressing climate change. Guided by the principles of innovation, coordination, green, openness, and sharing, we advocate for green, low-carbon, circular, and sustainable production methods. We strive to minimize the adverse environmental impacts of our business operations by enhancing our green manufacturing and management capabilities of digital intelligence. We promote sustainable resource utilization and circular economy through technological innovation, aiming to develop overall solutions for green recycling building materials. We partner with stakeholders across the industry chain to accelerate the development of new quality productive forces and achieve sustainable industrial development.

## Corporate Strategy

We focus on the development trends of intelligence, environmental protection, energy conservation, and recycling in the construction machinery industry, with a strategic positioning of integrated product services, digitization, intelligence, environmental friendliness, and internationalization. We are market-oriented, with technological innovation as our core competitiveness. We persist in R&D and manufacturing in the fields of engineering mixing, material processing, and construction waste treatment. We plan ahead for the future key development directions such as construction waste recycling, intelligent unmanned mixing industrial parks, high-quality asphalt mixture production, and efficient and environmentally friendly material handling, to satisfy the industry's demand for product intelligence and environmental protection while enhancing our design and manufacturing capabilities through the construction of a big data platform of industrial Internet of Things. We are committed to becoming a leader in the overall solutions for green recycling building materials.



To promote the deep integration of sustainable development concepts with the company's development strategy, we take the United Nations' 17 Sustainable Development Goals (SDGs) as a guide, forming a framework for corporate sustainable development.

## Environmental

- Respond to the national dual-carbon strategy, conduct greenhouse gas inventory for the year 2023 according to the ISO14064 standard, and continuously promote decarbonization both the company's own operations and the industry chain.
- Integrate the green and low-carbon concept into various aspects of production and operations, implement a series of measures such as technological innovation and digitization to achieve energy conservation and emission reduction within the company's own operations, while also providing green and low-carbon transformation solutions for the industry to promote sustainable development.
- Emphasize water resource conservation and improve water resource utilization through measures such as water recycling, employing water-saving facilities, and promoting water conservation.
- Follow the requirements of the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, and other relevant laws and regulations, strive to reduce the negative impact of emissions of waste gases, wastewater, solid waste, and noise pollutants on the environment, and continuously optimize and enhance the environmental management level in the production and manufacturing process.
- Prioritize biodiversity conservation, avoiding business activities in nature reserves, ecologically sensitive, and fragile areas. Conduct environmental assessments and soil monitoring before constructing new project sites or production lines to minimize adverse impacts on local biodiversity and ecological environment during business operations.
- Offer society diverse solutions for the recycling of construction waste, incorporate a resource-saving, intensive, and cyclical utilization perspective into the company's development strategy, and promote sustainable and circular utilization of resources in the course of business operations.



## Social

- Continuously invest in research and development innovation, enhance the research system, intensify efforts in technical development and independent innovation, benchmark against international leading technologies, actively engage in industry-university-research cooperation and international collaboration, and continue to improve the company's independent innovation capability.
- Practice responsible sourcing principles, consistently improve responsible supply chain management systems, establish a Supplier Code of Conduct to regulate supplier behavior, provide guidance and training for suppliers and dealers, work hand in hand with industry partners to seek sustainable development, and promote the construction of responsible supply chains.
- Establish a comprehensive quality management system for the entire product lifecycle, center around customers, empower services with technology, and fully ensure customer rights.
- Standardize company information security management, continuously improve information security management mechanisms, enhance information security management levels, and effectively protect customer privacy.
- Set up the Mixing Institute to provide personalized training programs for dealers and customers, continuously cultivate practical and skilled talents for high-quality and sustainable development in the industry.
- Respect the requirements regarding human rights protection in the "Universal Declaration of Human Rights," "UN Guiding Principles on Business and Human Rights," "Universal Declaration of Human Rights," "OECD Guidelines for Multinational Enterprises," and "The Convention on the Elimination of All Forms of Discrimination against Women." Eliminate all forms of discrimination, harassment, and violence to provide all employees with a fair and harmonious working environment.



- Value talent cultivation and development, provide employees with competitive compensation and benefits, as well as ample career development opportunities. Safeguard the basic rights of employees and demonstrate care through real actions. Establish long-term incentive mechanisms to share the achievements of enterprise development with employees.
- Attach great importance to the occupational health and safety of employees, distributors, and installation service providers. Keep improving occupational health and safety management to ensure the health and safety of all employees and fulfilling corporate responsibility for work safety.
- Respect the customs and culture of the local community, prioritize communication with the community, establish friendly communication mechanisms with local residents and government departments, actively listen to the community's demands, and minimize the negative impact of company production and operation activities on the living environment of local residents to the greatest extent possible.

## Social

- Adhere to stable industrial development to promote employment, continuously deepen local employment policies, provide employment and training opportunities for local residents during the company's development process, alleviate local employment pressure, contribute to the revitalization of rural areas through practical actions to support the rural revitalization strategy.
- Focus on social welfare, encourage employees to participate in volunteer activities, contribute to building a harmonious society, and pay close attention to the growth of children and teenagers in the local community. Support the development of children's education in the community by providing education funds, improving educational facilities, and other means.

## Governance

- Integrate sustainable development principles into corporate management, continuously improve the scientific and efficient governance system, and improve ESG management levels.
- Establish diverse communication channels to maintain close communication and exchange with stakeholders, and incorporate stakeholders' expectations and suggestions into the company's sustainable development governance.
- Implement a risk-oriented internal control system, continuously improve internal control systems and processes, strengthen risk control at key points, implement internal control supervision and inspection, effectively prevent various significant operational risks, and enhance the company's resilience to sustainable development risks and opportunities.
- Adhere to principles of compliance, fairness, and integrity, conduct business activities with high ethical standards, and advocate for and maintain an environment of integrity, fairness, and freedom in business.
- Comply with laws and regulations related to anti-corruption and anti-bribery, firmly oppose any form of corruption or bribery, establish an Anti-Corruption and Anti-Bribery Policy, and implement corresponding management measures to prevent corruption and bribery risks.
- Construct an intellectual property rights management system to manage and control all aspects of intellectual property acquisition, maintenance, utilization, and protection, effectively protecting the company's intellectual property rights.
- Overserve all relevant tax laws and regulations applicable to the business's location, uphold principles of legal and compliant tax practices, integrity, and transparency, fulfill tax obligations in accordance with the law, and strengthen tax risk management.



## Sustainable Development Risk Management

According to the requirements of the IFRS S2 Climate-related Disclosures issued by International Sustainability Standards Board (ISSB), we have incorporated sustainability-related risk management into our comprehensive enterprise risk management system. In assessing short-term, medium-term, and long-term sustainable development risks, we have utilized scenario models proposed by the Intergovernmental Panel on Climate Change (IPCC) to identify and evaluate the company's physical risks in the near, medium, and long term. We have also referenced scenario models from the International Energy Agency (IEA) to identify and evaluate transition risks and opportunities the company may face in the short, medium, and long term. Based on the identification and evaluation results, we have developed corresponding risk response and strategic adjustments to enhance our strategic resilience to sustainability-related risks and strengthen our capacity for sustainable development.

### Physical Risks

We selected the very low GHG emissions scenario (SSP1-1.9) from the IPCC's five scenarios under Shared Socioeconomic Pathways. In this scenario, it is assumed that global greenhouse gas emissions will peak around 2030 and then gradually decline, reaching net-zero emissions by 2050. Compared to 1850-1900, global surface temperature averaged over 2081-2100 is very likely to be higher by 1.0° C to 1.8° C under the very low GHG emissions scenario (SSP1-1.9), the likely global mean sea level rise is 0.28-0.55 meters, and the average annual global land precipitation is projected to increase by 0-5%. We also chose the very high GHG emissions scenario (SSP5-8.5), which assuming that global greenhouse gas emissions will continue to increase by the end of the 21st century. Relative to 1995-2014, global surface temperature is very likely to be higher by 3.3° C to 5.7° C by 2100 under the very high GHG emissions scenario (SSP5-8.5), the likely global mean sea level rise is 0.63-1.01 meters, and the average annual global land precipitation is projected to increase by 1-13%(likely ranges). We thereby conducted short, medium, and long term assessment of the physical risks and climate disaster risks to our business development.



### Physical Risk Assessment

Climate Disaster Risks	Current Status	2030		2050	
		SSP1-1.9	SSP5-8.5	SSP1-1.9	SSP5-8.5
<b>Floods and Typhoons</b> The strong winds and heavy rainfall brought by typhoons, as well as the flooding caused by floods, may lead to interruptions in transportation systems, affecting the supply chain of raw materials and products, resulting in transportation delays or interruptions, impacting production and delivery. This could cause interruptions to business operations, with the company's equipment, buildings, and inventory potentially being damaged by natural disasters such as floods and windstorms, requiring time and resources for recovery and repair. It may also pose a threat to the health and safety of employees.					
<b>Sea Level Rise</b> The company's equipment, buildings, and inventory may be at risk of flooding or depreciation, which could lead to interruptions in transportation systems, adversely affecting the procurement of raw materials and the transportation of products, thereby impacting production schedules and delivery capabilities.					
<b>Extreme Heat</b> Could result in overheating of machinery and equipment in production facilities, potentially causing them to malfunction or cease operation, thereby impacting production efficiency. Additionally, extreme heat poses a threat to the health and safety of employees. Elevated temperatures in the work environment can lead to heat exhaustion, fatigue, and other health issues, reducing employees' work efficiency and quality.					
<b>Droughts</b> Potential increase of operational costs for businesses, requiring additional investment to acquire water resources to mitigate the impacts of water stress and drought on business operations, such as the construction of water treatment facilities. This may result in inadequate supply of water resources for both production and domestic purposes during business operations.					
<b>Biodiversity Loss and Habitat Displacement</b> May encounter habitat displacement, as well as associated disruptions to freshwater, terrestrial, and marine ecosystems that rely on human systems.					

● Extreme Low Impact ● Low Impact ● Medium Impact ● High Impact ● Extreme High Impact



## Physical Risk Management

Physical Risks	Impact Period	Response
<p><b>Floods and Typhoons</b> The strong winds and heavy rainfall brought by typhoons, as well as the flooding caused by floods, may lead to interruptions in transportation systems, affecting the supply chain of raw materials and products, resulting in transportation delays or interruptions, impacting production and delivery. This could cause interruptions to business operations, with the company's equipment, buildings, and inventory potentially being damaged by natural disasters such as floods and windstorms, requiring time and resources for recovery and repair. It may also pose a threat to the health and safety of employees.</p>	Near, Medium, and Long Term	<ul style="list-style-type: none"> <li>Establish a robust emergency management mechanism, develop emergency plans, and take appropriate measures according to different levels of alerts.</li> <li>Conduct regular emergency drills to enhance the ability to respond to floods and typhoons.</li> <li>Implement reinforcement and protection measures for critical equipment and buildings to ensure that company assets can withstand the impact of super typhoons.</li> </ul>
<p><b>Sea Level Rise</b> The company's equipment, buildings, and inventory may be at risk of flooding or depreciation, which could lead to interruptions in transportation systems, adversely affecting the procurement of raw materials and the transportation of products, thereby impacting production schedules and delivery capabilities.</p>	Medium and Long Term	<ul style="list-style-type: none"> <li>Monitor meteorological and oceanic changes reported by the government to promptly adjust response strategies. Diversify the supply chain, reduce reliance on a single supplier, and mitigate supply chain risks associated with rising sea levels.</li> <li>Implement protective measures such as reinforcing levees, constructing floodgates, and upgrading drainage systems for existing facilities. Regularly inspect and maintain these facilities to ensure their proper functioning.</li> <li>Prudently evaluate the feasibility of initiating new investment projects in low-lying areas or regions susceptible to the impact of rising sea levels.</li> </ul>
<p><b>Extreme Heat</b> Could result in overheating of machinery and equipment in production facilities, potentially causing them to malfunction or cease operation, thereby impacting production efficiency. Additionally, extreme heat poses a threat to the health and safety of employees. Elevated temperatures in the work environment can lead to heat exhaustion, fatigue, and other health issues, reducing employees' work efficiency and quality.</p>	Near, Medium, and Long Term	<ul style="list-style-type: none"> <li>Monitor temperature conditions and provide employees with health and safety protection measures for working in high-temperature environments.</li> <li>Upgrade equipment with heat-resistant materials to enhance heat resistance and conduct regular maintenance to proactively address the risk of extreme high temperatures.</li> </ul>
<p><b>Droughts</b> Potential increase of operational costs for businesses, requiring additional investment to acquire water resources to mitigate the impacts of water stress and drought on business operations, such as the construction of water treatment facilities. This may result in inadequate supply of water resources for both production and domestic purposes during business operations.</p>	Near, Medium, and Long Term	<ul style="list-style-type: none"> <li>Advocate water conservation principles, promote water-saving appliances, and reduce water consumption.</li> <li>Regularly assess water resource risks and develop corresponding response measures, including establishing emergency water reserves and formulating emergency plans.</li> </ul>
<p><b>Biodiversity Loss and Habitat Displacement</b> May encounter habitat displacement, as well as associated disruptions to freshwater, terrestrial, and marine ecosystems that rely on human systems.</p>	Medium and Long Term	<ul style="list-style-type: none"> <li>Conduct environmental impact assessments before the construction, renovation, or expansion of factory areas or production lines.</li> <li>Restore and compensate for affected ecosystems.</li> </ul>

## Transition Risks

With reference to the IEA'S scenario model, we selected the Net Zero Emissions by 2050 (NZE) Scenario, where the global energy-related CO<sub>2</sub> emissions are expected to reach net zero by 2050, offering the world a chance to limit the global temperature rise to 1.5 ° C. We also choose the Stated Policies Scenario (STEPS), which considers only specific policies already enacted or announced by governments, and annual CO<sub>2</sub> emissions from energy-related and industrial processes are projected to increase from 34 gigatons in 2020 to 36 gigatons in 2030, and remain at approximately the same level until 2050. If emissions continue along this trajectory and non-energy-related greenhouse gas

emissions follow a similar trend, the global temperature is estimated to rise by around 2.7° C by 2100 (with a 50% probability). By 2050, the share of renewable energy in global electricity generation is projected to approach 55%. Over the period from 2020 to 2050, global coal consumption is expected to decrease by 15%, oil consumption to increase by 15%, and natural gas consumption to increase by nearly 50%. We conducted short-term, medium-term, and long-term identification and assessment of the transition risks to our supply chain operations and real estate business, and developed and continuously improve response measures and strategies for business model transformation.

## Transition Risk Management

Transition Risks	Impact Period	Response
Macroeconomic fluctuations and policy adjustments	Near, Medium, and Long Term	<ul style="list-style-type: none"> <li>Continuously deepen the construction of a multi-level product system along the entire aggregate industry chain, focusing on strategic positioning around product-service integration, digitalization, intelligence, environmental protection, and internationalization.</li> <li>Actively develop overseas markets and accelerate international layout to deepen and improve the global business system.</li> </ul>
Policy and regulatory pressures related to GHG emissions	Near, Medium, and Long Term	<ul style="list-style-type: none"> <li>Integrate green and low-carbon concepts into production and operations, conduct carbon inventory to understand and grasp the GHG emissions at various stages of the company's production and operation processes.</li> <li>Through technological research and development innovation, process equipment transformation, and the implementation of a series of energy-saving and emission-reduction measures such as intelligentization and digitalization, improve the efficiency of resource and energy use, and facilitate the formation of new quality productive forces.</li> </ul>
Demand for product research and technological innovation	Near, Medium, and Long Term	<ul style="list-style-type: none"> <li>Intensify efforts in technology development and independent innovation. Upgrade and expand the research and development center on the basis of existing technology and R&amp;D resources, introduce advanced software and hardware equipment, and enhance the capability of transforming technological achievements and efficiency in product development.</li> <li>Proactively learn from advanced technologies abroad, collaborate with leading research institutions and universities at home and abroad in industry-university-research cooperation, and grasp market demand and technological development trends. Explore research and development and forward-looking strategies in key and emerging application fields such as construction waste resource utilization, to enhance new product development capabilities and technological competitiveness.</li> </ul>
Shifts in market preferences and intensified competition	Near, Medium, and Long Term	<ul style="list-style-type: none"> <li>Leveraging current product portfolio, strategically position in key future growth areas such as integrated utilization of construction solid waste, environmentally friendly intelligent mixing plants, smart dry mortar production lines, and integrated production equipment for machine-mixed sand mortar. Continue to reinforce the ability to provide customers with integrated overall solutions and strengthen competitive edge.</li> <li>Continue to advance the construction of the product marketing and after-sales service networks, aiming to elevate service standards and capabilities, strengthen market competitiveness, and fulfill the evolving needs of the market.</li> <li>Diligently explore international markets, intensify marketing efforts for overseas sales, and strive to expand into new regional markets, thereby broadening the geographical coverage of business operations.</li> </ul>
Pressure on corporate reputation	Medium and Long Term	<ul style="list-style-type: none"> <li>Guided by the United Nations' 17 Sustainable Development Goals (SDGs) to shape corporate sustainability framework, fostering a responsible corporate citizen image.</li> <li>Vigorously engage in stakeholder communication to address the management and practice related to stakeholders' concerns. Organize business activities in accordance with high standards of business ethics requirements, actively practicing corporate environmental and social responsibilities.</li> </ul>



# GHG Emissions Management

We conducted an organizational carbon inventory for the year 2023 in accordance with the ISO 14064-1:2018 standard. This enabled us to assess our GHG emissions profile, providing the necessary data foundation for formulating and implementing emission reduction plans.

## Organizational Boundary

The entities with financial and operational control authority.

## Activity Boundary

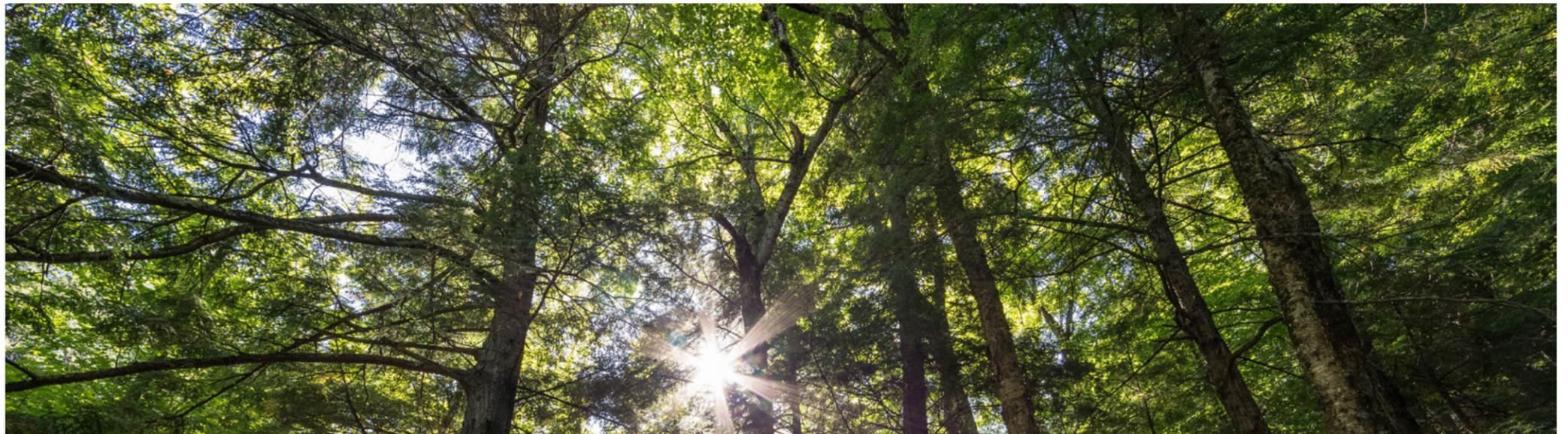
GHG Category	Definition	Primary GHG Emission Activities
<b>Scope 1</b>	Direct GHG emissions refer to the emissions of greenhouse gases generated directly by an organization, including emissions from the combustion of fossil fuels and emissions generated during industrial processes. This includes stationary combustion emissions, mobile combustion emissions, process emissions, and fugitive emissions.	<ul style="list-style-type: none"> <li>Natural gas stoves</li> <li>Diesel generators</li> <li>Gasoline fleet vehicles</li> <li>Diesel forklifts and other on-site motor vehicles</li> <li>CO<sub>2</sub> Gas metal arc welding</li> </ul>
<b>Scope 2</b>	Indirect energy-related GHG emissions refer to the emissions of greenhouse gases generated from the energy consumed by an organization, such as electricity and heat, which includes purchased electricity, purchased steam, etc.	<ul style="list-style-type: none"> <li>Electricity for production</li> <li>Electricity for office use</li> </ul>

## GHG Types

The greenhouse gases include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>).

## Global Warming Potentials

We used the Global Warming Potentials (GWP) for greenhouse gases(GHG) provided by the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report.

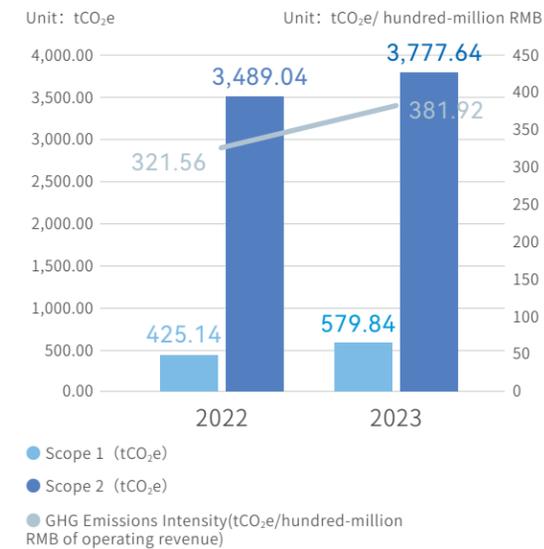


# GHG Emissions

During the reporting period, our GHG emissions totaled 4,357.48 tCO<sub>2</sub>e, with a GHG emission intensity of 381.92 tCO<sub>2</sub>e/hundred-million RMB of revenue. Specifically, direct GHG emissions (Scope 1) accounted for 579.84 tCO<sub>2</sub>e, representing 13% of the total emissions, while indirect GHG emissions (Scope 2) amounted to 3,777.64 tCO<sub>2</sub>e, constituting 87% of the total emissions.

Further increase of our production capacity in 2023, the consumption of gasoline and diesel increased compared to 2022, resulting in a rise in direct GHG emissions (Scope 1) by 154.70 tCO<sub>2</sub>e. Additionally, the purchase of external electricity increased compared to 2022, leading to an increase in energy indirect GHG emissions (Scope 2) by 288.59 tCO<sub>2</sub>e. Overall, GHG emissions increased by 443.29 tCO<sub>2</sub>e compared to 2022.

## GHG Emissions



## GHG Emissions

Category	2023	2022
<b>Scope 1: Direct Emissions (tCO<sub>2</sub>e)</b>	579.84	425.14
<b>Scope 2: Indirect Emissions (tCO<sub>2</sub>e)</b>	3,777.64	3,489.04
<b>Total Emissions (tCO<sub>2</sub>e)</b>	4,357.48	3,914.18
<b>GHG Emissions Intensity (tCO<sub>2</sub>e/hundred-million RMB of operating revenue)</b>	381.92	321.56

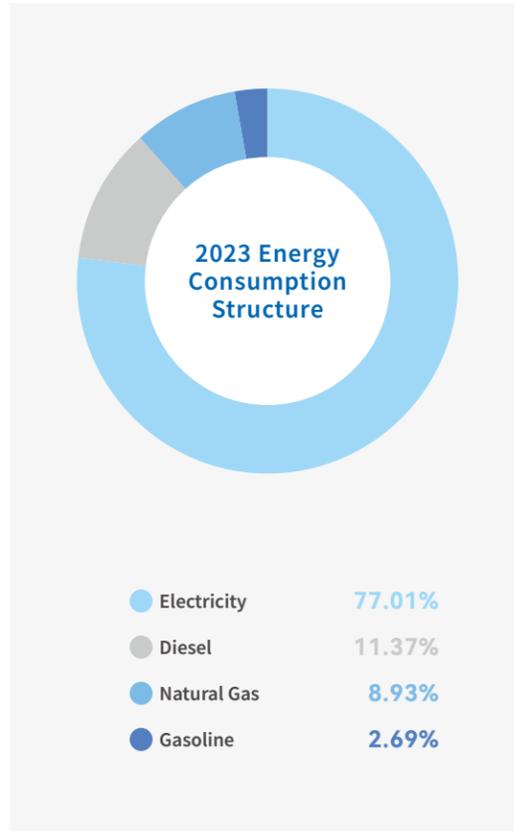


## Energy Conservation Management

We have established the "Energy Conservation Management Regulations" and the "Energy Measurement Management System," and set up an energy management team to comprehensively oversee energy management. We aim to strengthen effective management and control of energy consumption in production and daily life, continuously improve energy utilization efficiency, reduce per unit energy consumption, and sustainably optimize energy structure. Within our management system, the internal audit team and the 6S team are responsible for energy management. They conduct periodic inspections of energy-saving implementation and carry out assessments. At least one inspection is conducted weekly, and inspection results are promptly reported. Any violations or inadequate supervision are addressed according to relevant regulations, with individuals responsible for rectification. Each production workshop is responsible for managing reasonable energy use in its area and supervising the effectiveness of energy use in production teams. Production and auxiliary teams are responsible for implementing reasonable energy use in their respective areas, promptly reporting any issues.

During the reporting period, our comprehensive energy consumption was approximately 1,057.05 tons of coal equivalent. Looking at the energy consumption structure, electricity accounted for the highest proportion, approximately 77.01%. Regarding GHG emissions from energy consumption, emissions

from electricity consumption contributed the most, accounting for 87% of the total GHG emissions from energy consumption throughout the year.



### Energy Consumption

Energy Type	2023	2022	Comprehensive energy consumption in 2023 (tons of coal equivalent)	Comprehensive energy consumption in 2022 (tons of coal equivalent)	Energy consumption proportion in 2023
Electricity (kWh)	6,623,950.61	6,117,910.00	814.08	751.89	77.01%
Natural Gas (m <sup>3</sup> )	70,931.00	75,327.00	94.34	100.18	8.93%
Diesel (L)	95,917.62	59,434.00	120.19	74.48	11.37%
Gasoline (L)	26,473.61	20,200.00	28.44	21.70	2.69%
<b>Total</b>	/	/	<b>1,057.05</b>	<b>948.25</b>	<b>100.00%</b>



## Action for GHG Emission Reduction

We embed the green and low-carbon philosophy into every facet of our production and operations. We promote technological innovation, implement a series of energy-saving and emission-reduction measures such as intelligence and digitization to advance sustainable resource utilization and recycling. While achieving our own GHG emissions reduction, we also provide green and low-carbon transformation solutions for the industry to address the transition risks of climate change, thereby achieving sustainable development."

### Green and Low-carbon Products and Services

The entire process of construction, including the production of building materials, construction phase, and operation phase, is one of the high-energy-consuming industries globally. We actively respond to the national dual-carbon policy requirements by providing society with resource regeneration, energy-saving, and environmentally friendly mechanical equipment, as well as overall solutions for green recycling building materials,

to promote the overall green and low-carbon development of the industry.

### © Overall Solutions for Green Recycling Building Materials

While continuing to focus on the field of engineering mixing in business layout, we are also rooted in aggregate processing and conduct technological research in the areas of crushing, screening, shaping, sand making, and construction waste, aiming to provide the sand and gravel industry with more intelligent and environmentally friendly mechanism sand equipment. We offer customers comprehensive solutions covering the entire field of building materials from raw materials to construction waste treatment. We continuously introduce a series of low-carbon equipment for material processing, engineering mixing, and construction waste treatment, which are widely used in infrastructure construction such as buildings, roads, bridges, tunnels, water conservancy, and real estate development markets. It covers areas including mining crushing and screening, aggregate processing, construction and road material mixing, and construction waste recycling, thus establishing a benign cycle of resource recycling and promoting green, low-carbon, and high-quality development of the industry.



## Low-carbon Solutions for Asphalt Mixing Production

Asphalt mixture is a common road construction material, widely used in various road construction projects due to its advantages such as long service life, strong adaptability, good skid resistance, and cost-effectiveness compared to traditional concrete pavement. However, during the construction process of asphalt pavement, a significant amount of energy consumption and emission of harmful gases such as SO<sub>2</sub> and NO<sub>x</sub> will be generated. To address these issues, we propose a low-carbon solution for asphalt mixing production by integrating green, environmentally friendly, and intelligent concepts throughout the entire process of research and development, production, and application. This solution aims to promote the green and low-carbon upgrading of asphalt mixing production.



"LBPS Asphalt Concrete Recycling Material Screening Equipment + RAP Aggregate Regeneration" Equipment



"LBPS Asphalt Concrete Recycling Material Screening Equipment + RAP Aggregate Regeneration" Equipment



### Innovation in research and development of "Asphalt Mixing Plant + Raw Material Shaping" equipment:

The finished aggregates produced by this equipment have good particle shape, optimal gradation, precise control of powder and water content, thereby improving the production efficiency of the backend mixing plant, reducing energy consumption, and saving asphalt usage. Taking the example of producing 500,000 tons of asphalt mixture per year, using low-moisture asphalt-shaped aggregates instead of purchasing wet aggregates for drying can save about 20% of energy consumption, save about 650 tons of heavy oil, and reduce carbon emissions by 2,060.5 tons. The dust removal system adopts offline pulse dust removal method to collect and remove dust centrally, with an efficiency of up to 99.5%. The entire system operates under negative pressure, without the need for external sealing, and there is no worry about dust leakage. The concentration of smoke emissions is less than 20mg/m<sup>3</sup>, reducing dust emissions during asphalt aggregate production process.



**Innovation in the development of efficient "Thermal System":** For aggregate drying, the optimized feeding blades of the new drying drum can evenly heat the aggregates, making full use of flame radiation energy to efficiently and smoothly complete aggregate drying. Compared with the previous design, it can save about 10% of energy consumption. The large-size head cover of the burner forms a high-temperature pre-combustion chamber to improve atomization quality, thereby promoting efficient combustion and reducing fuel consumption. It achieves high-standard control precision with precise oil and air ratio control, and intelligent air distribution. Compared with the previous design, it can save 10%-15% of fuel consumption.



**Innovation in research and development of "LBPS Asphalt Concrete Recycling Material Screening Equipment + RAP Aggregate Regeneration" equipment:** This equipment can screen out the most economically valuable particles below 5mm from asphalt concrete waste, and effectively separate old asphalt and old aggregates, effectively break up agglomerated materials, eliminate false particles, ensure the quality of asphalt mixture after adding a large proportion of recycled materials, and achieve the recycling of recycled aggregates.

## Highlight

### Asphalt Mixing Equipment Retrofit and Upgrade of Ningbo Great Wall Bitumen Products Co.,Ltd.

In response to the existing problems with the asphalt mixing equipment at Ningbo Great Wall Bitumen Products Co.,Ltd., we provided a retrofit and upgrade solution. After the retrofit and upgrade, the failure rate of the asphalt mixing equipment significantly decreased, the discharge time per batch reduced, and the production capacity increased from the original 150 tons per hour to 220-230 tons per hour. The consumption of heavy oil and natural gas also decreased significantly. The burner's built-in oil return system eliminated the exhaust process, saving time and reducing odor emissions, thus helping the company achieve a green transformation in asphalt mixing production.



Asphalt Mixing Equipment at Ningbo Great Wall Bitumen Products Co.,Ltd.



## Low-Carbon Solutions for Ready-Mixed Concrete Production Line

In the fully automatic ready-mixed concrete production line developed and manufactured by our company, the mixing plant adopts the top-mounted powder tank layout, which not only improves the efficiency of the mixing plant but also saves packaging costs, thus assisting in achieving the green and low-carbon transformation of ready-mixed concrete production.



Automatic Ready-Mixed Concrete Production Line

- Achieve fully automatic batching to meet the requirements of automated production, saving time and effort, and effectively improving production efficiency.
- The main building is fully enclosed, with each powder tank equipped with independent dust collection equipment. The powder generated during the production process can be returned to the corresponding powder tank, preventing dust overflow and waste discharge.
- The mixing host is efficient and durable, achieving better homogeneity in a shorter mixing time, resulting in a 10% increase in the average strength of concrete.
- The powder tank is equipped with low-pressure ash removal equipment and explosion-proof devices, effectively reducing noise and preventing accidents such as powder tanker explosions.
- The mixing plant is equipped with car washing equipment, sewage recycling and treatment equipment, and spray dust removal systems. Vehicles entering and exiting must pass through the equipped fully automatic car washing platform, where high-pressure water guns are used to wash the vehicles, eliminating dust. Rainwater, production wastewater, and other wastewater are recycled through the sewage recycling system to achieve zero wastewater discharge and green circular production.
- During the process of aggregate conveying, water mist is sprayed to reduce dust emissions caused by aggregate vibration.



Automatic Ready-Mixed Concrete Production Line

## Highlight

### Pilot Project of Huizhou City Construction Investment Group's First Top Standard Green Garden-style Ready-Mixed Concrete Mixing Plant

Huizhou Chengtou Zhike Concrete Co., Ltd. is a subsidiary of Huizhou City Construction Investment Group, specializing in precast concrete, precast mortar, and related businesses. It is an intelligent, automated, low-energy consumption, green, and environmentally friendly smart factory. After conducting a survey and planning of the project site, we have developed a comprehensive solution for green and efficient intelligence. This includes the installation of two HZS270 fully automated precast concrete production lines, a concrete wet mixing mortar dual-purpose station, and an intelligent ERP commercial concrete management system. With complete environmental protection equipment and convenient management, the project achieves centralized remote control, ensuring both safety and efficiency in the production process. It is capable of producing 1 million cubic meters of commercial concrete and 250,000 cubic meters of mortar annually.



Pilot Project of Ready-Mixed Concrete Mixing Plant



### Green Solutions for Dry Mortar Mixing

Our developed dry mortar mixing equipment features a compact structure, occupying minimal space, and integrates screening, metering, mixing, packaging, bulk handling, dust removal, and electrical control. During equipment operation, the dust emission concentration is less than 20mg/m<sup>3</sup>, and the factory noise is lower than 55 decibels, minimizing the negative environmental impact of the mixing production process. Compared to traditional twin-shaft mixers, the mixing efficiency is increased by approximately 30%.

#### Highlight

##### FBT3000 Tower-type Dry Mortar Production Line project at Qinhuangdao Lituo Building Energy Saving Material Factory

We designed a FBT3000 Tower-type dry mortar production line with an annual capacity of 300,000 tons for Qinhuangdao Lituo Building Energy Saving Material Factory. The mixing mainframe adopts advanced ploughshare mixing technology and independently developed core technology, with unique frequency conversion mixing technology, effectively reducing energy consumption by 25%. It can produce multiple categories of dry mortar including masonry mortar, plastering mortar, floor mortar, general waterproof mortar, and interface mortar, with a mixing ratio of up to 1 to 10,000. The equipment's unique bulk loading and dust separation control enhance dust removal efficiency, meeting high environmental standards. It integrates the advantages of tower-type dry mixing lines, allowing for rational planning of material yards and production plant areas, achieving stable equipment operation, better control of product quality, and costs.



FBT3000 Tower-type Dry Mortar Production Line Project at Qinhuangdao Lituo Building Energy Saving Material Factory

### Green Solutions for Concrete Mixing

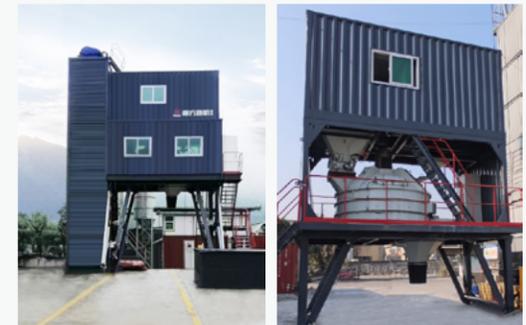
Ultra-High Performance Concrete (UHPC) is gradually being applied in China due to its characteristics of ultra-high strength, toughness, and durability. Based on the large scale of infrastructure construction, harsh environments in some projects, numerous engineering challenges, and diverse demands in China, UHPC demonstrates significant development potential in large-span bridges, deep underground structures, as well as high-rise and super high-rise structures. We are closely following industry trends and have collaborated with Poly Changda Engineering Co., Ltd. (hereinafter referred to as "Poly Changda") to jointly develop specialized mixing equipment for UHPC.

The specialized mixing equipment for UHPC adopts a vertical shaft planetary mixer as mainframe, ensuring the uniformity and efficiency of concrete mixing. It achieves good dispersion of concrete and fibers, helping to shorten construction period and enhance economic benefits. The modular design of the equipment facilitates easy installation and rapid relocation along with the project. The UHPC produced by the equipment possesses advantages such as lightweight, low carbon emissions, and long service life, winning wide recognition from the market and customers. Additionally, we also provide customized services for fixed-site customers, offering tailored solutions according to on-site application conditions.

#### Highlight

##### The Lianshiwan Bridge on the Zhongshan West Ring Expressway successfully applied a comprehensive solution of Ultra-High Performance Concrete(UHPC)

In 2023, the Lianshiwan Bridge on the Zhongshan West Ring Expressway, constructed by Poly Changda Engineering Co., Ltd., utilized UHPC (Ultra-High Performance Concrete) as the current most effective solution to address pain points in steel bridge construction. The UHPC used for the steel bridge deck paving was mixed and produced with specialized equipment jointly developed by our company and Poly Changda Engineering Co., Ltd. This project, which marked the first domestic use of specialized UHPC equipment for mixing and producing UHPC for steel bridge deck paving, not only achieved environmental friendliness but also saved on labor and machinery costs. It enhanced efficiency and achieved a breakthrough in surface smoothness, reaching a precision level of 3 millimeters, thereby helping to address the issue of easy damage in steel bridge deck paving.



UHPC Specialized Mixing Equipment

Planetary Host Modular Station



Pre-blend dry mix station



## Green Solutions for Mobile Crushing and Screening

Our developed mobile crushing and screening equipment is widely applied in various production processes such as crushing of rocks and ores in mines, stone processing, peeling crushing in cement concrete renovation, pre-crushing of asphalt concrete materials for recycling, and crushing of construction waste for cement concrete recycling. It contributes to improving production quality and efficiency.

### Highlight

#### Frame-type mobile crushing and screening production line at Shandong Guangtong Road & Bridge Engineering Co., Ltd.

We have designed a frame-type mobile crushing and screening production line for Shandong Guangtong Road & Bridge Engineering Co., Ltd. The production line consists of a jaw crusher, impact crusher, and screening machine. The equipment installation is convenient, and the transition is easy. It requires minimal investment and does not need complex foundation construction. It has a high production capacity of up to 200 tons per hour and can produce four types of finished products suitable for asphalt mixing. Additionally, Shandong Guangtong Road & Bridge Engineering Co., Ltd. has selected a set of asphalt milling and crushing screening equipment, with a production capacity of 120 tons per hour, produced by the company. This equipment can finely classify recycled milling materials into coarse, medium, and fine grades, further expanding the application market for asphalt recycled materials.



Frame-type Mobile Crushing and Screening Production Line



Asphalt Milling Material Crushing and Screening Equipment

## Green Solutions for Sand Making Equipment

The V7 dry sand making equipment represents a technological breakthrough in the field of sand making equipment. It breaks through key technologies such as vertical shaft crushing and air screening, adopting a five-hole impact rotor structure and a centrifugal crushing method known as "stone hitting stone" to achieve self-crushing and high-density crushing of raw materials. This improves the particle shape of the finished sand and increases the production of fine aggregates. At the same time, combined with air screening technology, it achieves excellent grading of particle size, finished sand, and stone powder, improving grading efficiency, and utilizing intelligent control to adjust the fineness modulus of the finished sand. Additionally, the equipment utilizes offline ash cleaning pulse dust collector technology to effectively control the content of stone powder. The finished sand has excellent particle shape, continuous



V7 dry sand making equipment

grading, controllable stone powder content, and adjustable fineness modulus. It is applied in concrete with low water absorption, enhancing concrete performance, improving the appearance of concrete, and realizing the green and intelligent production of sand making.

### Highlight

#### The V7 dry sand making equipment contributes to the construction of highways in Guangxi



V7-60 Dry Sand Making Equipment

Guangxi Road and Bridge Engineering Group Co., Ltd. purchased V7-60 dry sand making equipment in 2017 to provide high-quality sand and gravel aggregates for highway construction and bridge construction. The equipment was put into operation in May 2017 and has been running efficiently and steadily for over 20,000 hours to date, with a daily production of

15 hours and a production capacity of up to 60 tons per hour. It has successfully served several important projects such as Heba Expressway and Wuxin Expressway, providing strong support for the green and high-quality construction of highways in Guangxi. As of December 2023, Guangxi Road and Bridge Engineering Group Co., Ltd. has introduced a total of 8 sets of our sand production lines. The high-quality machine-made sand produced by these lines has been widely used in multiple major projects, including the C70 machine-made sand internal concrete of Pingnan Third Bridge, UHPC combination bridge of Changning to Baoshan Expressway, and machine-made sand mass concrete of Longtan Tianhu Bridge.



### Mobile Crushing Green Solutions

The E-series electric-driven mobile crusher developed and produced is applied in various fields such as sand and gravel aggregates processing, construction waste recycling, earthwork projects, tailings and slag treatment, and mine restoration and utilization. It is particularly suitable for scenarios with well-developed power grids and less demand for equipment mobility, empowering industrial partners with safe, efficient, and green production. This equipment features designs such as external power supply drive, onboard low-power diesel engine, and dust suppression system, achieving energy-saving and environmental protection. The overall transmission efficiency of the equipment can be increased by 30%, achieving a 30% reduction in fuel consumption under the same capacity, and reducing equipment maintenance costs by 50%.



The E-Series Electric-Driven Mobile Crusher



### © Green Technology Application and Digital Intelligence Transformation

In terms of technology and products, we continue to advance digitalization and intelligent transformation. During the reporting period, we developed artificial intelligence technology products such as slump detection, AI intelligent unloading systems, and recycling of waste concrete, and applied them to the concrete mixing process, significantly reducing carbon emissions during concrete production. To further promote the development of energy-saving and carbon-reduction technologies, we established a carbon-negative laboratory to conduct research and application of various product technologies, providing more efficient and environmentally friendly solutions for the industry's green transformation and promoting the sustainable development of the entire industry chain.

### Carbon Sequestration Technology in Concrete

Concrete, as the core material in the construction sector, holds significant importance and its industrial scale profoundly impacts the overall development of the building materials industry. Our carbon-negative laboratory has proposed three concrete carbon sequestration technology routes to reduce carbon emissions during the concrete production process:

- Carbon sequestration through wash water**

Based on the principle of carbon sequestration in recycled wash water, the regenerated water enhances concrete strength by incorporating ultra-fine suspended solids generated from the reaction between recycled water and carbon dioxide. This method not only recycles stabilized cement fines containing carbon dioxide as bonding materials in new concrete mixes, reducing the need for new cement, but also avoids the unstable performance variations that may occur when using untreated recycled water slurry in fresh concrete production.
- Carbon sequestration during concrete mixing**

During the concrete mixing process, liquefied carbon dioxide is injected into the cement slurry, forming carbonate ions that combine with calcium ions in the cement to produce minerals that enhance concrete strength. This method not only improves the fracture strength and physical properties of concrete but also reduces cement consumption and production costs while decreasing CO<sub>2</sub> emissions during concrete production. Preliminary estimates suggest that this technology can sequester 10,000 tons of carbon dioxide annually for a production volume of 100,000 cubic meters of concrete.
- Carbon sequestration in recycled aggregates**

Carbon dioxide is injected into cement-based materials to enhance the overall performance of recycled aggregate concrete, while chemically converting carbon dioxide into stone permanently. This technology improves the quality of recycled aggregate concrete, enabling it to achieve the same physical and mechanical properties as original aggregate concrete, effectively utilizing construction waste and reducing landfill. With China's annual production of waste concrete reaching 2.35 billion tons, preliminary estimates suggest that this technology can sequester 150 million tons of carbon.

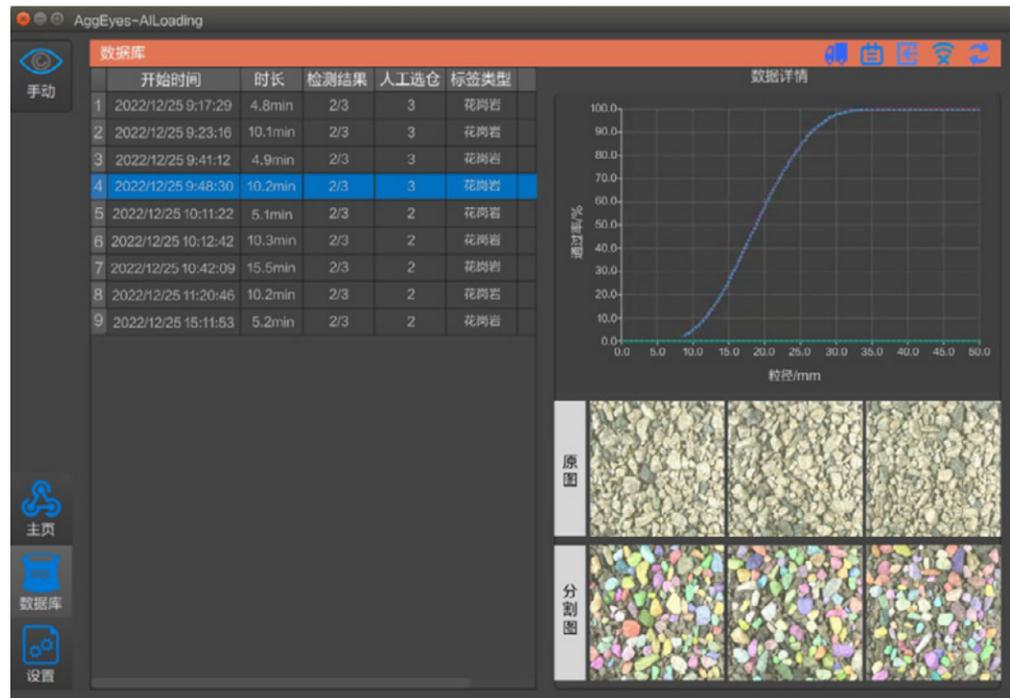
### Concrete Slump Online AI Monitoring System

The independently developed Concrete Slump Online AI Monitoring System, combining artificial intelligence and machine vision technology, eliminates the traditional cumbersome sampling and testing process, achieving real-time monitoring of concrete slump during the mixing process. This significantly reduces labor costs for enterprises and enhances production efficiency. With this system, the problem of slump fluctuations caused by differences in sand and gravel materials is effectively addressed, preventing potential significant losses to projects due to non-compliant slump requirements. Furthermore, the system can obtain real-time production task information such as strength, slump requirements, pouring methods, etc., and intelligently compare and judge AI prediction results with task requirements to ensure concrete quality, reduce unnecessary resource waste, and contribute to the green and low-carbon development of the concrete industry.



### AI + Intelligent Aggregate Feeding System

The system utilizes artificial intelligence and visual detection technology to monitor the gradation and morphology of aggregates online. Comprising a visual system and PC intelligent module, it employs AI recognition to monitor the gradation and morphology of aggregates during aggregate conveying. When the AI determines that the aggregate specifications do not match the target silo, it issues an alert to prompt staff intervention. This system not only enhances operational safety by significantly reducing the probability of erroneous feeding but also improves customer operational efficiency, operational quality, and management efficiency. It lowers operating costs for customers, making the aggregate feeding process greener and more intelligent.

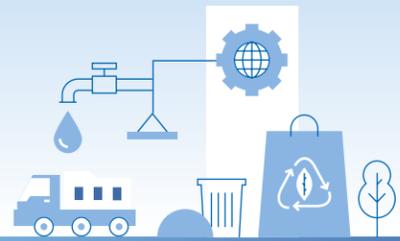


### Strengthen the Construction of Green and Low-Carbon Corporate Culture

We place great emphasis on the construction of a green and low-carbon corporate culture, integrating green concepts into its daily operational activities. We advocate for employees to conserve electricity, water, and paper in their daily office work, encourage the prioritization of purchasing high-energy-efficient office equipment, and strictly manage the use of lighting, air conditioning, computers, printers, and copiers in public areas. Area managers are required to check the electrical control cabinet switches and positions before leaving work and turn off all power sources to reduce energy consumption. By strengthening the promotion of green office practices, we aim to enhance employees' awareness of environmental protection comprehensively.

During the National Energy Conservation Publicity Week, we initiated a "Low-Carbon Check-in" activity on platforms such as RED and Douyin, encouraging all employees to actively practice low-carbon living by using reusable water bottles, choosing low-carbon transportation, and using eco-friendly bags for shopping. Additionally, activities like the "Tree Planting Day Carbon Reduction Quiz Battle" and the "Popular Carbon Circle Knowledge Quiz Challenge" were organized to further enhance employees' awareness of green and low-carbon lifestyles.





## Pollution Control and Ecosystem Protection

We consistently integrate the environmental concept of "compliance with laws and regulations, pollution prevention, continuous improvement; providing society with resource regeneration, energy conservation, and environmentally friendly machinery and equipment" into various aspects of business operations. We strictly adhere to the requirements of laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Environmental Impact Assessment Law of the People's Republic of China to carry out environmental management work. An environmental factor assessment form covering office areas and workshops has been established, continuously promoting the standardization of environmental management and striving to reduce the negative impacts on the environment during business operations. We obtained ISO 14001 environmental management system certification and established a top-down three-level environmental management structure. The chairman of Board of Directors serves as the person in charge of environmental management, functional departments and production workshops are responsible for implementing specific environmental management work, and the safety and environmental protection department is responsible for supervising the effective implementation of management work, continuously optimizing and improving the environmental management level.

During the reporting period, we formulated an environmental self-monitoring plan covering projects such as wastewater, exhaust gas, and plant boundary noise. We organized training sessions related to environmental protection themes such as global climate crisis, carbon neutrality, and biodiversity to enhance employees' environmental awareness and improve the overall environmental management capabilities. A total investment of 1.44 million RMB was allocated to environmental protection efforts.

## Water Resources Conservation

We attach importance to water resources conservation, adhering to and implementing relevant laws and regulations such as the Water Law of the People's Republic of China. It has issued and implemented regulations such as the "Water Conservation Management System," "Water Conservation Quota Management, Rewards and Penalties for Exceeding Quotas," "Regular Maintenance System for Water Equipment and Pipelines," and "Energy Conservation Management Regulations." Strict measures for water resources management are implemented, including the recycling of equipment cooling water and the rational control of water usage for flushing surfaces or facilities, watering plants and trees, construction sites, and summer cooling measures. We also prevent water leakage from valves, pipes, and water equipment, regulate the use and management of production and domestic water, and reduce water wastage.

## Wastewater Management

We strictly adhere to the requirements of the Water Pollution Prevention and Control Law of the People's Republic of China and local laws and regulations in the areas where our plants are located. It has obtained discharge permits issued by the Ministry of Ecology and Environment of Quanzhou City and Xiantao City. Our wastewater mainly consists of domestic sewage and industrial wastewater. It strictly complies with relevant regulations on urban drainage and sewage treatment, sets up discharge outlets in accordance with urban drainage and sewage planning requirements, constructs corresponding treatment facilities, conducts monitoring of key indicators such as ammonia nitrogen, COD, BOD, and suspended solids in domestic wastewater, and entrusts professional third-party organizations to conduct testing on domestic wastewater. During the reporting period, the key indicators met the requirements of the "Integrated Wastewater Discharge Standard" (GB8978-1996) and the "Wastewater Discharge Standard for Urban Sewer Systems" (GB/T31962-2015), achieving standardized discharge of wastewater.

### Highlight

By implementing a recycling system for the cooling water used during steel plate cutting and the wastewater generated from the painting process, we significantly reduce wastewater discharge and improve water resource utilization efficiency.

## Air Emissions Management

We strictly comply with the Air Pollution Prevention and Control Law of the People's Republic of China and local laws and regulations in the areas where our plants are located. We conduct regular inspections of the operation and management of air emission facilities to ensure compliance with emission standards. The main sources of air emissions during our production process come from the painting process, which generates pollutants such as toluene, xylene, aromatic hydrocarbons, nitrogen oxides, non-methane total hydrocarbons, as well as particulate matter from sandblasting, shot blasting, and welding processes. For different air pollutants, we have implemented targeted treatment measures:



For pollutants such as toluene, xylene, aromatic hydrocarbons, nitrogen oxides, non-methane total hydrocarbons, three air treatment lines are employed: "glass fiber cotton filtration + activated carbon adsorption + catalytic combustion desorption" process line, "glass fiber cotton filtration + spray washing + activated carbon adsorption" process line, and "water cyclone + activated carbon adsorption" process line.



For particulate matter: 2 baghouse dust collectors and 5 mobile dust collectors are deployed for treatment.

During the reporting period, we actively promoted the management of air emissions. We conducted self-monitoring of emissions from multiple paint booths, shot blasting exhaust outlets, sandblasting exhaust outlets, and unorganized emissions at the factory boundary to ensure compliance with standards. Additionally, we commissioned professional third-party organizations to conduct emissions testing, and the relevant indicators for various pollutants met the requirements of the "Integrated emission standard of air pollutants" (GB16297-1996) and the "Emission standard of volatile organic compounds for industrial surface coating" (DB351783-2018), achieving emission compliance.



Waste Gas Treatment Equipment

## Waste Disposal

We strictly adhere to relevant laws and regulations such as the "Law on the Prevention and Control of Environmental Pollution by Solid Wastes of People's Republic of China" and the "Measures for the Prevention and Control of Environmental Pollution by Hazardous Chemical Wastes." We formulate and implement related management systems and operational procedures for waste management, including the "Management System for the Disposal of Hazardous Wastes," "Management Measures for Hazardous Waste Storage Facilities," "Procedures for the Storage, Transfer, and Processing of Hazardous Wastes," "Specifications for Packaging and Labeling of Hazardous Wastes," "Responsibility System for the Prevention and Control of Environmental Pollution by Hazardous Wastes," and "Prevention Measures and Emergency Plans for Accidents Involving Hazardous Wastes." These regulations and procedures strictly regulate the collection, storage, and disposal of waste, aiming to reduce the negative impact of waste on the ecological environment, including soil, water sources, atmosphere, and human health.



## Management of Hazardous Waste

The hazardous waste generated in production and operation mainly includes waste dyes, paints, used oils, waste paint buckets, spent activated carbon, waste emulsions, and so on. We have established a Hazardous Waste Pollution Prevention and Control Working Group composed of leaders from various workshops and members of the Safety and Environmental Protection Office. This group is responsible for decision-making, supervision, and coordination of various hazardous waste pollution prevention and control tasks. Additionally, each department is required to uniformly store hazardous waste in designated temporary storage areas and label them with hazardous waste signs for clear classification. All hazardous waste is then handed over to qualified third-party organizations for harmless treatment. Furthermore, we strictly follow procedures such as entry, sorting, ledger recording, and platform reporting, strengthen communication with major departments generating hazardous waste, and achieve normalized management of hazardous waste.

During the reporting period, we completed the revision of the hazardous waste ledger based on the "Technical Guidelines for the Formulation of Hazardous Waste Management Plans and Management Ledgers" and actively took the following measures to reduce the generation of hazardous waste:

Applying the "Activated Carbon Adsorption - Desorption - Catalytic Combustion" exhaust gas treatment process to increase the efficiency of exhaust gas treatment while increasing the utilization rate of activated carbon, reducing the generation of waste activated carbon.

Using coatings that are less likely to produce VOCs to extend the service life of activated carbon and effectively reduce the generation of paint sludge.

Reusing emulsions to reduce the generation of emulsions.



### In 2023, total hazardous waste production at Quanzhou base

Hazardous waste category	2023 total production amount (t)
Waste paint sludge	33.046
Waste paint buckets	11.294
Waste activated carbon	2.896
Waste emulsion solution	2.975
Total	50.211



Hazardous Waste Warehouse

## General Waste Management

To reduce the environmental impact of waste emissions and improve resource utilization efficiency, we strive to minimize the generation of general waste through gradually refining production processes, production techniques, and the following management measures:

For general waste such as scrap iron parts, scrap iron filings, and waste wood boards, a general waste storage warehouse is set up for storage and external sales.

Regarding household garbage, the administrative department strengthens daily supervision and handling of household garbage, requiring strict measures such as preventing spillage during transportation by waste disposal providers to avoid secondary pollution to the environment. Additionally, regular inspections and cleaning of septic tanks are conducted to ensure no overflow occurs. During the reporting period, we did not receive any complaints or dissatisfaction from surrounding communities or residents due to untimely disposal of household garbage or other solid waste, and there were no incidents of septic tank overflow.



During the reporting period, we generated a total of **2,024** tons of industrial waste

of which **2,024** tons were recycled as industrial waste



General Waste Warehouse



## Noise Management

Noise pollution prevention and control are closely related to the occupational health of employees and the daily lives of surrounding residents. We implement the Law of the People's Republic of China on Noise Pollution Prevention and Control, strictly adhere to the Emission standard for industrial enterprises noise at boundary (GB 12348-2008) and the Environmental quality standards for noise (GB3096-2008), and conduct noise management work in accordance with the standards. Equipment is regularly maintained, and boundary noise is monitored to continuously improve the sound environment quality and prevent noise pollution. During the reporting period, we formulated an environmental self-monitoring plan covering projects such as wastewater, exhaust gas, and boundary noise. Self-monitoring of boundary noise was conducted, and the monitoring results met the relevant requirements. Additionally, we commissioned a professional third-party organization to conduct testing on traffic noise and industrial noise within the factory area. The daytime decibel levels were all below the standard limit of 60 dB(A), complying with the requirements of the Emission standard for industrial enterprises noise at boundary (GB12348-2008) for Class 2 standards.

During the reporting period, we invested a total of 45,000 RMB in noise management. This was used to provide qualified noise reduction earplugs to employees and ensure their usage. Furthermore, vibration isolation mounting bases were installed for equipment with high noise levels to reduce noise generation. In addition, we implemented measures such as arranging work times reasonably, ensuring that noisy operations are not scheduled during the rest periods of surrounding residents (from 22:00 to 06:00 the next day), and ceasing noisy operations throughout the day during the college entrance examination period, aiming to reduce environmental noise pollution. Throughout the reporting period, we did not receive any complaints from surrounding residents about the impact of production noise on their rest and daily lives, nor did we receive any administrative penalties due to noise pollution.

## Biodiversity Protection

According to the "Global Risks Report 2024" released by the World Economic Forum, biodiversity loss and ecosystem collapse have become one of the top ten risks that may seriously affect human society in the next decade. We attach great importance to biodiversity conservation, strictly adhering to the "Regulations on Nature Reserves of the People's Republic of China," the "Law on the Protection of Wildlife of the People's Republic of China," and relevant laws and regulations related to biodiversity in the operating locations. We continuously monitor the impact of our activities on biodiversity, avoiding conducting business activities in nature reserves, ecologically sensitive, and fragile areas. Currently, all projects developed and constructed are not located within ecologically sensitive areas. Before the construction of new project plants or new production lines, we incorporate the distribution of rare and endangered animal and plant resources and ancient forest communities around the project into the scope of environmental assessment consideration. Soil monitoring is conducted to assess whether the project will impact protected areas for animals and plants, production and breeding sites, etc., to minimize adverse effects on the ecological environment and biodiversity.

During the reporting period, we actively organized biodiversity training and popularized knowledge related to biodiversity conservation on our official WeChat public account platform, enhancing the awareness of biodiversity conservation and ecological environmental protection among all employees.



## Resource Utilization and Circular Economy

Developing a circular economy and promoting the efficient and intensive use of resources are powerful supports for the country to achieve our dual carbon goals. We incorporate the resource concept of saving, intensifying, and recycling into the development strategy. We are committed to realizing the reuse of waste and the recycling of resources by providing diversified solutions for the utilization of construction waste resources to society. We actively promote the sustainable and circular use of resources in business operations, making contributions to the construction of a circular society as NFLG.

## Solutions for Recycling of Construction Waste

According to data from the Ministry of Housing and Urban-Rural Development of China, China generates billion tons of construction waste each year, accounting for 30%-40% of the total urban waste. Most of this construction waste is left untreated and is either openly piled up or buried in suburban or rural areas, causing pollution to the land and environment in these areas and directly affecting the lives of surrounding residents. Currently, the utilization rate of construction waste in China is less than 10%, while in developed countries, the utilization rate exceeds 90%. The key to addressing construction waste lies in the resource utilization and recycling of construction waste.

We adhere to the principles of green production, energy conservation, emission reduction, and resource conservation. Starting from the green ecological industry chain, we integrate processes such as sorting, crushing, and screening to transform construction solid waste into recycled aggregates. In an integrated factory, these recycled aggregates are further processed into products such as recycled concrete, recycled bricks, recycled mortar, stabilized soil materials, and backfill materials. We achieve zero pollution and zero emissions in terms of environmental protection, and we turn construction solid waste into valuable resources at relatively low processing costs. We provide solutions for the recycling of construction waste in the construction industry, widely applying them to the regeneration of old materials in road surface and roadbed, the recycling of surplus mud, subway shield tunneling muck, engineering muck, and the regeneration and utilization of construction waste and decoration waste. This effort helps to reduce, recycle, and harmlessly dispose of urban construction waste, achieving the goal of reducing, reusing, and recycling waste resources.

✔ **Complete industry chain multi-dimensional value integration, improving resource utilization:** Continuously converting construction solid waste into various building materials products, establishing the upstream and downstream channels for resource reuse, and increasing the utilization rate of construction solid waste resources to over 90%. This significantly reduces the production costs of backend products such as recycled concrete, recycled bricks, and recycled mortar, achieving multi-dimensional value integration across the entire industry chain.



**Sophisticated crushing and screening processes ensure the excellent quality of recycled products:**

Various types of construction solid waste are finely classified, ensuring continuous grading, purity, and uniformity of the recycled aggregates, leading to the production and application of high-quality recycled products. This promotes the high-quality development of the construction solid waste resource utilization industry.

**Intelligent management of the production process to create a low-cost, high-return capability for the conversion of recycled resources:**

Leveraging intelligent control systems, various online monitoring devices not only conduct high-precision inspections and automated production allocation but also swiftly respond to continuously changing operational requirements, effectively reducing energy consumption and labor costs.

**Environmentally friendly industrial design to meet the production environment requirements of low dust and low noise:**

Utilizing various environmentally friendly industrial designs such as bag-type dust removal, offline dust cleaning with pulse, and noise reduction with mufflers, achieving a dust particle concentration of less than 10mg/m<sup>3</sup> and noise level lower than 55 decibels on the production line.



Architectural Waste Recycling Solution Renderings

**Highlight**

**Green and Intelligent Building Materials Comprehensive Industrial Park for the Recycling of Construction Waste in Huicheng District, Huizhou City**

We provided a comprehensive solution for the processing and utilization of construction waste in the Green and Intelligent Building Materials Comprehensive Industrial Park for the Recycling of Construction Waste in Huicheng District, Huizhou City. In the first phase of the project, we installed nine production lines, including a 300t/h demolition waste processing line, a 70t/h renovation waste processing line, a large-item waste processing line, and a landscaping waste processing line, ensuring the proper disposal and utilization of various types of waste. Additionally, intelligent material storage systems, LS3-1545 shaping sand making equipment, NWCB600 stabilized soil mixing equipment, 2-HLS270 commercial concrete mixing towers, and fully automatic brick production lines were set up. These installations successfully established a route for the recycling of front-end construction waste resources and the reuse of finished aggregates, injecting new impetus into the development of the circular economy in the construction waste recycling industry.



Green and Intelligent Building Materials Comprehensive Industrial Park for the Recycling of Construction Waste in Huicheng District, Huizhou City

**Highlight**

**Construction Waste Comprehensive Industrial Park of Qinhuangdao Hongzheng New Building Materials Technology Co., Ltd.**

We provided Qinhuangdao Hongzheng New Building Materials Technology Co., Ltd. with integrated solutions for waste resource utilization and an environmentally friendly comprehensive construction waste processing line. Construction waste transported from construction sites enters our comprehensive construction waste processing line, where we undergo crushing with jaw crushers, cone crushers, and other equipment. Subsequently, we go through processes such as iron removal, sand adjustment, and screening to obtain aggregates of different specifications. Moreover, at various material transfer points and dusting points along the production line, sealed negative pressure dust prevention technology is applied to prevent dust dispersion. Materials sent to the finished product warehouse are uniformly humidified to prevent dust dispersion during material discharge. This construction waste comprehensive processing line is expected to process 1 million tons of construction waste annually, reducing approximately 13,000 tons of CO<sub>2</sub>e emissions. Additionally,



Construction Waste Comprehensive Industrial Park of Qinhuangdao Hongzheng New Building Materials Technology Co., Ltd.

Qinhuangdao Hongzheng New Building Materials Technology Co., Ltd. has introduced equipment such as commercial concrete mixing equipment, asphalt concrete mixing equipment, water stabilization stations, and brick production lines from the company for producing a series of recycled building materials including recycled concrete, recycled asphalt mixtures, recycled stabilized materials, and recycled bricks, forming a green closed loop.

**RAPR aggregate recycling equipment facilitates the reuse of old pavement materials**



RAPR aggregate recycling equipment

The RAPR aggregate recycling equipment developed and produced adopts a mechanical stripping method to effectively separate the old asphalt and old aggregates in RAP, achieving precise grading management of RAP and significantly reducing the occurrence of false particle sizes and their variability. The separate heating and efficient regeneration of old asphalt and aggregates in RAP can improve the stability of RAP aggregate grading, enabling a large proportion of addition and promoting the achievement of energy-saving goals.

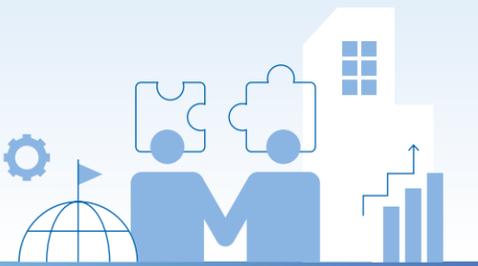
# Social

-  Innovation-Driven Development & Suppliers and Clients
-  Employees
-  Rural Revitalization and Social Contributions



## 2023 Management Goals for Social Issues

- 1 Increase investment in the research and development of digital intelligence products
- 2 Develop a "Supplier Code of Conduct" and gradually incorporating CSR/ESG requirements into the supplier admission and evaluation process
- 3 Establish a sound supply chain risk management system to effectively identify and assess supply chain risks and prevent related risks
- 4 No incidents resulting in penalties due to product and service quality occurred throughout the year
- 5 No incidents resulting in penalties due to violations of information security management regulations occurred throughout the year
- 6 No incidents of violating customer privacy occurred throughout the year
- 7 No incidents resulted in penalties for violating labor laws or human rights protection throughout the year
- 8 The total training hours provided to employees throughout the year were no less than 15,000 hours, with an average of no less than 20 hours per person
- 9 Priority is given to providing employment opportunities to the local area, with an annual employee localization employment ratio of no less than 60%
- 10 Focus on the welfare of children and teenagers in the local area, continuously promoting donation and sponsorship activities for education



## Innovation-Driven Development & Suppliers and Clients

NFLG adheres to the corporate philosophy of "specialization, excellence, quality, and longevity". We drive industry development through innovation and craft responsible products with ingenuity. Our commitment is to become a world-class enterprise trusted by customers, respected by peers, and known for our unique and sustainable innovation capabilities. In addition to setting high standards for quality and service in our own operations, we also promote responsible procurement and marketing practices, working with industry partners to build a stable, transparent, and sustainable supply chain.

## Technical R&D and Innovation

We understand that research and development innovation is the inexhaustible driving force for achieving high-quality development. We adhere to the strategy of independent innovation, focusing on both original innovation and the introduction, digestion, absorption, and re-innovation. We continuously invest in research and development innovation, improve our scientific research system, and enhance our technological development and independent innovation capabilities. We benchmark against international leading technologies, actively engage in industry-university-research cooperation and international collaboration, and continuously enhance the independent innovation capabilities.

### R&D and Innovation Management

We have established internal management systems such as the "Research and Development Project Management System" and "Product Design and Development Management Procedures" to promote the implementation of Integrated Product Development (IPD) project management. These systems regulate the entire research and development process, including project planning, project initiation, project development, and project acceptance, aiming to strengthen the standardization of the product development process. Each stage of product research and development, testing, and other processes is monitored to establish a quality assurance system for research and development that is process-controlled, closely connected, and operates in a closed loop. Additionally, to ensure the security and control of technical information, we have formulated a "Technical Information Confidentiality System" and implemented confidentiality mechanisms, with strict punitive measures for any breach of confidentiality.

Our Technology Research and Development Center, Research Institute, Intelligent Control Division, and Various Product Divisions are responsible for technology research and development work. Specifically:

The Technology Research and Development Center consists of specific functional departments such as the Technology Office, Technology Pre-Research Planning Department, Structural Optimization Department, and Environmental Protection Department, which respond to the technical needs of the company's various product divisions to conduct research and development of new products and technologies.

The Research Institute includes a research center, post-doctoral research workstation, industry-university-research management department, etc., mainly responsible for researching cutting-edge technologies, guiding the company's key technical issues, conducting academic exchanges and cooperation, and managing graduate student training.

The Intelligent Control Division conducts research and development and provides technical support for intelligent control platforms per company's product planning needs.

Each product division conducts research and analysis of market and customer demands, engages in product research and development innovation, and promptly collaborates with other research and development departments to communicate new technology development requirements. They participate in research and development projects related to technical modules and fundamental theories to ensure the specificity and timeliness of the development.

To encourage and support research and development innovation, attract and cultivate advanced technical talents, and stimulate the innovation enthusiasm of personnel, we have formulated the "Intellectual Property Rewards and Punishments System", which provides corresponding rewards to employees who have obtained patent acceptance or authorization for their service invention and creation. Additionally, we have established and continuously improved incentive systems such as the "Patent Reward Measures". Internally, annual awards such as the "Invention and Creation Award" and the title of "Outstanding Patent Worker" have been established. Employees who are assessed internally to have made outstanding contributions can receive corresponding rewards

and honors. Additionally, we have established and continuously improved incentive systems such as the "Patent Reward Measures". Internally, annual awards such as the "Invention and Creation Award" and the title of "Outstanding Patent Worker" have been established. Employees who are assessed internally to have made outstanding contributions can receive corresponding rewards and honors.

### Highlight

#### Master Craftsman Award

We value the promotion of the craftsman spirit and is dedicated to creating a work atmosphere characterized by dedication, perfectionism, meticulousness, and the pursuit of excellence. Employees who use their high-level technical abilities to ensure the quality of our high-end products and have been recognized as excellent management elites or outstanding team leaders for two consecutive years will be selected for the "Master Craftsman" candidates. NFLG will evaluate employees' performance and award them with the "Master Craftsman" honor. This recognizes those deeply focused on technical research and those who make significant contributions to our technology and management, conveying the concept of craftsmanship and motivating employees to continuously elevate their technical skills, aiming to craft professional, outstanding products with dedication.

## Cooperation in R&D and Innovation

In addition, we collaborate on technological research and development with well-known universities, research institutions, and academies such as the Haixi Institutes, Chinese Academy of Sciences, the Research Institute of Highway Ministry of Transport, and Huaqiao University to grasp market demand and technological development trends, conduct research and development and forward-looking layout in hotspot application domains and potential application areas such as construction waste resource utilization, and enhance the company's new product development capabilities and technological competitive strength. We have established a long-term collaborative mechanism with Huaqiao University, recruited post-doctoral fellows to promote technological exchange and cooperation, established a training base for graduate students, and cooperated in research projects and internships for graduate students to conduct research and development on intelligent control technologies such as online detection of aggregate grading. Through research and development cooperation, we provide strong technical support for product development and market layout of our company. In addition, we actively establish channels for technical exchanges between our R&D personnel and domestic universities, as well as advanced enterprises in both domestic and international industries. We regularly organize R&D personnel to go abroad or invite domestic and foreign experts for technical exchange activities.



## Achievements in R&D and Innovation

After years of exploration and accumulation, we have obtained core technologies such as "efficient composite shaft stirring technology," "rotor self-balancing crushing technology for crushers," and "key technology for flexible heating of asphalt reclaimed materials," and have been recognized as a high-tech enterprise in Fujian Province, a leading little giant of technology enterprises in Fujian Province, and a key research and development demonstration enterprise in Quanzhou. We also have a post-doctoral research workstation. We have gradually transitioned from initial follower-based research and development to proactive project reserves research and development, leading to a continuous enhancement in the company's product competitiveness.

During the reporting period, we were awarded the designation of "National Enterprise Technology Center," and our Postdoctoral Research Workstation was honored as the "Outstanding Postdoctoral Research Workstation of Quanzhou City in 2023." Additionally, the project "Key Technologies and Engineering Applications of Asphalt Pavement Regeneration in Wet and Hot

Areas" was awarded the "Science and Technology Award China highway society". We completed five product and technology research and development projects and initiated six new projects. As of now, we have a total of 18 ongoing projects, with research and development reserves being solidly established, and each project is progressing steadily. Completed projects include "Research and Application of Key Technologies for Fine Stripping of Asphalt Regenerates," "Research and Application of Online Monitoring Technology for Engineering Equipment," and "Development of Fully Automatic Dry Mortar Production Equipment," which effectively enhanced the intelligence level of products and user experience. The current ongoing projects encompass not only fundamental theoretical explorations in process methods and materials but also the development of generic technologies applicable to multiple product lines. Moreover, they include the application of new technologies in products, fully reflecting our commitment to specialization, precision, and continuous innovation in research and development.

## Transformation and Advancement in Digital Intelligence

Digital Intelligence is a crucial pathway to empower the transformation and upgrading of traditional industries, enabling the achievement of high-quality development. We have invested in the construction of industrial Internet infrastructure, establishing digitalized workshops, facilitating supply chain collaboration, and integrating information technologies to consistently advanced the process of corporate digital intelligence transformation. Furthermore, we are actively engaged in the research and development of digital intelligence products. We have established an Internet of Things (IoT)-based smart operation and maintenance management cloud platform, enabling remote monitoring and interconnectivity of equipment. It promotes the transition of product operation and maintenance from traditional offline methods to "Internet+" intelligent technological means. Our commitment lies in leveraging information technologies

such as the Internet, IoT, and data analysis to aid traditional industries in reducing energy and resource consumption, while driving holistic green and low-carbon development across the industrial chain.



### Highlight

#### "IoT + Equipment" Remote Intelligent Service Platform

Our "IoT + Equipment" remote intelligent service platform breaks through time and space limitations, addressing challenges related to multiple subordinate sites and untimely maintenance. It effectively reduces personnel mobility risks, and provides a secure, efficient, and convenient platform for information exchange, technical communication, and post-sales maintenance service deployment for clients.

##### Remote Communication:

The service platform employs ultra-high-definition wide-angle cameras and precise control system synchronization to present a true 1:1 on-site scene, enabling remote communication.

##### Strong Interactivity:

The service platform can be remotely controlled in real-time, facilitating image and data access. In addition to real-time interaction with on-site control systems, the service platform can also integrate with cloud platforms, visualized big data, storage monitoring, and other intelligent information systems. This enables comprehensive statistics, analysis, and display of multidimensional data.

##### High Expertise:

The service platform is staffed by experts from various industry domains, offering on-site guidance for original factory turnkey services. This provides users with an all-in-one delivery service, tailored to their needs, to achieve a personalized service experience. The platform ensures "early prevention, early diagnosis, early treatment" of equipment issues, eliminating potential production hazards in their early stages.



## Responsible Supply Chain

We actively practice responsible procurement principles, giving priority to cooperating with suppliers who align with our sustainable development philosophy. Through the establishment of a "Supplier Code of Conduct," we aim to regulate supplier behavior, ensuring alignment with our ethical standards, environmental practices, labor policies, and health and safety standards.

### Supply Chain Management

We have established a set of supplier management systems, including the "External Supplier Management Procedures", "Supplier Quality Performance Evaluation Rules", "Monthly Supplier Product Quality Evaluation Details", "Supplier Performance Management Provisions", "Business Guidelines" etc. These systems provide strict regulations for supplier assessment and admission, evaluation and appraisal, and quality audits. They aim to enhance responsible supply chain management, improving the transparency, standardization, and professionalism of supply chain management practices.

#### • Supplier Evaluation and Admission

Through industry exchanges, exhibitions, networking, and other means, we understand the cooperation intentions of suppliers; conduct field visits and technical communications based on the development needs of both parties, comprehensively assess the overall strength of the suppliers, and, based on the specific situation of the suppliers, conduct on-site audits, sample testing, trial production, and other procedures before cooperation, and conduct a comprehensive evaluation of the suppliers.

For core and critical component suppliers, only those who pass the on-site quality management capability audit can be admitted, and they will be managed according to the audit results.

We sign legal documents such as the "Supplier Anti-Bribery Commitment", "Clean Cooperation Convention" and "Quality Assurance Agreement" with suppliers to promote the concept of responsible supply chain management and supervise suppliers to conduct business activities in compliance with requirements related to human rights protection, business ethics, safety and environmental protection, and quality.

#### • Supplier Assessment and Evaluation

Established management systems such as "Supplier Performance Management Regulations," "Monthly Supplier Product Quality Evaluation Details," and "Supplier Quality Performance Evaluation Rules," incorporating quality, price, delivery time, and service into the supplier assessment mechanism. Performance evaluation and comprehensive assessment scoring for suppliers are conducted on a monthly, semi-annual, and annual basis to promptly identify supplier issues. Based on the annual assessment scores, suppliers are categorized into four levels: A, B, C, and D. The rating results serve as the basis for next year's production capacity allocation and eligibility for procurement preferential policies. Suppliers rated as A level are commended and rewarded, while those rated as C or D level are provided with improvement suggestions and required to rectify and provide feedback. Cooperation is terminated for suppliers with repeated unsatisfactory ratings, thereby reinforcing supplier accountability and fostering mutually beneficial and long-lasting business partnerships.

For all suppliers of important components or safety parts, the Quality Management Department develops an annual on-site quality management capability audit plan at the beginning of each year and organizes our implementation, covering audits at least once every three years. Based on the requirements of the ISO9001 Quality Management System, supplier quality system audit procedures, and relevant product laws and regulations, combined with factors such as supplier type, factory scale, and process complexity, on-site audits and evaluations of supplier quality management capabilities and quality systems are conducted. The audits focus on the overall capabilities of suppliers in design and development, raw material procurement, production control, and quality management. After completing the audit, communication with the supplier is conducted on-site, and the progress of rectifying non-conformities is continuously tracked and verified. For suppliers with improvement awareness or poor foundations, assistance is provided through methods such as providing technical materials, guiding the establishment of tooling, dispatching technical personnel or inspectors for on-site guidance, training professional personnel, and coaching on quality management systems, actively assisting in supplier technical improvement and enhancing quality management capabilities. During the reporting period, a total of 34 supplier quality management systems were audited, and corresponding guidance was provided for the issues identified with the suppliers.

## Distributors Management

Distributors, as important business partners and brand representatives, directly influence our relationships with customers and our brand image. To strengthen distributor management, we established the "Distributor Service Management Regulations", specifying the requirements for distributors regarding service standards, equipment acceptance, on-site presence, scheduled inspections, follow-up visits, and warranty services. Distributors are trained in product knowledge, business management, contract management, service standards, financing leases, contracting, safety, and more, assisting them in enhancing team-building and continuously improving professional competence to ensure the distributor's services meet our requirements for product installation quality and customer service. In addition, we also provide professional technical training for distributors through the NFLG Mixing Institute, empowering distributors with a win-win and open-minded approach to jointly provide high-quality services to customers. During the reporting period, the NFLG Mixing Institute conducted a total of 309 training sessions for customers and dealers nationwide

throughout the year, with over 1,600 participants.

In terms of distributor assessment and evaluation, we have established internal management documents such as "Distributor Service Assessment", "Independent Installation Distributor Assessment Plan" "Service Engineer Grading Scheme" "Annual Agent Evaluation Method," "Independent Installation Agent Assessment Plan," and "Agent Service Sales Assessment." These documents incorporate dealer assessment and evaluation systems, which include the completion rate of service sales, service team building, service quality, customer satisfaction, equipment timely acceptance rate, installation service contractor team building, installation capability, installation quality, safety management, training duration, and other aspects. We conduct regular assessments and evaluations of distributor and installation service contractors, quantifies their service quality levels, clarifies their service work objectives, and comprehensively improves the level of distributor customer service.



Specialized Training



**Highlight**

**NFLG Mixing Institute Distributor Specialized Training on the Operation of Main Shaft End of Sand Making Machine**

The disassembly, inspection, and installation processes of the main shaft end of the sand making machine are skill bottlenecks for dealers. In 2023, NFLG Mixing Institute conducted specialized hands-on training on the operation of the main shaft end of the sand making machine for service personnel from distributor nationwide. The training focused on hands-on practice, providing a quick introduction to the mechanical structure principle of the sand making machine, assisting dealer service personnel in solving operational issues, reducing problems during installation or disassembly, and improving their on-site efficiency in working on the main shaft end of the sand making machine.



**Highlight**

**Specialized Training on Operation and Maintenance of Integrated Asphalt Mixing Equipment for Malaysian Distributors by NFLG Mixing Institute**

In 2023, for the first time, NFLG Mixing Institute conducted a specialized training program on the operation and maintenance of integrated asphalt mixing equipment for service personnel of Malaysian distributors, utilizing a bilingual training mode in both Chinese and English. The Institute's team of senior instructors delivered targeted teaching on asphalt equipment structure and production processes, control systems, and asphalt-related structural components, helping Malaysian distributor service personnel comprehensively grasp knowledge and skills related to the operation and maintenance of asphalt mixing equipment.



**Supply Chain Risk Management**

We have established the "Quality Risk Management Procedure" to establish a sound supply chain risk management system covering various departments and business chains. In response to potential risks in supplier admission, operation, quality, and commercial aspects of production and business activities, each department is responsible for conducting risk identification, analysis, and evaluation. Based on the identified risk levels, targeted risk control measures are implemented. Through internal audits, management reviews, internal inspections, and

other forms, the effectiveness of existing risk control measures is assessed to determine whether further risk control measures are necessary. Annually, we conduct timely supervision and inspection of the operation status of the risk management process based on internal and external environmental developments and changes. This is to ensure the effective implementation of risk control measures and to prevent sustainable development risks transmitted through the supply chain.

**Explanation of Main Supply Chain Risk Management Measures**

Risk Point	Risk Description	Response
<b>Product Design</b>	Failure to promptly and accurately understand updates to product standards and regulations results in products not meeting the latest requirements stipulated by product standards and regulations (such as environmental and safety requirements)	We stay abreast of the latest updates on product standards and legal regulations, promptly update technical documents, inspection procedures, and other relevant documents as needed, and organize relevant training sessions.
<b>Marketing Event</b>	Equipment experiences major quality or safety incidents and is exposed by the media, or receives administrative penalties from government authorities	We adhere to certification or accreditation for qualified safety components and provide scheduled inspection services.
<b>Marketing Event</b>	Exaggeration in marketing, advertising, or promotional content, or suspected infringement of others' intellectual property rights, results in sales prohibition or administrative penalties from government authorities.	All advertising campaigns must be rigorously reviewed and approved before publication, in compliance with legal requirements and regulations.



## Responsible Products

We strictly adhere to quality management requirements and have established a comprehensive quality management system throughout the product lifecycle. We follow rigorous inspection standards to ensure that products meet high-quality standards throughout the design, manufacturing, and delivery processes, guaranteeing their reliability, safety, durability, compliance, and quality stability. We have obtained ISO 9001 quality management system certification.



### 2023 Product Quality Management Objectives/Targets

Project	Statistical methods	Objective/Target	Completion Status
Customer satisfaction	Satisfied Customers/Customer Survey Pool	≥ 95.00%	95.96%
Cumulative weighted pass rate of product inspections	Number of First-pass Items/Total Inspection Items *100%	≥ 99.60%	99.98%
Compensation Amount on Quality Issues to Sales Revenue Ratio	Compensation Amount on Quality Issues/ Sales Revenue *100%	≤ 0.12%	0.01%
Workshop Raw Material Return Rate	Value of Returned Raw Materials Due to Quality Issues/Total Purchased Value	≤ 0.40%	0.03%
Number of Quality Issues Reported per Equipment Installation/Post-sales Issues	Total Post-sales Issues /Total Numbers of equipment installed	≤ 1.83	0.00
Number of Serious Non-conformities in External Audits and Regulatory Inspections	Σ (Items Number of Serious Non-conformities)	0	0
Calibration Completion Rate of Inspection Measuring Instruments (Internal + External)	Monthly Actual Calibration of Inspection Measuring Instruments/Monthly scheduled Calibrations of Inspection Measuring Instruments *100%	100.00%	100.00%

## Inspection of Incoming Purchased Parts

We have established the "Inspection Procedure of Purchased Parts," which clarifies the inspection methods, items, tools, sampling rules, judgment criteria, exemption criteria, etc., for each category of purchased materials. To strengthen the management of purchased parts quality, the following measures are implemented:

-  For products not specified in the procedure or products that cannot be inspected upon receipt, verification is carried out before shipment, during production and equipment installation.
-  For new products or first-time inspected products from new suppliers, an application is made through the BPM system's procurement item sample trial production application process, and the execution of standards or technical specifications recognized by the design and technology is used to verify sample production.
-  For products and items subject to periodic sampling inspection, an annual plan for periodic sampling inspection is formulated and implemented. If the inspection fails, inventory products must be returned or fully inspected. For products already produced and shipped, the flow must be traced, and quality impacts tracked to ensure that products already in operation do not pose any safety hazards.

Additionally, we have established a defect feedback reward mechanism, which encourages relevant parties in the production, manufacturing, installation, and commissioning processes to submit feedback after identifying issues related to process improvement, quality enhancement, product delivery, drawing correction, safety public account. We categorize defects and assign them to the responsible departments for problem analysis and the formulation of improvement measures. The Quality Management Department continuously monitor the status of the process. We comply a monthly report that includes the types and quantities of feedback problems and the closure rate, and rewards the personnel involved in the feedback that is ultimately accepted. It encourages and supports proposal improvement feedback actions and promotes the formation of long-term mechanisms for product and management optimization. During the reporting period, the "Defect Management" module of RDM system collected a total of 225 defect feedback cases, with a comprehensive closure rate of 91.6%.

## Excellent Customer Service

We implement a "customer-first" service philosophy, always placing customers at the center, empowering services with technology, focusing on customers' technical pain points and development constraints, continuously enhancing our research and development, design, manufacturing, and service capabilities, and providing professional and customized solutions for different product application scenarios. Additionally, we actively establish customer feedback mechanisms, continuously improving and enhancing product quality through communication and feedback with customers, meeting customer needs and expectations. With a deep understanding of professional knowledge and customer requirements, we earn customers' respect and continuously create new value for customers. During the reporting period, we conducted a customer satisfaction survey, achieving a satisfaction rate of 95.96%.



01

Provide a **24/7** customer service system with a dedicated marketing service team available around the clock, offering one-stop professional services including branch introductions, product and equipment consultations, technical support, product complaints, service complaints, repairs, and spare parts consultations, ensuring swift responses, communication, and resolution of customer needs.

02

Establish **29** sales outlets and **32** parts centers nationwide, offering consultative sales services both online and offline to customers.

03

Provide on-site free training for customers including operation, maintenance troubleshooting, and routine maintenance during installation, and ensure smooth operation of equipment through proactive periodic follow-up visits, tracking and servicing each piece of equipment regularly.

04

Establish an "Expert Online" customer service platform, bringing together technical experts in fields such as cement concrete mixing, dry mortar mixing, asphalt mixing, etc., to promptly address users' technical queries regarding equipment, production, operation, and management.

05

Implement a stable and efficient cloud service system based on automation control and IoT technology, collect data on equipment operation conditions and component health status, send the data to cloud servers via the internet or wireless networks, analyze the data professionally by the technical service team, provide customers with proactive remote diagnosis and maintenance information for their equipment, achieve worry-free stewardship-style equipment service on the cloud platform, and offer value-added services such as customized analysis and recommendations for energy saving, cost reduction, efficiency improvement, quality enhancement, and operational assistance management according to customer needs.

06

Establish regulations for "Equipment Delivery Management and Free Warranty Management Regulations," whereby customers can request after-sales service for any problems occurring during the installation and commissioning period or the equipment warranty period. Upon verification by the distributor, the industrial service department, and quality department, products and parts covered by the warranty will be replaced or repaired free of charge. For issues not covered by the warranty, we also provide paid services. The quality management department conducts monthly statistics on processed feedback, conducts inspections on problematic products, comprehensively analyzes product issue symptoms, promptly rectifies product defects, ensuring effective satisfaction of customer needs, and continuously improving customer satisfaction.

07

Encourage customer personnel to visit for learning purposes and actively cultivate industry-oriented talents for customers. Conduct customized technical training courses through our Mixing Institute platform.

**Highlight**  
Mixing Institute Specialized Training for Commercial Concrete Customers



Concrete mixing plants are an indispensable part of China's infrastructure development. The professional training of employees in concrete production enterprises is crucial for long-term development. It not only concerns the image and reputation of the enterprise but also affects construction safety and quality. Our Mixing Institute offers specialized training for commercial concrete customers nationwide. Covering various dimensions such as key component maintenance, commercial concrete electrical operating systems, practical operations, service inspections, capacity upgrades, AI intelligent management, low-carbon environmental protection solutions, smart factories for green building materials, and safety production education for commercial concrete equipment, comprehensive courses are arranged based on the actual situations of the trainees. This ensures that trainees understand the structure and production process of commercial concrete

equipment, enhance their knowledge, skills, and practical application abilities in daily maintenance and key points, and help them solve equipment problems more quickly and effectively.



## Information Security and Privacy Protection

We prioritize information technology development and have gradually integrated it into all aspects of business operations, production, and sales. Through the continuous construction of stable and reliable technical infrastructure and comprehensive integrated technology platforms, we provide vital support and technical guarantees for the efficiency and quality control of product production. In terms of information security, we strictly adhere to the "Cybersecurity Law of the People's Republic of China" and other relevant laws and regulations, establishing a series of internal information security management systems such as "Information Security Policy," "Information Security Management System," "Encryption System Management System," "Data Center Management System," "Computer Standardization Installation Specifications," and "Network Standard Specifications" to direct and regulate our information security management tasks. We continually improve our information security management mechanisms to enhance the level of information security management and ensure enterprise information security.



### Information Security Management

We have established an information security team led by the General Manager and the Deputy Leader, who is the director of the company's Information Center. The team members include operational staff from the Information Center and designated information security officers from various departments. These security officers promptly report any information security risks that occur in their departments to the Information Center for handling. General incidents related to information security are reported to the director of the Information Center, and significant incidents are escalated to the General Manager.

We conduct our information security management work in accordance with internal policies, covering physical security, terminal security, network security, application system security, data security, and operational security. Measures such as firewalls and antivirus software are used for real-time monitoring and prompt handling of information security risks and vulnerabilities. We enforce internal and external network access management, conduct regular backups of business data and check the

backup systems, and strictly implement file encryption and decryption mechanisms, differentiating encryption levels according to different business needs. Regular inventory checks of computers, servers, and network equipment are conducted, along with audits of company and departmental personnel's operations. Information security risk assessments and reviews are routinely carried out, with internal and external information security inspections and IT audits used to strengthen the assessment, monitoring, and response to information security risks. We have implemented additional information security measures like intrusion detection systems, quarterly network security checks, irregular inspections and optimizations of information systems by external bodies, annual IT audits, and updates to antivirus databases and rules for new viruses and vulnerabilities to ensure the stability and security of information systems. Throughout the reporting period, there were no incidents of penalties due to violations of information security management regulations or breaches of customer privacy.

### Network Security Emergency Management

We have established a network information security emergency response leadership team, led by the director of the Information Center, and including heads of various departments and related personnel. This team is responsible for the overall planning, coordination, and decision-making of information security emergency responses. We follow the principle of "the person in charge is responsible; the operator is accountable," implementing an information security accountability system with active support and assistance from all departments in emergency response efforts.

We have developed a "Network and Information Security Incident Emergency Response Plan," which is activated in response to potential or occurring network and information security public emergencies. Departments are required to report to the emergency response team in a timely manner, with significant and particularly significant incidents subject to situation progression reporting and daily reporting systems. After receiving a report, the emergency response team evaluates the incident's severity and initiates the appropriate emergency plan. After the emergency response is activated, the team leads

and coordinates the emergency response efforts; once the operation concludes, an incident investigation team is formed to conduct a thorough investigation of the incident and its management, draw lessons, and optimize the emergency response plans to enhance our ability to manage information security incidents effectively. Regular information security emergency drills are conducted to continuously improve emergency response capabilities. During the reporting period, we carried out quarterly database recovery emergency drills for the SAP system to test the response speed and data backup availability.

### Information Security Education and Training

We highly value the construction of an information security culture. New employees undergo information security training to familiarize them with information security knowledge and cultivate awareness. Through channels such as Tencent Communicator, OA, and email, we communicate our information security policies and systems to all employees and sends information security risk alerts. This initiative educates all staff about information security and enhances the information security management capabilities of relevant department personnel.



IT Training



## Responsible Marketing Activities

We strictly adhere to the requirements of the "Advertising Law of the People's Republic of China" and other relevant laws and regulations, following the principles of responsible marketing. We firmly oppose false and misleading marketing tactics and are committed to disseminating true, accurate, and compliant product information and marketing content. We ensure the accurate communication of product features, performance, and safety information, allowing customers to make informed decisions based on complete and truthful information. Additionally, we actively advocate for green marketing by emphasizing the environmental attributes and sustainable value of our products, guiding both the market and customers to participate in environmental protection. For quantitative data in marketing content, it is reviewed by our finance department before publication to ensure the accuracy and truthfulness of the information. During the reporting period, there were no incidents of false advertising or inappropriate marketing.

### Highlight

#### Digital Marketing Campaigns

We are actively expanding our online channels through platforms like WeChat Official Accounts and TikTok, where we timely publish the latest product information, technological developments, and industry news. We also provide professional consulting services and customer support, enabling customers to easily access information and communicate. By leveraging the advantages of social media platforms, we can more effectively gather customer feedback and market demands, promptly adjust our marketing strategies and product directions to better meet customer needs, and enhance customer satisfaction. Simultaneously, we strictly monitor online content and advertising, adhering to fair competition market rules, and establishing a responsible corporate image.



Multimedia Brand Matrix

## Promote Industry Development

We actively participate in industry association activities and are involved in drafting or participating in the drafting of national/industry standards. We discuss industry trends together with enterprises, experts, scholars, and policymakers in the industry, and share corporate best practices and experiences. Through our NFLG Mixing Institute platform, we effectively integrate the achievements of domestic and foreign industry research institutions and universities, closely aligned with industry-leading practical experience, to provide innovative theories, experiences, and value for our end customers' products. Simultaneously, we collaborate with industry partners to discuss opportunities, providing a platform for practical technology exchanges in the industry and fostering practical and skilled talents for high-quality, sustainable development.

### Participation In Industry Association

Association Name	Position
China Construction Machinery Association	Executive Director
China Construction Machinery Association Road Machine Branch	Vice President
China Construction Machinery Association Concrete Machinery Sub-Association	Executive Director
China Building Materials Federation Premixed Mortar Sub-Association	Vice Chairman of the Board
China Concrete & Cement-based Products Association	Vice President
China Concrete & Cement-based Products Association - Ready-Mixed Concrete Sub-Association	Vice President
China Aggregates Association	Vice President
Gypsum Association of China Building Materials Federation	Member
China Highway Construction Association	Director
China Building Materials Enterprise Management Association	Director
China Building Materials Enterprise Management Association-Brand Management Branch	Director
China Bulk Cement Association Of Popularization & Development Ready-Mixed Mortar Professional Committee	Deputy Director
China Bulk Cement Association Of Popularization & Development Ready-Mixed Mortar Equipment Technology Committee	Deputy Director
China Bulk Cement Association Of Popularization & Development Construction Professional Committee	Deputy Director
China Bulk Cement Association Of Popularization & Development	Vice Chairman of the Board
China Bulk Cement Association Of Popularization & Development Ready-Mixed Concrete Professional Committee	Deputy Director
China Recycled Aggregate Association	Vice President
China Highway & Transportation Society Road Construction Machinery Sub-Association	Member
Professional Committee for Industrial Solid Waste Application Technology	Director
China Aggregates Association - Construction Solid Waste Utilization Sub-Association	Vice President



协会名称	担任职务
China Construction Machinery Association	Director
Metallurgical Mines' Association of China	Member
China Concrete & Cement-based Products Association	9th Vice President of Council
China Construction Machinery Association Road Machine Branch	Vice President
China Society of Building Materials Industry Economy Special Committee for Solid Waste Disposal and Resource Utilization of New Materials	Our Chairman Mr. Fang Qingxi was elected the 1st Board Executive Director
China Society of Building Materials Industry Economy Special Committee for Solid Waste Disposal and Resource Utilization of New Materials	Executive Director

**Compilation or Participation in the Formulation of National/Industry Standards**

Code	Standards	Category	Roles in Participation
GB51176-2016	Code for design of dry-mixed mortar production line	National-level	Compilation
GB51186-2016	Code for design of machine-made gravel aggregate plant	National-level	Compilation
GB/T10171-2016	Building construction machinery and equipment-Concrete mixing plant(tower)	National-level	Compilation
GB/T17808-2010	Road construction and maintenance machinery and equipment & Asphalt mixing plant	National-level	Compilation
GB/T30752-2014	Road construction and maintenance machinery and equipment & Asphalt mixing plant-Safety Requirements	National-level	Compilation
JB/T12816-2016	Building construction machinery and equipment-Environment-friendly concrete mixing plant(tower)	Industry-level	Compilation
JBT11185-2011	Building construction machinery and equipment-Drymixed mortar mixer	Industry-level	Main compilation
JBT11186-2011	Building construction machinery and equipment-Dry-mortar mixing plants	Industry-level	Main compilation
JCT2089-2011	Technical specification for manufacture technics and application of dry-mixed mortar	Industry-level	Compilation
JT/T270-2002	Batch type asphalt mixing plant	Industry-level	Compilation
SB/T11129-2015	Dry-mixed mortar screening equipment technical specification	Industry-level	Compilation
TB/T3291-2013	Ballastless track cement emulsification bitumen mortar truck	Industry-level	Compilation
T/CBMF38-2018	Aggregates for high performance concrete	Association-level	Compilation
T/CCMA0066-2018	Asphalt mixing plant-Environmental emission limits	Association-level	Compilation
T/CCMA0067-2018	Asphalt mixing plant-Safety mark	Association-level	Compilation
GBT 14684-2022	Sand for construction	National-level	Drafting
GBT 14685-2022	Pebble and crushed stone for construction	National-level	Drafting

**Highlight**

**15th Road Construction and Maintenance Technology Forum**

In 2023, we co-organized the 15th Road Construction and Maintenance Technology Forum, jointly hosted by the Highway Research Institute of Highway Ministry of Transport and the Road Engineering Branch of China Highway & Transportation Society. The forum aimed to promote the sharing and exchange of advanced academic achievements, accelerate the industrialization and engineering application of road science and technology innovations, and support the high-quality development of road engineering construction. Mr. Liu Zhibin, our Director of Asphalt Products Marketing, delivered a keynote report on "Low-Carbon Technology in Asphalt Mixing Plants" at the forum, sharing the latest

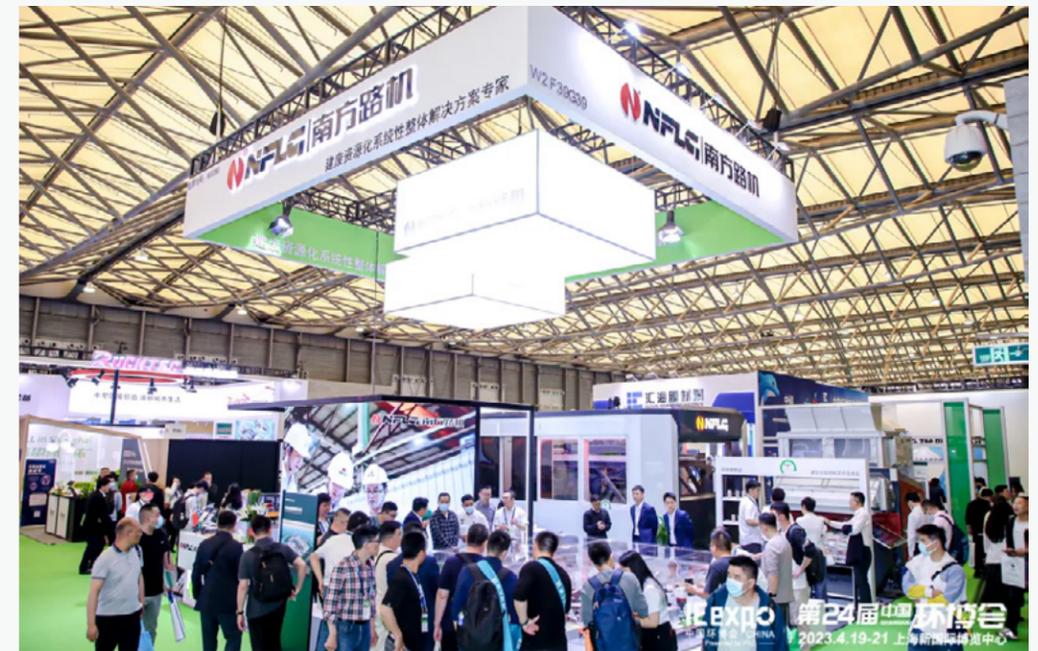


R&D achievements in asphalt mixture recycling technology with the industry.

**Highlight**

**24th IE Expo China**

In 2023, we were invited to participate in the 24th IE Expo China, where we exhibited comprehensive solutions for the recycling of construction waste across the entire industry chain, including solutions for demolition waste, renovation waste, and sludge residue resource utilization, as well as standout products like density screens, positive pressure lightweight material separation equipment, and construction waste automatic sorting robots. These exhibits provided new industry ideas for effectively solving construction waste management challenges and producing high-value recycled products, facilitating in-depth exchanges and discussions on cooperation with experts from various fields.



### Highlight

#### 2023 World of Concrete Aisa (WOCA)

In 2023, we were invited to exhibit at the 2023 World of Concrete Aisa (WOCA). Our exhibits covered raw materials, finished products, equipment, and integrated technology solutions, showcasing our low-carbon and intelligent R&D achievements in the dry mix mortar and concrete fields through live video demonstrations, model displays, interactive experiences, and explanations by professional technicians. We also shared and exchanged views on industry development trends and cutting-edge technologies with various industry stakeholders.



### Highlight

#### The 9th Guangzhou International Aggregates, Quarrying Tailings & Construction Waste Disposal Exhibition

In 2023, under the theme "Breaking New Ground, Carving the Future," we showcased green and intelligent material processing solutions and three premium material handling equipment pieces (NFI200RS track-mounted mobile impact crusher screen, VC series multi-cylinder hydraulic cone crusher VC1500, NT series horizontal screen 3NTV2560) at the 9th Guangzhou International Aggregates, Quarry Tailings & Construction Waste Disposal Exhibition. As a provider of green recycling building materials solutions, we presented our products to more than 170 domestic and international leading aggregate equipment companies and attendees, while also conveying our commitment to green, low-carbon, high-quality development.



### Highlight

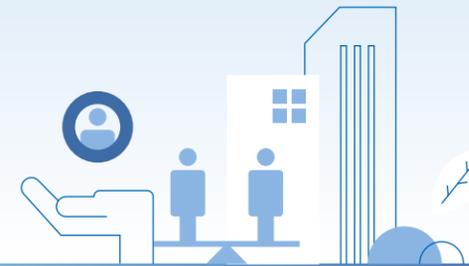
#### 2023 Construction Indonesia & Mining Indonesia

In 2023, we were invited to participate in the 2023 Construction Indonesia & Mining Indonesia. As a global provider of green recycling building materials solutions, we showcased products such as the NFJ1175 Tracked Mobile Jaw Crusher, NFI1313 Tracked Mobile Impact Crusher, NFS350 Tracked Mobile Screen, JSL2350 Concrete Mixer, and LBGZ Integrated Asphalt Mixing Equipment. We demonstrated the efficient stability, green low-carbon features, and intelligent convenience of our products through real-world cases in Jakarta. At this exhibition, we explored the concept of "New Trends in Industrial Sustainability" with over 500 exhibitors from 32 countries and regions worldwide, leading high-quality industry development.



## Human Rights Protection

We respect the content and requirements of human rights protection stated in the "International Bill of Human Rights," "UN Guiding Principles on Business and Human Rights," "Universal Declaration of Human Rights," "OECD Guidelines for Multinational Enterprises," and the "Convention on the Elimination of All Forms of Discrimination Against Women." We strictly abide by the "Labor Law of the People's Republic of China," "Labor Contract Law of the People's Republic of China," and the laws and regulations of the locations where we operate. We have established a "Human Rights Policy" and commit to preventing any form of human rights abuse. Through the implementation of the "Employee Handbook" and "Human Resources Management System," we provide training for new employees and advocate against discrimination, harassment, and violence, continuously strengthening our management of human rights risks. During the reporting period, we did not incur any penalties or suffer losses due to violations of labor laws or employment discrimination laws.



## Employees

We firmly believe that the development of us is inseparable from talent. We place high importance on nurturing and developing talent, offering employees competitive compensation, benefits, and broad career development opportunities. We actively uphold the fundamental rights and interests of our employees, care for them through concrete actions, and share the fruits of corporate development with them. Embracing the principles of fairness, harmony, diversity, inclusiveness, and co-creation of value, we are committed to building the "NPLG Family," a nurturing environment that attracts, retains, and develops top-quality talent.



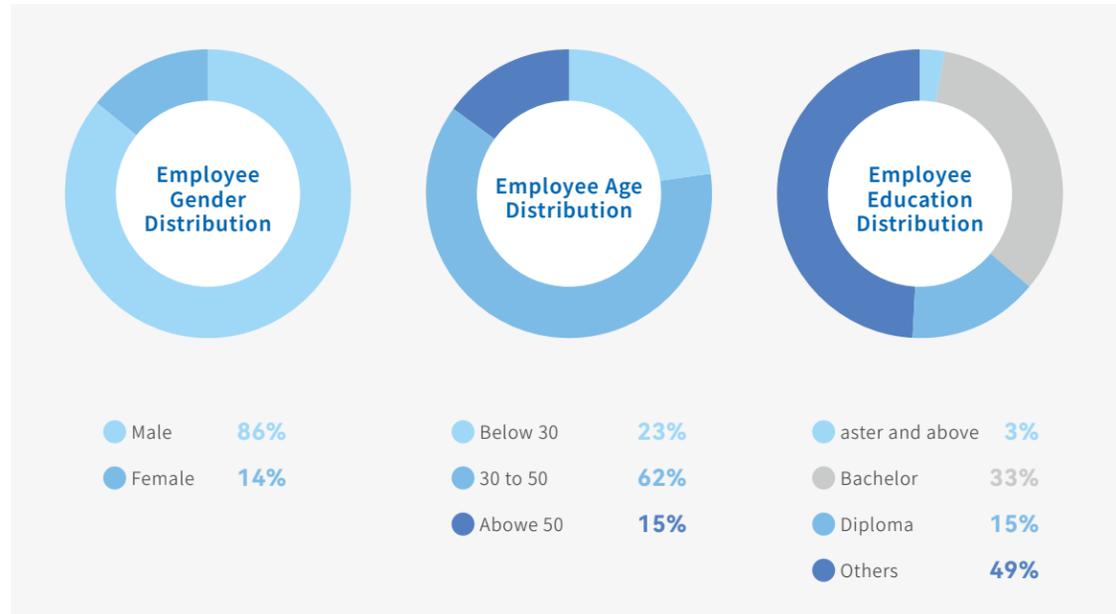
### Equal Employment

In our employment practices, such as recruitment, promotion, and evaluation, we adhere to the principles of fairness and justice. We do not discriminate based on gender, age, nationality, ethnicity, region, race, religion, disability, marital status, reproductive status, or sexual orientation. We pay special attention to the rights of female employees by providing equal compensation, benefits, and employment opportunities. We implement



statutory rights such as maternity leave and breastfeeding leave, and ensure that female employees are not assigned to jobs that are prohibited due to physiological

characteristics or involve intensive labor, thereby reducing and addressing the special difficulties faced by women during pregnancy, childbirth, and breastfeeding.



We conduct compliant recruitment activities according to the "Human Resources Management System." Every candidate's screening, interviewing, and hiring are carried out following standardized procedures, with decisions made based on comprehensive evaluations of personal qualities, professional skills, and ethical behavior. In the case of employee referrals, if the referring employee is a direct relative of the candidate, a special declaration must be made to ensure the fairness and transparency of the recruitment process.



## Anti-Discrimination and Anti-Harassment

Through our "Human Rights Policy," we declare our commitment to eradicating all forms of discrimination, harassment, and violence, including but not limited to posture, language, and physical contact. We oppose gathering crowds to disrupt social order, misuse of authority, or improper intervention in employee affairs. Neither internal nor third-party security personnel may use violence, and illegal or cross-gender searches are prohibited.

### • Discriminatory actions



include but are not limited to those involving religion, race, skin color, region, ethnicity, age, gender, disability, privilege, marital status, employment opportunities, and benefits, as well as defamatory remarks.

### • Harassment actions



includes but is not limited to sexual requests, insinuations, provocations, or discomforting physical contact and other behaviors that hinder an employee's ability to perform their duties.

### • Violent actions



include but are not limited to fighting, brawling, threats, intimidation, verbal abuse, physical punishment, and abuse.

We encourage employees who experience or witness unjust treatment to report to their immediate supervisors or the human resources department. Upon receiving a complaint, the relevant department should initiate an immediate investigation, gather evidence, and protect the identity of the complainant and the victim. If the investigation confirms the allegations, we will take disciplinary action against the involved parties based on the severity of the incident.

## Prohibition of Child Labor and Forced Labor

Through our "Human Rights Policy," we resolutely oppose any form of child labor and forced labor, pledging not to employ minors under the age of 18 in jobs that endanger their safety or health. We manage working hours in accordance with relevant laws and regulations: functional positions adhere to a standard eight-hour, five-day workweek; production positions have a dual feedback mechanism for working hours, with the human resources department reporting attendance hours and the production office/plan department reporting planned hours. By comparing and intervening in these two types of hours, we arrange reasonable working times for front-line employees, ensuring at least one day off per week.

## Employee Communication

We respect the constitutional and legal rights of employees to democracy, free speech, freedom of association, and collective bargaining. We fully guarantee employees' rights to be informed, participate, express themselves, and supervise, and we have legally established trade union organizations. Through various employee communication channels such as face-to-face meetings, team meetings, workshop surveys, telephone, email, and internal office systems (Tencent RTX), we strengthen communication between employees and their supervisors and the HR department. We encourage employees to actively express their opinions, suggestions, and complaints about company management and operations, and we promptly address and provide meaningful feedback on the information received, effectively addressing the concerns of employees.

## Employee Development

We continuously build a comprehensive, multi-level training and development system for our employees, creating opportunities for continuous learning and development. We regularly assess industry market dynamics to provide employees with salaries and benefits that are fair internally and competitive externally. Through comprehensive performance assessments and promotion mechanisms, we provide clear career development paths for employees, fully stimulating organizational vitality.



## Career Development

We have established three major career development pathways: management, technical, and skilled trades. Each pathway has different grades, and we have developed systems such as the "NFLG Engineer Rating Scheme" and the "Front-line Skills Level Assessment System" to set diverse career paths and continuously standardize talent standards, encouraging healthy competition and creating an open, fair, and just career development environment to build a talent pipeline for the company's development.

We offer front-line technical staff two upgrade assessment opportunities annually, aligning with employee evaluation system results and performance. We match each job level's experience and capability requirements with corresponding salaries and skill allowances for each skill level; employees who do not participate in the grading review or who fail both theoretical and practical evaluations are downgraded, truly encouraging employees to enhance their technical skills. Engineer promotions utilize a combination of self-nomination and recommendation, with regular evaluations conducted annually. Participating employees must write a "Promotion Report" detailing their understanding, thoughts, and value contributions to completed projects, and present it to a review committee, with the employee's department and HR department jointly assessing through review meetings and defenses. During the reporting period, 19 employees were promoted through the engineer rating process, with a pass rate of 82.6%.



Invested  
**0.51**  
million RMB in employee training

Organized  
**50** training sessions

Attended by  
**3,526** participants

Approximately  
**16,996** total training hours

## Employee Training

We develop and oversee the implementation of annual employee training plans in line with corporate development requirements, providing training opportunities in various formats, including online and offline, theoretical and practical. Training includes pre-employment training, skills training, and management enhancement training, helping employees discover their potential and improve their job competency and professional demeanor.

We provide employees with a variety of learning resources and foster a proactive learning atmosphere. We have formed a high-level, professional internal training team, encouraging employees to share their expertise and personal experiences internally, establishing an internal training case library. Additionally, we hire professors from higher education institutions or professional training organizations to teach employees and support their participation in external training, inspections, observations, and exchanges, continually fostering an enterprising learning culture.

During the reporting period, as we further advanced our overseas market layout plans, to enhance employees' English proficiency, we established a weekly "English Corner" at the Mixing Institute, hiring specialized foreign teachers and encouraging interested employees to participate actively. Throughout the year, we invested 0.51 million RMB in employee training, organizing 50 training sessions attended by 3,526 participants, totaling approximately 16,996 training hours.



Internal Auditor Training

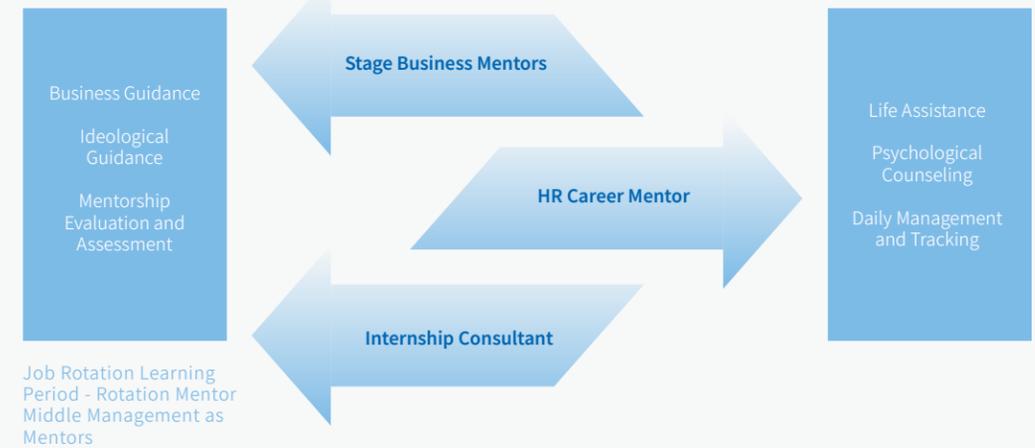
### Highlight

#### 2023 Management Trainee Development Program

For newly recruited management trainees, we provide three major career paths: sales, technical, and management, with a customized probationary period training plan. The plan consists of five phases, each with different objectives aimed at output results, following the "721" growth rule (70% learning by doing + 20% intensive training + 10% self-study), enhancing trainees' competence in knowledge, skills, and professional demeanor. The HR center tracks the training progress of the trainees throughout their probation, conducting monthly one-on-one interviews to understand their adaptation and learning progress, providing feedback on the training process to mentors and department managers, and further enhancing the training effectiveness of the management trainees.

#### Management Trainee Mentorship System

Research and Development Internship - Professional Coaching  
Engineers Level A and Above as Mentors



### Highlight

#### Capability Enhancement Training Program — "Squat Management Workshop"

The "Squat Management Workshop" targets front-line managers transitioning from business core to management roles, focusing on seven core competencies of a manager: professional ethics, goal-setting, process tracking, results attainment, team-building, team training, and culture-building. Through various training forms such as offline classes, online training, practical training, study group discussions, scenario-based training, and task-oriented training, the workshop helps front-line managers develop the right management mindset and improve their goal alignment and managerial skills.



## Employee Compensation

We strictly adhere to relevant national laws and regulations and have established management methods such as a "Human Resources Management System" to ensure that the working environment, conditions, and hours of our employees comply with legal standards. We commit to providing compensation that meets or exceeds the local minimum wage standards and ensure equal pay for equal work for female employees.

We follow the principles of fairness, competitiveness, motivation, affordability, and confidentiality to establish a compensation system centered on salaries with bonuses as supplements. Based on our operational status and employee performance, we have developed annual adjustments to salary standards, irregular adjustments, and immediate personal pay raises to fully leverage the performance goal orientation mechanism and a scientific compensation system to positively motivate employees. Additionally, we have set up various special awards and recognition mechanisms, such as quarterly team excellence, annual individual excellence, and annual team excellence awards to stimulate employee potential and passion, helping them receive fair incentives, achieve long-term personal growth, and enhance overall work quality. We have established long-term service awards to recognize employees who have continuously worked for ten or twenty years, motivating them to grow alongside the company.

and retain top talent, we have established a long-term incentive mechanism and implemented an employee stock ownership plan (ESOP) to stimulate the intrinsic drive for enterprise development, share the company's operational achievements with employees, and achieve a shared risk and benefit model with them. As of the end of the reporting period, our ESOP included 59 employees, such as core technical personnel, key backbone staff, strategically important new hires, and executives, collectively holding 8.78% of the company's shares.

### Highlight

#### Front-line Employee "Point System" Assessment

At our Xiantao base, we use a "Point System" for the piece-rate management of front-line workers, including work volume points, quality points, skill points, 5S points, improvement and innovation points, equipment maintenance points, and labor discipline points. This system ensures fair and just adjustments to worker pay through scientific and rational evaluation.



## Employee Benefits

We offer a comprehensive and diversified benefits system for our employees. On top of legally mandated leaves such as marriage leave, maternity leave, breastfeeding leave, sick leave, bereavement leave, and annual leave, we provide additional coverage including accidental injury insurance, mutual medical aid insurance, employer liability insurance, and traffic accident insurance. For expatriate staff, we purchase personal accident insurance. We also provide benefits such as canteens, dormitories, work uniforms, holiday benefits, birthday gifts, employee trips, a team sunshine sharing plan, health check-ups, and Friday return home shuttle services. Furthermore, we actively coordinate local resources to assist employees with issues such as their children's education and have established a mutual medical aid project to secure medical health care for employees and their families.



Quanzhou Headquarters Canteen



Xiantao Base Canteen

### Highlight

#### Employee Medical Mutual Aid Project



We have set up a medical mutual aid project for employees, providing subsidies for employees in need, aiming to resolve their practical difficulties. During the reporting period, approximately 31 individuals were reimbursed through this project, with a total subsidy amount of 61,534 RMB. In 2023, we provided mental health treatment benefits to an employee who was under significant psychological stress and unable to continue working in their position. We monitored the situation closely, coordinated resources, and accompanied the employee to the hospital for registration, psychological consultation, assessment, arranged for subsequent treatment, and covered related costs.



## Occupational Health and Safety

We adhere to the occupational health and safety policy of "safety first, prevention foremost; risk control, comprehensive management; continuous improvement, safe development, and healthy living." We strictly comply with the "Law of the People's Republic of China on Work Safety" and other relevant laws and regulations, continuously improving our management systems and regulations regarding work safety and occupational health. We strengthen safety supervision and inspections and continually enhance our occupational health and safety management levels. During the reporting period, we have achieved ISO 45001 Occupational Health and Safety Management System certification. Our Quanzhou headquarters passed the review for Level 2 enterprise work safety standardization, and our Xiantao base passed Level 3. We also place high importance on and continuously strengthen safety management for dealers and installation service contractors, actively creating a safe and healthy working environment to ensure stable operations. During the reporting period, there were no deaths or serious accidents, no incidents of severe injury or above, and the incidence rate of occupational diseases was zero.



### 2023 Corporate Occupational Health and Safety Management Goals/Indicators

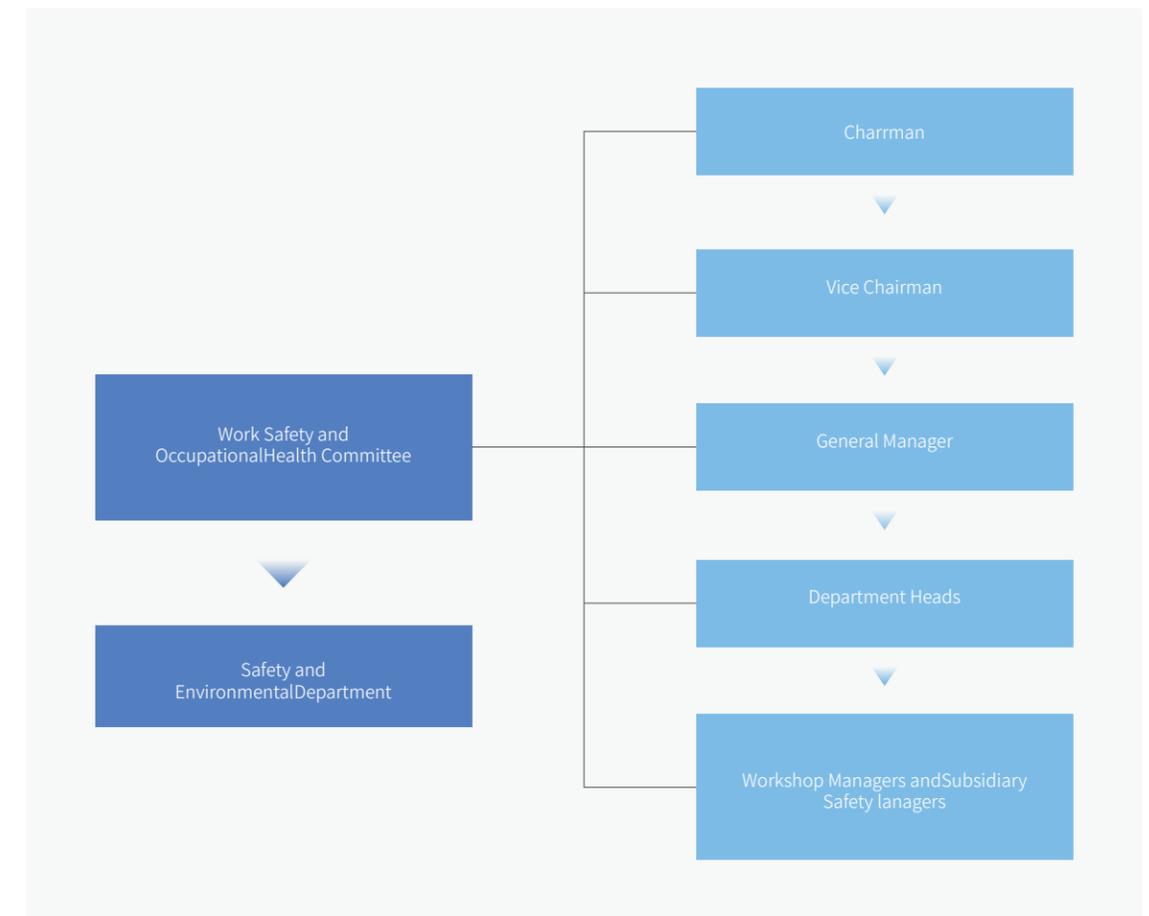
Goals/Indicators	Completion Status
0 severe injuries (including acute industrial poisoning) and above	✓
0 major fire (explosion) incidents	✓
0 incidence of occupational diseases	✓
0 accidents involving special equipment	✓
Minor injuries controlled below <b>5%</b>	✓
Immediate and qualified rate of safety hazard rectification to reach <b>100%</b>	✓
Safety training coverage and qualification rate for employees to reach <b>100%</b>	✓
Certification rate for "key position personnel" to reach <b>100%</b>	✓
Execution rate of safety operation standards at positions to reach <b>100%</b>	✓
Compliance and integrity rate of safety protective equipment and facilities to reach <b>100%</b>	✓
Control rate for hazardous operations to reach <b>100%</b>	✓
Integrity rate of equipment and facilities to be <b>100%</b> , maintenance rate of equipment and facilities to be <b>100%</b>	✓
Ensure dedicated investment in safety production costs, for specific use only	✓

## Occupational Health and Safety Management Structure

We have established the Work Safety and Occupational Health Committee (hereinafter referred to as the "Safety Committee"), chaired by the Chairman of the Board. The Chairman, Vice Chairman, and General Manager serve as the principal responsible persons for work safety. Department heads serve as departmental safety officers, while workshop managers and subsidiary safety management personnel serve as workshop safety officers. To more effectively advance the work of work safety and occupational health management, a dedicated Safety and Environmental Department operates under the Safety Committee as its executive office. This department is responsible for implementing specific work safety and occupational health management tasks and regularly reports on safety and health-related work to management, continuously improving the level of work safety management and providing solid protection for our work safety and employees' occupational health.

At the beginning of each year, the Safety Committee revises the work safety and occupational health goals for the year based on the actual conditions from the previous year. To ensure that all departments strictly implement and achieve these work safety goals, the Safety Committee holds quarterly meetings to assess the completion of work safety targets by each department and links the assessment results with the compensation and performance of the relevant personnel and management. We fully implement the "whole staff work safety responsibility system," ensuring that safety management activities are integrated vertically and horizontally throughout the entire production and operation process. During the reporting period, we signed 1,492 "Work Safety Responsibility Agreements," covering 100% of employees.

### Work Safety Management Structure



## Occupational Health and Safety Management System

We strictly adhere to the "Law of the People's Republic of China on Work Safety" and other relevant legal and regulatory requirements, continuously improving our management systems for work safety and occupational health, and perpetually enhancing our level of occupational health and safety management.

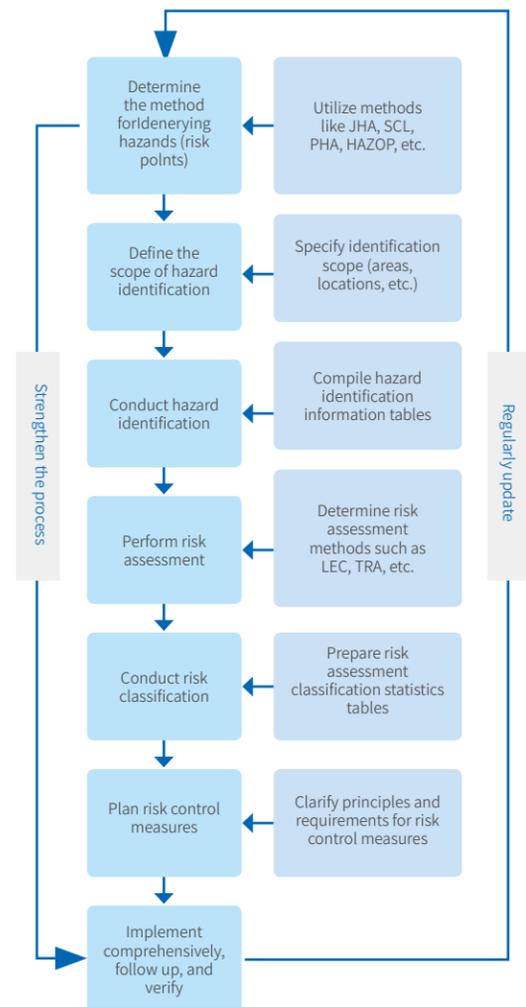
### Work Safety Management Systems

Work Safety Target Management System
Work Safety Responsibility System Management
Safety Culture Construction Management System
Special Operations Personnel Management System
Equipment and Facilities Safety Management System
Confined Space Management System
Temporary Electricity Usage Management System
Hazardous Chemicals Safety Management System
Work Safety Target Assessment System
Work Safety Commitment System
Work Safety Information Management System
Team Safety Activities Management System
Special Equipment Safety Management System
High-altitude Operations Management Regulations
Lifting Operations Safety Management System
Fire Safety Management System

## Occupational Health and Safety Risk Management

We have developed and implemented systems such as the "Work Safety Risk Classification and Control System," "Hazard Identification and Risk Assessment Management System," "Safety Warning Yellow Card Management Method," and "Accident Management System" to identify hazards in production activities and services, determine their risk levels, and adopt appropriate and effective measures to eliminate and control these risks. For dynamic operational activities, we use the Job Hazard Analysis (JHA) method to identify hazard factors; for static equipment and facilities, we use the Safety Checklist (SCL) method to identify hazard factors and develop corresponding prevention and control measures after identifying potential safety incidents.

### Occupational Health and Safety Risk Level Control and Management Procedure



## • Safety Hazard Inspection and Management



We strictly enforce the "Safety Hazard Inspection and Management System," establishing a long-term mechanism for the inspection and management of safety hazards. Through safety inspections, hazard identification, hazard reporting, rectification, and accountability measures, we strive to prevent and reduce accidents. Our safety inspection work includes daily safety inspections, seasonal safety inspections, comprehensive safety inspections, holiday safety inspections, and special safety inspections. During the reporting period, we conducted 70 safety hazard inspections through safety checks, all of which have been rectified.



quarterly by the General Manager or the Safety and Environment Department, covering the entire company, with results announced by the Safety and Environment Department and communicated at safety meetings, with mandated rectifications and follow-ups.

**Daily Safety Inspections:** Conducted by the Safety and Environment Department, focusing on the main factors such as people, machines, and the environment that may cause accidents, shifting safety work from post-incident management to pre-incident prevention.

**Holiday Safety Inspections:** Focus on the arrangement and implementation of safety and security measures before and during holidays, with special attention to fire, explosion, and theft prevention, emergency supplies, and spare parts.

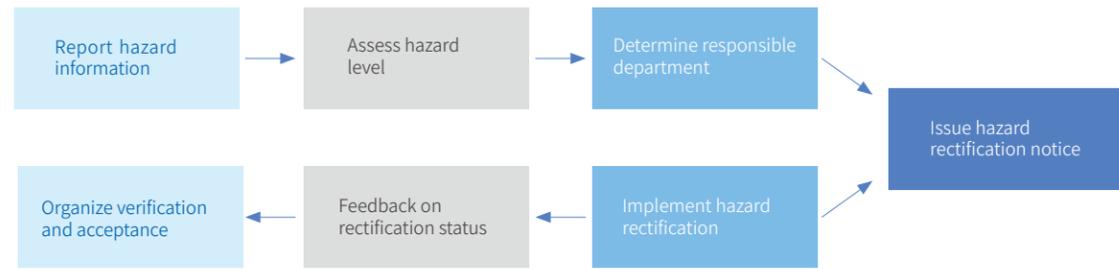
**Seasonal Safety Inspections:** Organized by the General Manager or the Safety and Environment Department, focusing on lightning protection and building leakage prevention in spring; heat stroke prevention, typhoon, and flood prevention in summer; fire, explosion, and dust prevention in autumn; and fire, slip, and frost protection in winter.

**Special Safety Inspections:** Conducted by the head of the Safety and Environment Department, involving relevant professionals from production and operations on electrical equipment, fire safety facilities, special equipment, and hazardous chemicals.

**Comprehensive Safety Inspections:** Conducted



### Safety Hazard Investigation and Rectification Process



To enhance our occupational health and safety management levels, we continue to strengthen the informationization of safety production, enabling real-time monitoring of safety conditions in the plant area to promptly identify onsite safety hazards. Additionally, safety management personnel regularly report workshop safety inspection results or identified safety issues to the MES system, maximizing the discovery and elimination of potential daily safety hazards.

At our Xiantao production base, besides daily safety patrols, we conduct special safety inspections on fire safety, electricity use, equipment, and facilities, organize regular comprehensive inspections monthly, and conduct extensive safety inspections for the whole company before and during holidays.



### Emergency Rescue Management

To effectively respond to potential emergencies such as fires, safety accidents, and natural disasters, we have established the "Accident Emergency Rescue Management System" and specific emergency plans and on-site handling schemes for various types of accidents, including "Comprehensive Emergency Response Plans for Work Safety Accidents," "Special Emergency Plans for Mechanical Injury," "Fire and Explosion Accident Emergency Rescue Plans," "Confined Space Accident Emergency Rescue Plans," "Chemical Leak Emergency Rescue Plans," "Crane Injury Emergency Plans," "Pressure Vessel Accident Emergency Rescue Plans," "Object Strike Incident On-site Handling Schemes," "Electrical Shock Emergency On-site Handling Schemes," and "High-altitude Fall Incident On-site Handling Schemes." These ensure that we can respond quickly and orderly in emergencies, minimizing casualties, property damage, and disruptions to normal production and living order. Additionally, our Safety Committee annually reviews emergency plans, and the Safety and Environment Department revises, updates, or recompiles emergency plans based on review feedback, enhancing the timeliness and practicality of the emergency plans.

We conduct comprehensive emergency plan drills once a year, specific emergency plan drills twice a year, and on-site handling scheme emergency drills biannually by each production and operations department. During the reporting period, we conducted nine safety production accident emergency drills, covering crane injury, mechanical injury, fire incident handling and evacuation, confined space rescue, and forklift emergency drills, with a total of 500 participants.



Confined Space Emergency Rescue Drill



Crane Injury Accident Emergency Drill



Forklift Emergency Drill



**Highlight**

**Flood and Typhoon Emergency Management**

In July 2023, when the super typhoon "Doksuri" made landfall in Jinjiang, Fujian, we quickly activated our emergency plans and deployed various measures for flood and typhoon resistance:

- 1 Organized workshops to stack sandbags at entrances and exits to prevent rainwater intrusion; required employees to turn off all water, electricity, and gas before leaving the workshops and to waterproof equipment.
- 2 Used steel cables to reinforce gantry cranes and emptied high shelves.
- 3 Used waterproof covers to protect materials, effectively ensuring the safety of production and the personal safety of employees.



**Occupational Health and Safety Management for Suppliers/Contractors**

In terms of project installation services, our business primarily adopts an outsourcing approach complemented by direct installation. Currently, over 95% of our project installation services are provided by dealers. To ensure the quality and safety of these services, we strictly enforce the "Contractor Safety Management System" and other relevant regulations, requiring dealers, suppliers, and contractors to continually improve their safety management measures to ensure the safety and health of involved personnel and reduce the likelihood of safety incidents.

**• For Suppliers**



We have established a "Supplier Safety Management System" that mandates suppliers of various raw materials, equipment, facilities, and services to possess relevant qualifications as stipulated by national regulations. Suppliers providing hazardous chemicals must have appropriate qualifications for production, operation, and transportation of hazardous chemicals. We do not establish purchasing relationships with suppliers lacking safety qualifications. Moreover, when suppliers deliver goods or equipment to our company, they must provide safety data sheets and safety labels that comply with national requirements. Our Safety and Environment Department is responsible for providing safety education and occupational hazard information to suppliers before they enter our company premises. Each department and workshop conducts safety training for suppliers entering operational areas, covering site-specific characteristics, main hazards, emergency measures, and safety precautions, and oversees the safety activities at the supplier's worksite.

**• For Installation Service Contractors**



We audit installation service contractors based on the requirements of the "Business Guidance Manual" and "Independent Installation Dealer Assessment Scheme," requiring that they be independently incorporated companies with valid corporate safety qualifications and legal representative safety certificates. They are also required to pay a certain amount of installation deposit to ensure onsite installation management safety. For construction personnel and maintenance teams of installation service contractors, we implement strict safety production qualification reviews covering construction, maintenance, and service-related personnel qualifications, including but not limited to safety certificates for construction team leaders or project managers, special operation permits (electrician, welder, high-altitude operation certificates), and we require installation personnel to have relevant installation experience. Additionally, we specify that installation qualifications are only valid for projects undertaken by the installation service contractors themselves; unauthorized use of qualifications is strictly prohibited. If a major accident occurs during the authorized qualification period, we will immediately terminate their qualification authorization to ensure high quality and safety of installation services.

it to us promptly; we may communicate with the installation personnel as necessary to accurately understand the on-site installation progress.

☉ In a direct sales model, aside from sending our personnel for equipment installation, all other installation services must be undertaken by installation companies certified by Southern Road Machinery. In the dealership model, although we do not provide installation services directly, we require dealers to appoint certified installation companies for the installations.

☉ We regularly provide installation training for the personnel of installation service contractors and supply them with installation diagrams to ensure that installations are carried out according to the drawings. We sporadically send personnel to dealers and installation service contractors for specialized safety training and actively invite them to the Mixing Academy for safety training. At the start of each project, we strictly require the on-site installation project manager to organize safety training for all participants, including clients and crane operators. During the reporting period, we conducted 80 safety training sessions for 12 installation service contractors, totaling 240 hours of safety training.

☉ Our project managers are responsible for overseeing the safety work and 6S management (Sorting, Set in order, Shine, Standardize, Sustain, Safety) of each installation team on site. Installation team leaders are responsible for on-site safety and 6S management, while safety officers are in charge of safety management during equipment installation and commissioning, as well as safety orientations for installation teams upon arrival. They also organize daily safety morning meetings to compile and report near-miss incidents.

☉ For on-site installation personnel, we require them to observe their surroundings during installation, avoid areas with flammable gases to prevent fires, promptly identify safety hazards, and have them addressed by responsible individuals. They must wear safety helmets with the chin strap fastened and correctly use personal protective equipment. Installation personnel must write a work log every three days to record progress and submit



• For Construction Contractors



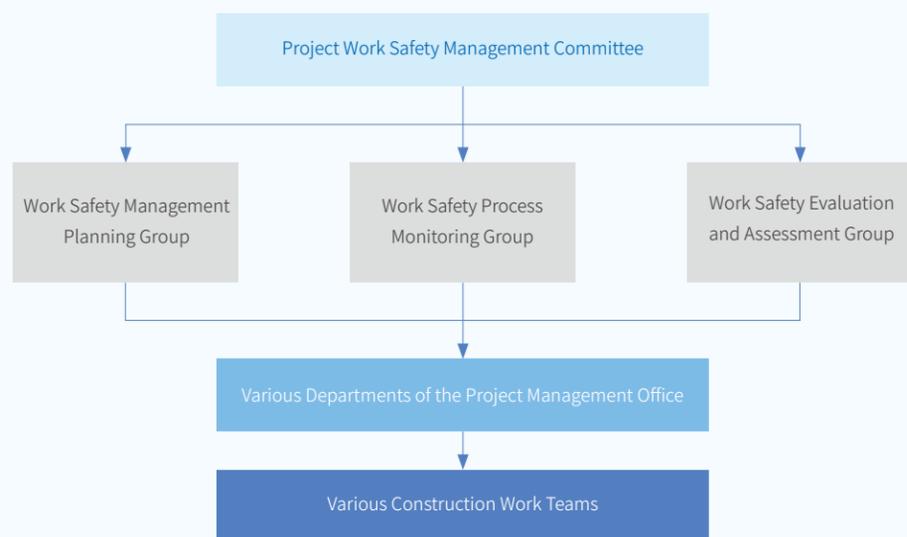
We require contractors to sign a safety agreement before entering the construction site and to conduct regular safety inspections of contracted projects, sites, and equipment as specified in the safety agreement. If safety issues are discovered, they must be rectified promptly and reported; we appoint full-time safety management personnel to monitor and inspect the site to ensure effective implementation of safety measures. We organize safety training for management personnel and various operators and ensure that special operation personnel maintain valid certifications; contractors are directly responsible for the safety of their projects, rented sites, used equipment, and employees.

For on-site managers, we require compliance with national employment regulations, strictly prohibiting the unauthorized hiring of unqualified installation personnel. We organize safety training for all installation personnel throughout the installation period; conduct weekly safety inspections, issue rectification notices for non-compliant items, and follow up to ensure compliance; and hold safety meetings every morning before shifts to provide safety briefings and maintain safety records.

For on-site safety managers, we require daily morning inspections to check safety equipment setup, use of personal protective equipment by employees, violations, and safety hazards, and to generate records and corrective action recommendations; conduct weekly special inspections of electricity use, construction machinery, and hazardous materials to ensure orderly construction safety; supervise and inspect the safety practices of installation personnel, imposing strict penalties for violations.

To unify safety management across different projects, we establish dedicated project departments and set up Project Safety Management Committees responsible for leading safety work and deciding on significant technical safety measures on site. Additionally, we have established a reward and penalty system, regularly inspecting and evaluating each project department to ensure effective implementation of work safety.

Project Work Safety Management Committee



We strictly supervise and inspect the safety management during the construction project process, regularly identifying operational nature and behavior-related risks of contractors, implementing effective risk control measures, and assessing their safety performance:

For actions during construction that fail to implement safety measures, involve violations of operations, or reckless behavior potentially causing personal injury to our employees or damage to production and equipment, we will order a work stoppage and, depending on the severity of the

case, impose fines on those responsible.

For service providers that do not meet the conditions for safe production, we will terminate all their construction projects, strictly prohibit them from conducting project construction, and impose fines.

For construction units that violate systems and relevant regulations, we will order immediate rectification and impose fines.

Occupational Health and Safety Training

We strictly implement the "Safety Education and Training Management System," continuously enhancing our safety education and training system. We are committed to raising employees' awareness of work safety laws and improving their safety management levels, enhancing the safety awareness and operational skills of front-line employees, and reinforcing the responsibility of all staff in their roles. We strive to integrate safety culture as an organic part of our corporate culture. Annually, our Safety and Environment Department collects the next year's safety education and training needs from all departments to formulate our annual safety training plan and conduct corresponding safety education and training.

• For all current employees



Conduct three-tier safety education and training at the company, department, and team levels.

operation training related to their specialized tasks and require them to obtain a special operation qualification certificate before working.

• For new employees such as temporary workers, contract workers, labor workers, rotational workers, and agreement workers



Conduct mandatory safety training to ensure they possess the safety knowledge and skills required for their positions, such as self-rescue, mutual rescue, and emergency response.

• For specialized workers who have left their positions for more than six months



Require them to retake practical operation exams, and only upon passing these exams can they resume their positions.

• For specialized workers such as electricians, welders, pressure vessel operators, and crane operators



Provide safety technical theory and practical

• For external personnel



Conduct safety education through face-to-face instruction and onsite briefings, covering topics such as factory safety rules, unit production characteristics, work nature, safety and environmental precautions, accident lessons, safety regulations, emergency protection methods, and emergency evacuation routes.



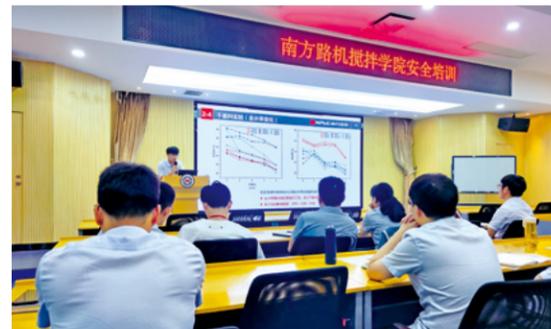
During the reporting period, we conducted a total of 206 safety training sessions through various forms such as outsourced training, safety knowledge lectures, team safety learning meetings, pre-shift meetings, accident site meetings, safety bulletin boards, WeChat public accounts, audiovisual viewing, concentrated classes, and discussion meetings. Training topics included safety laws and regulations, company safety management systems, basic knowledge of work safety, safety technical knowledge, and accident case study analysis, totaling approximately 13,420 hours and 8,733 participants, covering 100% of our employees.



We conducted a total of **206** safety training sessions

Totally approximately **8,733** participants

Totally approximately **13,420** hours



### Highlight

#### Safety Management Annual Conference

In August 2023, we held the 7th Annual Safety Management Conference at the Mixing Institute. Senior leaders, regional service supervisors, installation agents, subcontractors, workshop safety officers, and the Industrial Service Department participated in the conference. The conference focused on raising safety awareness, safety management Q&A, and identifying hazards at construction sites. It aimed to enhance the safety awareness of work safety management personnel at all levels, strengthen their sense of safety responsibility, and lay a solid foundation for our safe and healthy development.



## Occupational Disease Prevention

We have established an Occupational Health Management Leadership Group, led by the General Manager, with main department heads and workshop leaders as members, and the Safety and Environment Department handling daily occupational health management. We have developed systems such as the "Occupational Disease Prevention and Education

Training System," "Occupational Disease Protection Facilities Maintenance System," "Occupational Hazard Warning and Notification System," and "Occupational Hazard Project Declaration System," clarifying management measures for employee occupational health:

### • Occupational Disease Prevention Training



Workshops utilize pre-shift and post-shift meetings, safety bulletin readings, and on-site job hazard explanations to conduct occupational disease protection training. Occupational hazard notification cards are prominently displayed in workshops, detailing types of occupational hazards, consequences, and emergency response measures to enhance all employees' health and safety awareness.

### • Occupational Disease Prevention



The Safety and Environment Department employs full-time (or part-time) occupational health professionals responsible for our occupational disease prevention efforts. When signing labor contracts with employees, we proactively inform them of occupational hazards related to their positions to ensure all employees are aware of potential occupational health risks associated with their activities. We organize pre-employment, on-the-job, off-the-job, and emergency occupational health checks. If we identify workers with health damage related to their occupations, we promptly transfer them from their original positions and make appropriate arrangements.

### • Occupational Hazard Detection



Assign personnel to maintain occupational health protection facilities daily to ensure safe and normal operation of equipment. The Safety and Environment Department also employs full-time (or part-time) professionals for regular monitoring of occupational hazards, regularly entrusting qualified occupational health technical services to conduct occupational hazard detection in various workplaces, and reports the detection and evaluation results to health administrative departments and employees, continuously supervising improvements in workplace occupational health conditions. During the reporting period, we entrusted a third-party professional institution to conduct occupational hazard factor detection, and the occupational exposure results for all employees met standard requirements.

### • Provision of Labor Protection Supplies



We equip our employees with personal protective equipment that meets national occupational health standards and supervise their proper use during production to prevent or reduce occupational accidents and diseases.

During the reporting period, we have had no occupational disease incidents.



### Highlight

#### Rich and Healthy Employee Life

We enrich our employees' leisure time and care for their physical and mental health by organizing a variety of cultural and sports activities:



Badminton Tournament



International Women's Day



Mid-Autumn Festival Dice Game

## Establishment of a Community-friendly Communication Mechanism

We value communication with our local community and strive to minimize any negative impact our production and operational activities may have on the lives of local residents. To achieve this, we have established a friendly communication mechanism with local residents and government departments:

- Actively participate in various activities organized by local government departments and trade unions. Through forms such as WeChat, phone calls, symposiums, and joint construction with party organizations, maintain long-term contact with local residents and government departments. This helps in understanding community needs, receiving and addressing important community issues and complaints, and providing timely follow-up and feedback to ensure proper resolution.

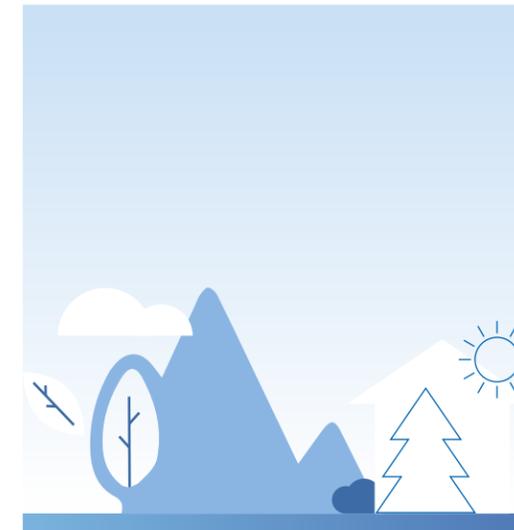
- Organize factory tours periodically, inviting residents from surrounding areas to visit the factory environment and learn about employee working conditions, fostering deeper communication with the local community.

- Pay attention to noise issues generated during production operations. During important events such as entrance exams, actively avoid noisy operations, require all vehicles entering the factory area to refrain from honking, encourage employees to avoid loud noises, and temporarily suspend workshops and logistics operations near schools to avoid disrupting the normal life of the surrounding community.

During the reporting period, we did not receive any complaints from the community.

## Stabilize Industries to Promote Employment and Rural Revitalization

Employment is crucial for people's livelihoods, and achieving fuller and higher-quality employment is an inherent requirement for promoting high-quality development. It serves as a vital foundation for advancing rural revitalization and achieving



## Rural Revitalization and Social Contribution

We have formulated a "Community Policy," pledging to respect the customs and culture of the community, actively listen to the aspirations and hopes of the local people, and support the development of the community. As responsible corporate citizens, we actively fulfill our social responsibilities, while seeking our own business development, by promoting local employment, supporting the development of local education, engaging in charitable activities, and other means to contribute to the well-being of the community and the revitalization of rural areas.



common prosperity. Faced with complex international situations, severe impacts from climate change-induced extreme weather events, and daunting challenges brought by economic cycles, we persist in stabilizing industries to promote employment. We continuously deepen

local employment policies, providing employment and training opportunities for local residents during the development of our enterprises. This helps alleviate local employment pressures and contributes to rural revitalization by giving back to society through tangible actions.

### Highlight

#### School-enterprise Cooperation Promotes Employment

We have established a school-enterprise talent joint training mechanism with several universities and colleges, such as Huaqiao University, Fujian Agriculture and Forestry University College of Mechanical and Electrical Engineering, and Sanming Senior Technician School. Through various forms of cooperation such as establishing student internships and employment bases, providing vocational skills training, and organizing "NFLG Welding Classes," we strengthen technical exchanges and collaboration between schools and enterprises, alleviate local graduates' employment pressure, and promote the integrated development of production, research, and education. During the reporting period, we signed a cooperation agreement with Quanzhou Normal University, establishing professional practice bases and organizing activities such as school-enterprise cooperation forums and enterprise visits to promote employment opportunities for local high-quality applied technical talents.



### Highlight

#### Paired Assistance in Revitalizing Rural Areas

We have established a paired assistance relationship with Hewan Village in Xiantao City, Hubei Province. We provide employment and training opportunities for local villagers to help them improve their skills and secure employment. Upon learning about the longstanding issues of infrastructure disrepair and rough roads in Hewan Village, we organized repair efforts to enhance local transportation convenience and safety, facilitating residents' travel and improving their well-being.

## Support Education for Children

We believe education is one of the greatest drivers of sustainable development. We deeply care about the growth of children in our local community. By providing educational funding, improving educational facilities, and other means, we support the development of children's education in the community, contributing our corporate efforts to achieving United Nations Sustainable Development Goal 4 - "Quality Education."

In 2019, we established the "NFLG Education Fund." Since 2020, we have donated 100,000 RMB annually to Quanzhou Chengdong Middle School to reward outstanding achievements in the middle and high school entrance exams, teaching skills competitions, student subject competitions, education research, and other outstanding achievements by faculty and staff. This initiative aims to encourage teachers to be dedicated, foster education, continuously improve the quality of education and teaching, and cultivate more talents for society.

During the reporting period, we donated 110,000 RMB to Haicheng Experimental Kindergarten in Fengze District, Quanzhou City, for sporadic repairs and replacement of safety protection facilities, ensuring the personal safety of children, preventing accidents, and creating a more comfortable and aesthetically pleasing learning environment. We also donated mobile recording and broadcasting equipment to Haibin Experimental Primary School in Fengze District to support the sharing of educational resources both on and off campus.



## Promote the Spirit of Volunteerism

The spirit of volunteerism has always been a part of our culture. We are committed to supporting social welfare initiatives and actively encourage employees to participate in volunteer activities, contributing to the construction of a harmonious society.



-  We organize employees to actively participate in voluntary blood donation activities, spreading love and hope for life, and demonstrating their enthusiasm for social welfare and their willingness to shoulder social responsibilities.
-  During the Chongyang Festival, we conduct visits and condolences to families in need, distributing appropriate gifts to the elderly in the community, inheriting and promoting the traditional Chinese virtues of respecting and honoring the elderly, and fostering a good social atmosphere.



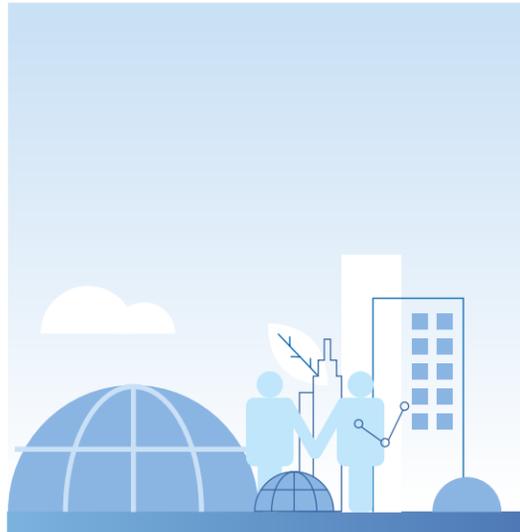
# Governance

 Sustainability-Related Governance Mechanisms  
 Anti-Commercial Bribery and Anti-Unfair Competition



## 2023 Management Goals for Governance Issues

- 1 Based on our strategy and business reality, formulate sustainable development policies and declarations
- 2 No incidents of commercial bribery or corruption occurred throughout the year
- 3 No conflicts of interest incidents occurred throughout the year
- 4 No money laundering or insider trading incidents occurred throughout the year
- 5 No lawsuits or administrative penalties occurred due to unfair competition practices throughout the year
- 6 No litigation occurred throughout the year due to infringement of intellectual property rights
- 7 No incidents of tax violations occurred throughout the year
- 8 Regularly compile and disclose sustainability reports to stakeholders, explaining the effectiveness of our sustainable development efforts



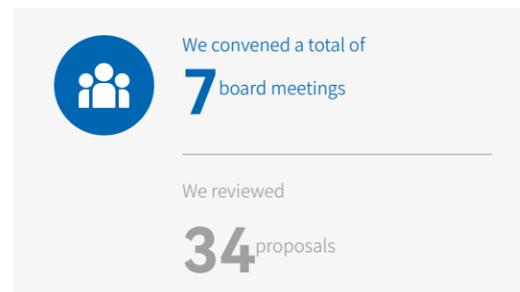
## Sustainability-Related Governance Mechanisms

We integrate the concept of sustainable development into our corporate management, continuously improve our scientific and efficient governance system, and enhance our ESG management level. This is to strengthen our resilience in addressing sustainable development risks and opportunities in our operations and business development. Additionally, we expand diverse communication channels to fully safeguard the interests of shareholders and all stakeholders, ensuring the sustainable development of our company.

## Governance Structure

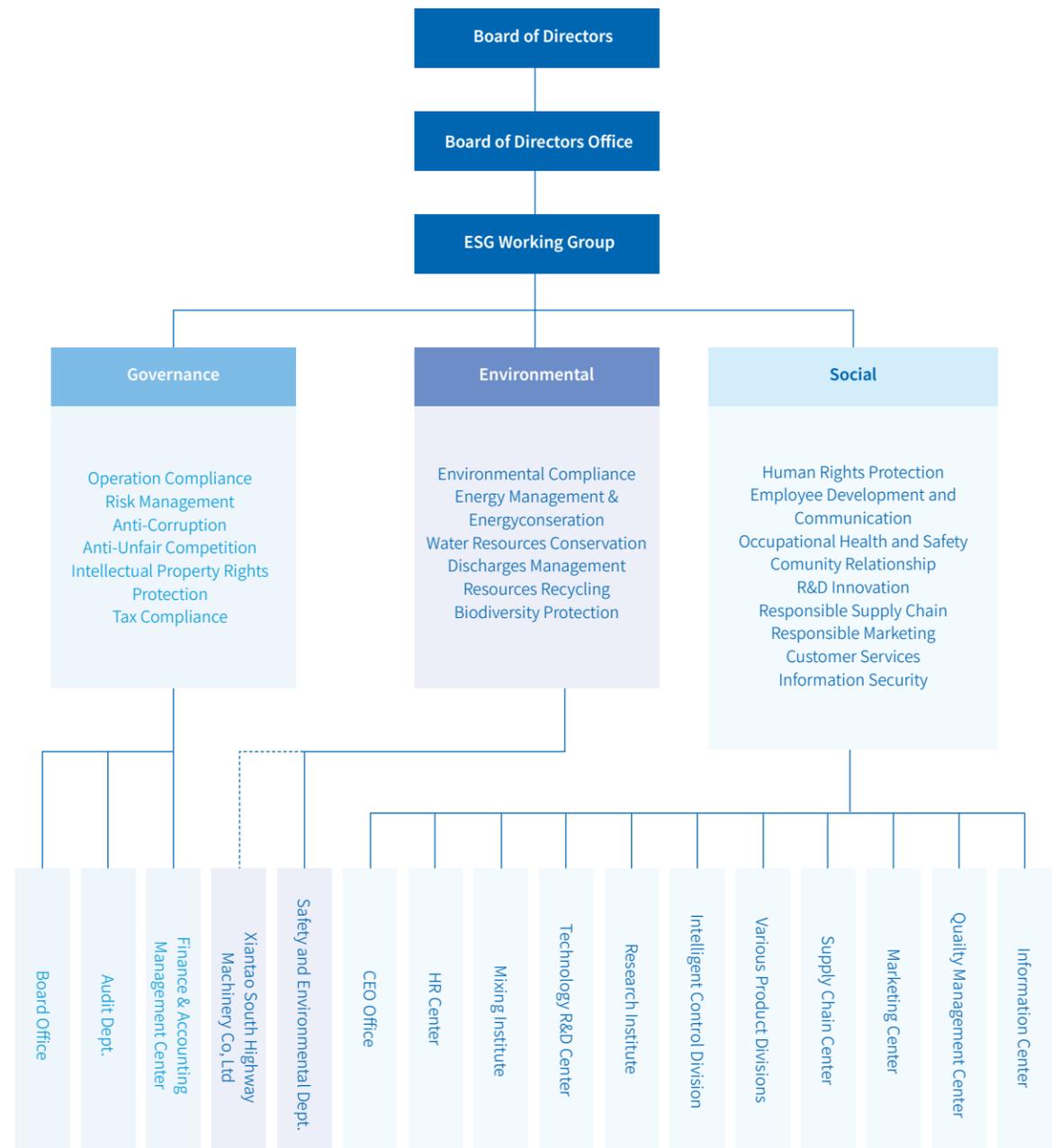
NFLG strictly adheres to the relevant laws and regulations, such as the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. We have established a corporate governance structure composed of the shareholders' meeting, the board of directors, the board of supervisors, and the management team. The corporate governance structure is responsible, scientifically efficient, mutually coordinated, and balanced. We have formulated a series of governance system documents, such as the "Articles of Association," "Rules of Procedure for Shareholders' Meetings," "Rules of Procedure for Board Meetings," "Rules of Procedure for Supervisory Board Meetings," and "Independent Director Working System," continuously improving the governance mechanism and standardizing our operation, enhancing level of corporate governance, and ensuring the high-quality development of NFLG.

Our Board of Directors comprises four specialized committees: The Strategic Committee, Audit Committee, Nomination Committee, and Remuneration and Assessment Committee. Among them, the Audit Committee, Nomination Committee, and Remuneration and Assessment Committee each have two independent directors, with one of them serving as the convener. These committees fulfill their duties according to regulations, leveraging their professional expertise to provide guidance and oversight on sustainable development-related matters and decisions. They contribute to scientific decision-making on significant issues related to our sustainable development and provide support and assurance for the professional operation of the Board of Directors. During the reporting period, we convened a total of 7 board meetings and reviewed 34 proposals. Additionally, we held 7 meetings of the specialized committees, discussing 22 proposals. The attendance rate for all board meetings was 100%.



## ESG Management

To enhance the management level of various ESG topics and achieve ESG management goals/indicators, we have established a sound and effective ESG governance framework. Under the leadership of the Board of Directors, we have formed an ESG Working Group consisting of three sub-groups: Corporate Governance, Environment, and Social. Each sub-group comprises relevant functional departments responsible for specific ESG management tasks. We have implemented weekly and quarterly reporting mechanisms, where the management reports to the Chairman through weekly meetings of senior management and quarterly meetings of the company's operational management. This ensures that ESG-related work is effectively implemented.



We have formulated a series of sustainable development policies based on our strategy and business practices, providing a set of behavioral norms for all our employees to adhere to in our global business operations. These policies serve as institutional safeguards for the management of various ESG topics.

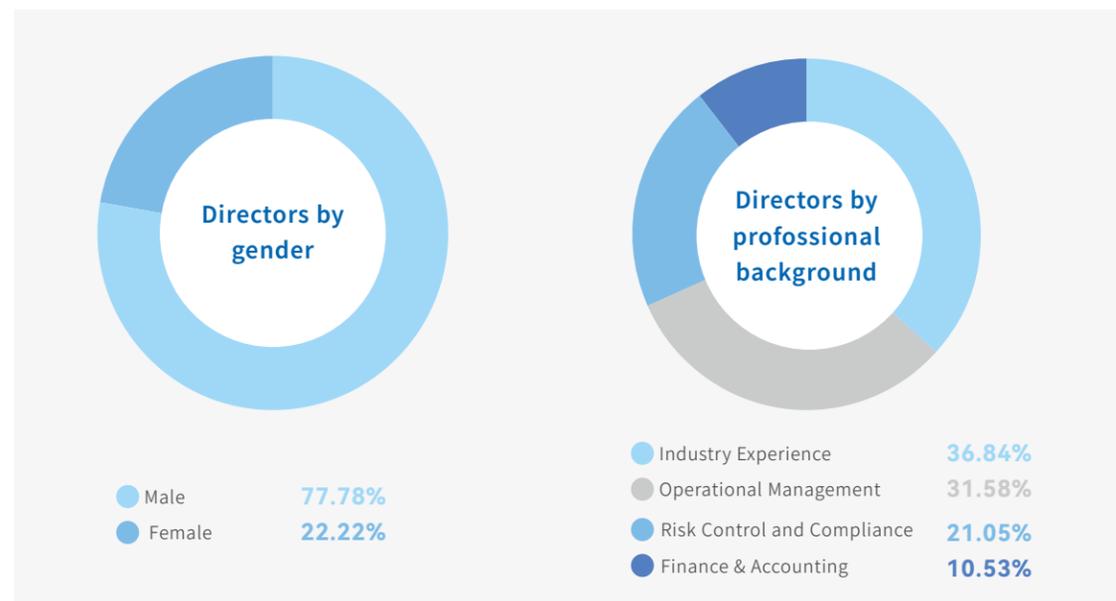
Sustainable Development Policy
Business Code of Conduct
Supplier Code of Conduct
Anti-Corruption and Anti-Bribery Policy
Environmental Protection Policy
Human Rights Policy
Community Policy
Taxation Policy
Information Security Policy

## Appointment of Directors and Senior Management

We are committed to building a diversified and professional board of directors and management

team. Our Nomination Committee strictly follows the provisions of the Company's Articles of Association and the Working Rules of the Nomination Committee to carry out the selection and nomination procedures for directors and senior executives. The committee selects initial candidates based on our company's actual needs and considers multiple factors such as gender, age, professional background, work experience, and social responsibilities. After compiling a shortlist of candidates, the committee reviews them against the qualification requirements for directors and senior executives and presents candidate recommendations to the board of directors. Director candidates are subject to approval by the board of directors and then put to a vote at the shareholders' meeting for election, while senior executive candidates are appointed after approval by the board of directors.

Our board of directors comprises nine members with diverse gender, age, professional capabilities, and background experiences. Among them, two are female directors, accounting for 22.22% of the total board members, and three are independent directors, all holding master's degrees or above, representing 33.33% of the total board members. The board members possess extensive experience in operational management, risk control, compliance, financial accounting, and other areas, providing crucial support for our informed decision-making.



Name	Occupation	Age	Professional Background				Attendance Rate(Board of directors and special committees)
			Industry Experience	Operational Management	Risk Control and Compliance	Finance & Accounting	
Fang Qingxi (M)	Chairman	76	○	○	○		100%
Fang Kai (M)	Vice Chairman, General Manager	47	○	○	○		100%
Wan Jingwen (F)	Director, CFO, Board Secretary	63	○	○	○	○	100%
Peng Siming (M)	Director, Chief Engineer	56	○	○			100%
Huang Wenjing (M)	Director, Chief Engineer	49	○	○			100%
Yi Zhen sheng (M)	Director	56	○	○	○		100%
Zhang Yongkui (M)	Independent Director	51				○	100%
Jiao Shengjie (M)	Independent Director	69	○				100%
Chen Yang (F)	Independent Director	45			○		100%

We highly value the continuous improvement of the performance capabilities of our directors, supervisors, and senior management personnel. We actively organize them to participate in various training sessions organized by local offices of the China Securities Regulatory Commission (CSRC), stock exchanges, and other institutions. Additionally, we hold internal seminars and exchange meetings on ESG-related topics to continuously enhance our corporate governance level. During the reporting period, we organized a total of 9 training sessions for directors, supervisors, and senior management personnel, covering topics such as new regulations and risk management, hosted by CSRC (Fujian), the Listed Companies Association of Fujian, the Shanghai Stock Exchange, and others.



## Compensation of Directors and Senior Management

Our Board Remuneration and Assessment Committee is responsible for formulating compensation schemes for directors and senior management personnel. According to the Company's Articles of Association and the Rules of the Remuneration and Assessment Committee, these schemes are submitted to the Board for approval and then presented to the shareholders' meeting for voting. The compensation scheme for senior management personnel is approved by the Board upon recommendation from the Remuneration and Assessment Committee. Directors who do not hold positions within the company do not receive director remuneration. Directors holding positions within the company receive remuneration commensurate with their specific roles within the company, while independent directors receive director allowances. Our senior management personnel operate on an annual salary basis, consisting of two components: basic annual salary and performance-based annual salary. The basic annual salary is determined based

on factors such as the senior management's job responsibilities and tenure, while the performance-based annual salary is determined based on factors such as the company's annual operational performance (e.g., net profit), the completion of annual work plans, organizational assessments, and the results of the senior management's annual performance evaluations.

To achieve the organic integration of personal value and corporate development for our directors and senior management personnel, we have implemented an employee stock ownership plan. This plan establishes a long-term incentive and constraint mechanism to ensure the realization of our operational goals and sustainable development. As of the end of the reporting period, our directors and senior management personnel indirectly held 5,360,000 shares of the company through the employee stock ownership platform, accounting for 4.944% of the total share capital of the company.

Name	Occupation	Number of shares indirectly held through shareholding platforms as of the end of the reporting period (shares)
Fang Qingxi	Chairman	1,500,000
Fang Kai	Vice Chairman, General Manager	1,010,000
Wan Jingwen	Director, CFO, Board Secretary	350,000
Peng Siming	Director, Chief Engineer	1,050,000
Huang Wenjing	Director, Chief Engineer	1,050,000
Yi Zhensheng	Director	400,000
<b>Total</b>		<b>5,360,000</b>

## Related-Party Transaction

To safeguard the legitimate rights and interests of shareholders, especially small and medium-sized shareholders, we have formulated the "Implementation Rules for Related Party Transactions" in accordance with relevant laws, regulations, and regulatory rules. Through clarifying the scope of related party transactions, deliberation and decision-making procedures, and information disclosure, we standardize the management of

related party transactions to ensure that such transactions comply with the principles of fairness, impartiality, transparency, equity, voluntariness, equivalence, and compensation. We strictly adhere to the approval decision-making process in accordance with regulations, implement mechanisms for related shareholders and directors to recuse themselves, and ensure that related party transactions are compliant and fair.

## Prevention of Conflict of Interest

We have explicitly defined the fiduciary duties of our directors and senior executives in our company's Articles of Association. They are obligated to act in the best interests of the company and all shareholders. To prevent any negative impact caused by conflicts of interest, our directors and senior executives are required

to proactively report their positions as directors or senior executives in other entities to the company. This information will be disclosed to the shareholders and the public in our annual reports, and appropriate measures will be taken to supervise and prevent conflicts of interest situations.

## Protection of Investor Rights and Interests

We strictly adhere to the relevant laws and regulations, listing regulations, and internal company rules such as the Company Charter and Shareholders' Meeting Rules to fulfill the procedures for convening, holding, and voting at shareholders' meetings. We also provide shareholders with online voting channels to fully guarantee the rights of shareholders, including the right to be informed, participate, vote, and supervise. Additionally, we employ mechanisms such as separate vote counting for small and medium-sized investors to effectively safeguard the rights and interests of minority shareholders. During the reporting period, we held a total of 3 shareholders' meetings and reviewed 16 proposals.

We have established the "Investor Relations Management System" to clarify the responsible entities and their duties, management methods and communication channels, as well as supervision

mechanisms, to guide and standardize investor relations management work and strengthen communication and exchanges with investors. We strictly adhere to relevant regulations and the internal "Information Disclosure Management System" to fulfill our information disclosure obligations, providing investors with truthful, accurate, complete, timely, and fair disclosure of company information. Additionally, we proactively and promptly report relevant matters to regulatory authorities, striving to enhance our transparency and the quality of information disclosure. We have established a diversified investor communication mechanism, engaging with investors through various channels such as the Shanghai Stock Exchange E Interactive Platform, investor hotline, performance briefings, investor open days, and investor surveys. These efforts aim to provide investors and other stakeholders with comprehensive channels to understand our company, while also fully listening to their suggestions and expectations.



Investor research reception



Investor research reception



Held a total of  
**3** shareholders' meetings

Reviewed  
**16** proposals

## Risk Management, Internal Control, and Compliance

We have established a risk-oriented internal control system, continuously improving control mechanisms and processes, enhancing risk control at critical points, and implementing internal control supervision and inspection. This is to effectively prevent various significant risks that may occur in our business operations, ensuring compliance and stable management of the company.

### Risk Control and Compliance Management

Our Board Audit Committee is responsible for guiding, supervising, and reviewing the establishment and implementation of our internal control system, while management is responsible for organizing and leading the daily operation of internal control. Our audit department is responsible for formulating and improving the internal control system and for inspecting and evaluating the integrity, rationality, and effectiveness of its implementation. Each year, the audit department,

in conjunction with our operational and business development needs, determines the focus of internal audit work for the year. After review by the Audit Committee, the plan is implemented and the results are reported at our quarterly/annual management meetings and to the Audit Committee, where guidance and supervision are provided.

We continuously promote the soundness and improvement of our internal control procedures by identifying risk control points in business activities and key processes. We combine strategic planning, business development, product increments, functional adjustments, cost reduction needs, and other factors. After the annual report disclosure, we organize comprehensive reviews and timely revisions and optimizations of internal control systems and processes each year. This continuous enhancement of risk control points, control procedures, and internal control systems effectively prevents various risks and safeguards the company's stable operation. In addition, through the "rationalization proposal" mechanism, we encourage employees to proactively report potential risks or suggest improvements in internal control management.

As examples of the two types of risks identified by us:

Risks and Impacts	Mitigation Measures
<p><b>Risk of Key Personnel Attrition:</b> With the continuous intensification of market competition, there is an increasing demand for professional talents in the industry, and even situations where enterprises compete for talents. In the future, we face the risk of key personnel attrition.</p>	<p>We have established competitive compensation and incentive systems in the market. We have also signed confidentiality and non-compete agreements with key technical personnel, clearly defining obligations and responsibilities regarding non-compete clauses to minimize the risk of attrition among key personnel, especially senior management and technical talents.</p>
<p><b>The risk of technology leakage:</b> If key technical personnel are lost, it may lead to the leakage of our core technology, weakening our competitive advantage and potentially affecting our business development.</p>	<p>We have signed confidentiality agreements and non-compete agreements with key technical personnel, and established a confidentiality control mechanism. On one hand, this restricts the scope of knowledge and access to technical confidential information, strictly enforces procedures for the transmission, storage, and destruction of technical secrets. On the other hand, we manage and control sensitive equipment and networks through technical means.</p>

During the reporting period, we advanced and implemented internal control optimization projects, reviewed and revised internal control manuals, added corresponding internal control procedures based on new business product lines, optimized contract management and seal management procedures, identified and strengthened control over risks such as foreign exchange,

wars, and industry standards that may be involved in overseas business, added credit guarantee processes, etc. Through the addition or optimization of control processes, control objectives, and the enhancement of risk control matrices, we continuously enhance our internal management and business compliance operation level.

## Inspection of Risk Control and Compliance

We regularly conduct routine audits, special audits, internal control assessments, and other risk and compliance supervisory checks to promptly identify deficiencies and issues in the construction and operation of our internal control system. We urge relevant departments or business units to rectify and improve these issues, aiming to achieve effective risk control and internal control operation.

During the reporting period, we conducted the following risk and compliance inspections:

- 

Internal control evaluations were conducted for all operating entities within the scope of consolidation, focusing on operational and business critical areas as well as high-risk domains. External professional organizations were commissioned to audit the effectiveness of internal controls.
- 

Special internal audit projects were carried out focusing on procurement, production, costs, and financial system execution. These audits covered the company, its subsidiaries, and branches. Rectification and optimization were performed based on the audit findings to strengthen internal controls and mitigate operational risks.

## Risk Control and Compliance Education

We place great importance on building a culture of risk awareness within our organization. Through organizing risk and compliance training sessions and facilitating communication, we aim to educate our employees on relevant laws, regulations, and internal policies. By disseminating knowledge related to risk management and compliance, we continuously enhance employees' awareness of risk prevention and compliance practices, thus improving their professional competence and skill levels in their respective roles.

### Highlight

#### Bank Guarantee Business Seminar

In 2023, we invited external institutions to conduct seminars and training sessions on bank guarantee business for employees of various departments such as Sales Management, Marketing Management, Overseas Department, Legal Department, Securities Department, and Financial Management Center. The sessions covered topics including fundamental knowledge, operational practices, and risk prevention, allowing employees to share and discuss with experts. This initiative aimed to enhance employees' understanding of the legal regulations and risk control measures related to bank guarantee business, thereby improving their risk awareness and response capabilities in business operations.



# Communications with stakeholders



We maintain close communication and exchange with stakeholders through diverse channels, incorporating their expectations and suggestions into our sustainable development governance.

Stakeholders	Employees	Customers	Suppliers	Distributors		Investors	Banks	Media	Governments and Supervision Departments	NGOs
Material Issues	Information Security R&D Innovation Customer Service	Anti-corruption Customer Service Anti-Unfair Competition	Anti-corruption Responsible Supply Chain Intellectual Property Rights Protection	Tax Compliance Anti-Unfair Competition Information Security Risk Management		R&D Innovation Environmental Compliance Operation Compliance	Tax Compliance Risk Management Anti-corruption Operation Compliance	R&D Innovation Anti-corruption Environmental Compliance Customer Service	R&D Innovation Tax Compliance Operation Compliance	Community Investment Operation Compliance Anti-Unfair Competition Anti-corruption
Communication Methods	Employee Meetings and One-on-One Interviews Employee Training and Activities Employee Care and Wellbeing Employee Complaints	Customer Service and Complaints Customer Satisfaction Surveys Specialized Training Online Communication	Online Communication and On-Site Visits Quality Management Coaching Industry Exhibitions	Distributors Training Distributors Meeting On-Site Guidance Online Communication		Public Disclosure of Listed Company Information E-Interactive Platform and Investor Hotline Performance Briefings Investor Surveys	Public Disclosure of Listed Company Information On-Site Visits	Public Disclosure of Listed Company Information Social Media Communication Public Opinion Monitoring	On-Site Visits Government Project Collaborations Conference Training	On-Site Visits Public Service Public Opinion Monitoring

## Material Issues Assessment

We regularly conduct substantive issue assessments to continuously improve the management measures related to these issues. By addressing the results of these assessments, we aim to enhance our management effectiveness across various ESG issues. Furthermore, we ensure that our ESG reports or sustainability reports address the concerns of stakeholders.

In 2023, we identified 27 ESG topics relevant to our operations and business characteristics. We referenced reporting frameworks such as GRI and SASB and benchmarked against industry peers' ESG best practices. We invited management and other stakeholders to participate in substantive issue surveys to analyze and evaluate the ESG topics of concern to them. Based on the results of internal and external research, we conducted a comprehensive analysis and ranking of the importance of ESG topics considering their financial impact on us and their significance to stakeholders. This process resulted in the formation of the 2023 Substantive Issue Importance Matrix. The results of the 2023 Substantive Issue Assessment were submitted to the board of directors for approval. We highlighted the three most important substantive issues identified in this assessment—R&D Innovation, Tax Compliance, and Environmental Compliance—in relevant sections of this report.

### Environmental Issues

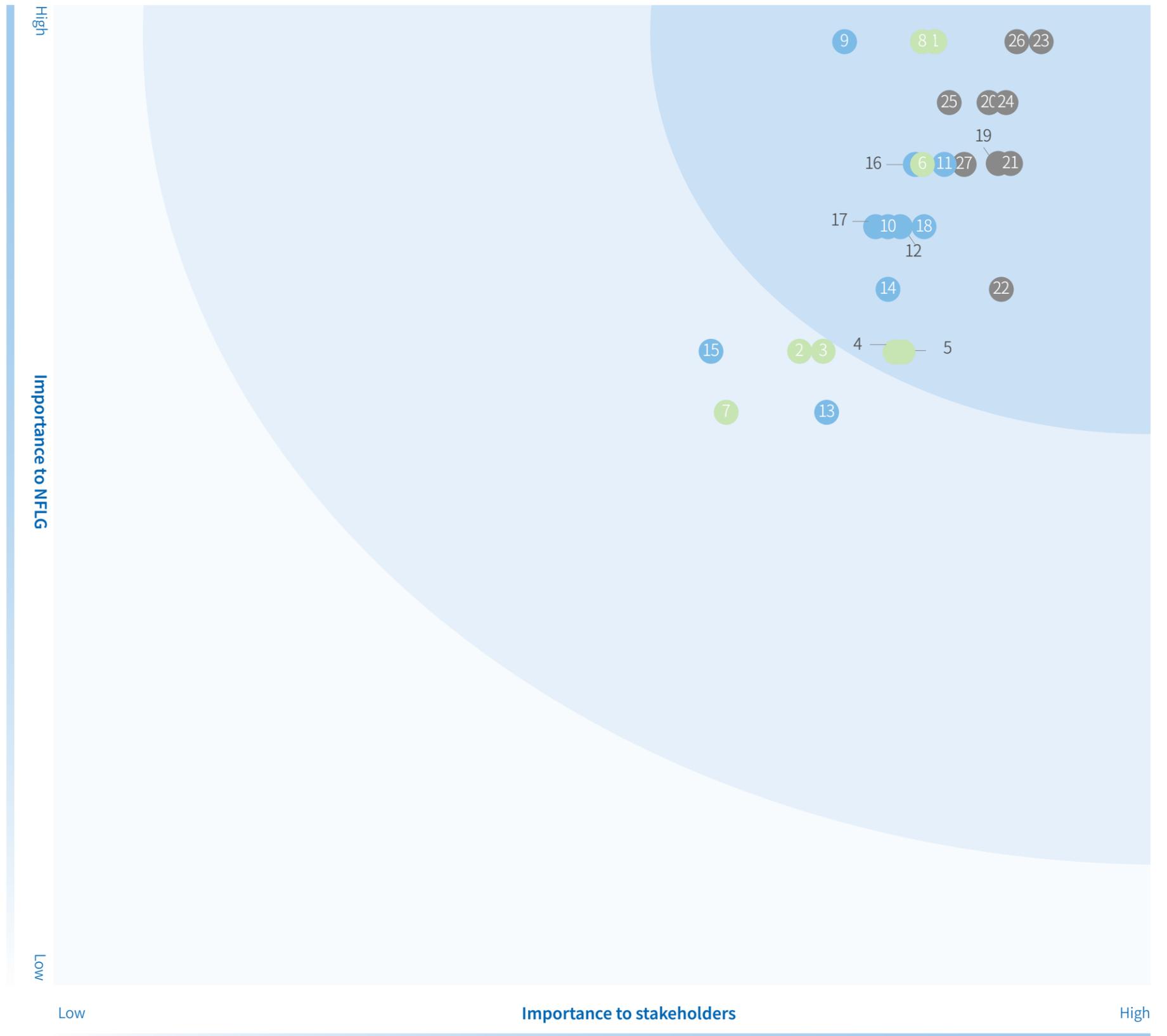
- 1 Environmental Compliance
- 2 GHG Emission
- 3 Energy Management
- 4 Water Resources Protection and Wastewater Management
- 5 Waste Air Management
- 6 Waste Management
- 7 Biodiversity Protection
- 8 Resources Recycling

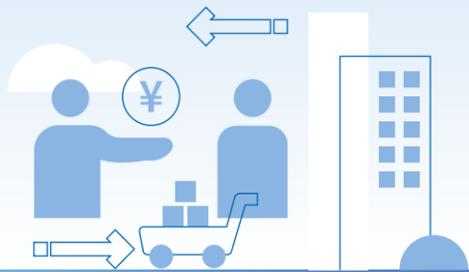
### Social Issues

- 9 Equal Employment
- 10 Human Right Protection
- 11 Occupation Health and Safety
- 12 Training and Education
- 13 Compensation and Welfare
- 14 Employee Communication
- 15 Community Investment
- 16 Responsible Supply Chain
- 17 Responsible Marketing
- 18 Customer Service

### Governance Issues

- 19 Operation Compliance
- 20 Risk Management
- 21 Anti-corruption
- 22 Anti-unfair Competition
- 23 R&D Innovation
- 24 Intellectual Property Rights Protection
- 25 Information Security
- 26 Tax Compliance
- 27 Complaint Mechanism and Complainant Protection





## Anti-Commercial Bribery and Anti-Unfair Competition

We strictly abide by the laws and regulations such as the Unfair Competition Law of the People's Republic of China and the Anti-Monopoly Law of the People's Republic of China, and the relevant policies and regulations where we operate. We adhere to the principles of compliance, fairness, and integrity, conducting our business activities with high ethical standards. We actively advocate for and uphold an environment of integrity, fairness, and freedom in business. Through the establishment of a "Code of Business Conduct," we articulate our stance on anti-corruption, anti-bribery, fair and free competition, conflict of interest avoidance, anti-money laundering, insider trading prohibition, protection of company assets, complaint handling, and complainant protection. This code serves as the behavioral norms that all our employees should adhere to in their business activities. Furthermore, we also expect and encourage our suppliers, contractors, distributors, and other partners to comply with the requirements of this code, embracing responsible business practices and jointly promoting integrity in business operations and ethical development.

## Anti-unfair Competition and Anti-Monopoly

We strictly adhere to national and local regulations regarding anti-monopoly and anti-unfair competition, conducting our business activities on the principles of integrity, freedom, and fair competition. We respect and protect the legitimate rights of our competitors, and uphold the free and fair economic market order and business environment. We require personnel responsible for procurement and related tasks to organize procurement strictly in accordance with our approved procurement methods, following principles of fairness, justice, and transparency. They must not offer preferential or discriminatory treatment to suppliers under unreasonable conditions, establish biased qualification thresholds or technical terms, exclude or restrict other potential suppliers, collude maliciously with suppliers or procurement units, abuse their authority to designate suppliers forcefully, interfere with normal procurement activities, or engage in inappropriate financial transactions with procurement personnel or suppliers to gain unfair benefits. In the event of any such unfair competition by company personnel, we will take appropriate measures and hold them accountable according to internal regulations and penalty mechanisms. During the reporting period, we did not experience any litigation or significant administrative penalties due to unfair competition practices.

## Anti-Corruption and Anti-Bribery

We maintain a zero-tolerance stance towards corruption and bribery. We strictly adhere to relevant laws and regulations on anti-corruption and anti-bribery, vehemently opposing any form of corrupt or bribery behavior. We have formulated an "Anti-Corruption and Anti-Bribery Policy" and implemented corresponding management measures to prevent corruption and bribery risks.

## Integrity Management of Employees

We require all employees to adhere to relevant laws, regulations, and internal policies regarding anti-corruption and bribery, and to uphold integrity and self-discipline. In our Employee Handbook, we clearly define provisions related to anti-corruption, anti-bribery, and conflict of interest, and establish a system of rewards and penalties. Instances of corruption or commercial bribery by employees are considered serious violations and are subject to appropriate disciplinary measures. To further prevent corruption risks in procurement activities, managers and personnel responsible for procurement tasks are also required to sign a "Commitment to Anti-Commercial Bribery and Integrity" pledge, committing to comply with relevant laws, regulations, and our integrity rules, prohibiting any form of corruption or bribery, and preventing potential conflicts of interest. Violations of this commitment will result in disciplinary action and accountability.

## Integrity Management of Business Partner

### • For suppliers



through qualification checks, on-site inspections, and other means, we examine and prevent potential integrity risks among suppliers; require suppliers to sign a "Company Integrity Cooperation Agreement," pledging not to bribe company personnel in any way, refusing any solicitation for bribes from company personnel, and refraining from any other improper behavior listed in the agreement. If a supplier violates the integrity agreement, we reserve the right to take actions such as revoking their supplier qualification, demanding the return of improper gains, and pursuing legal liabilities.

### • For distributors



we require them to sign an "Anti-Commercial Bribery Commitment," pledging not to request or deliver any bribes or other improper benefits to company personnel, and they must proactively report any instances of affiliation with us. If a distributor violates the integrity commitment, we reserve the right to take actions such as terminating the partnership, reclaiming breach penalties, and pursuing legal liabilities. We also promote integrity requirements to distributors through online and offline meetings to strengthen the prevention of integrity risks among distributors.

## Integrity Risk Supervision and Management

We continuously supervise potential corruption issues through internal audits, internal control reviews, and other monitoring methods, urging corrective actions to effectively prevent corruption risks. During the reporting period, we did not experience any incidents of commercial bribery or corruption.

## Intellectual Property Rights Protection

We have established an intellectual property management system and formulated regulations such as the Intellectual Property Management Manual, Intellectual Property Management Measures, and Patent Management Measures in accordance with the relevant laws and regulations of the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and the Trademark Law of the People's Republic of China, as well as the national standard GB/T29490-2013 "Enterprise Intellectual Property Management". We manage and control various aspects of intellectual property acquisition, maintenance, utilization, and protection to effectively protect company's intellectual property.

We strictly adhere to the internal intellectual property management system to review and register new technologies and products, promptly apply for intellectual property rights registration, and establish an intellectual property management ledger. We continuously monitor and manage intellectual property to promptly detect any infringement and take necessary measures. During the reporting period, we filed 25 new patent applications, obtained 79 new authorized patents, registered 9 new copyrights, and applied for 6 new trademarks. As of

the end of the reporting period, we held a total of 726 authorized patents, 31 registered copyrights, and 23 registered trademarks.

We have established a confidentiality control mechanism. On one hand, we classify technical information as top secret, limiting access and strictly enforcing procedures for the transfer, storage, and disposal of technical secrets. On the other hand, we manage and control sensitive equipment and networks using technical means. For example, we implement double-network isolation for research and development (R&D) personnel's internet access, physically lock workstations, strictly prohibit the use of external hard drives or USB devices, encrypt sensitive drawings and data, and limit email sending traffic. We also sign confidentiality and non-compete agreements with technical staff and specify corresponding penalties for violations of confidentiality regulations in our Intellectual Property Rights (IPR) incentive and penalty system. Additionally, by conducting intellectual property-related training, we instill awareness among employees regarding the protection and risk prevention of intellectual property, effectively preventing and timely addressing risks associated with intellectual property infringement.

### Highlight

#### Specialized Training of "Common Intellectual Property Rights Risks and Countermeasures for Engineering Machinery Enterprises"

In 2023, we invited external professional organizations to conduct specialized training on "Common Intellectual Property Risks and Response Strategies for Engineering Machinery Enterprises" for department heads and key business personnel. The training aimed to disseminate basic knowledge of intellectual property rights and tailored the content to the business characteristics of engineering machinery enterprises. Starting from various business scenarios such as technical research and development, design, procurement, production, and sales, the training provided professional guidance on intellectual property risk prevention, response, and management. This initiative aimed to enhance the awareness and management capabilities of relevant personnel regarding intellectual property risk prevention.



## Tax Compliance Management

We strictly comply with the national tax laws and regulations, such as the Corporate Income Tax Law of the People's Republic of China, as well as all relevant tax laws and regulations applicable to each business location. We have formulated a "Tax Policy" based on the principles of tax legality, compliance, integrity, and transparency. We are committed to fulfilling our tax obligations in accordance with the law and strengthening tax risk management. We pledge not to transfer profits to regions with lower tax rates or other jurisdictions for the purpose of improper gain, nor adopt tax structures or arrangements lacking commercial substance for the purpose of tax evasion. We adhere to the principle of fair dealing in transfer pricing arrangements between related entities to ensure the fairness and reasonableness of transactions. During the reporting period, our total tax payment amounted to 39.04

million RMB, and no tax-related violations occurred.

We follow the requirements outlined in the Internal Control Manual to identify and manage potential tax risks in our operational processes according to internal control procedures. We implement effective control measures for key risk points. Annually, we engage external organizations to conduct tax audits and maintain periodic communication and exchange with tax authorities and external tax advisors to enhance tax risk prevention and ensure tax compliance. Additionally, we organize training sessions for personnel from relevant departments to enhance awareness of tax risk prevention and improve tax expertise, thereby enhancing our overall tax management capabilities.

### Highlight

#### "Annual Pre-Closing Tax Risk Assessment and Routine Business Tax Consultation" Specialized Training

In 2023, we invited an external tax consultancy firm to organize a specialized training session titled "Annual Pre-Closing Tax Risk Assessment and Routine Business Tax Consultation" for all personnel in our Finance and Accounting Management Center and the Board Office. This training aimed to provide professional guidance and advice on tax risk identification, management, tax declaration, and processing, enhancing the tax compliance awareness and professional capabilities of relevant staff members.



## Complaint Mechanism and Complainant Protection

We encourage employees, suppliers, and other stakeholders to oversee our business activities. They are welcome to report any violations of business ethics or laws and regulations in our business operations. Our company's audit department is responsible for receiving, processing, and documenting complaints and reports. To stimulate the enthusiasm and proactiveness of

employees, suppliers, and other stakeholders in providing feedback and to timely and effectively detect and prevent ethical risks, we have established a reward mechanism. Upon verification of relevant complaints and reports, corresponding rewards are granted to the individuals involved.

### Complaint and Reporting Channels

Complainants can lodge complaints and reports anonymously or with identification through the following channels:

 **Complaint Hotline**  
0595-28201085

 **Complaint Email**  
audit@nflg.com

 **Complaint Email**  
Mailing Address: No. 700, Sports Street, High-tech Industrial Park, Fengze District, Quanzhou City

In addition, we have clearly listed the complaint and reporting hotline, email address in the "Anti-Commercial Bribery and Integrity Commitment" signed by employees, and in the "Company Cooperation Integrity Agreement" signed by suppliers. This provides clear and accessible channels for employees and suppliers to make complaints and reports.

### Complainant Protection Mechanism

In terms of complainant protection, we allow anonymous complaints and strictly implement mechanisms to keep complainant information confidential. We rigorously maintain the confidentiality of complainant identities and materials, effectively safeguarding their legitimate rights and interests. When rewarding complainants, we refrain from disclosing their identities without

their consent.

We firmly oppose any retaliatory actions. If any employee is found to engage in retaliatory behavior against complainants, we will issue warnings, dismissals, or other disciplinary actions based on the severity of the situation, and hold them accountable for their actions under the law.

## Data Overview

### Environment

Indicator	Unit	2022	2023
<b>Environmental Protection Investment</b>			
Total annual environmental protection investment	Ten-thousand RMB	78.50	144.16
<b>Environmental Management</b>			
Number of environmental violations in the year		0	0
The number of environmental emergency drills in the year	Time	4	4
<b>Emissions and Discharges</b>			
<b>GHG</b>			
Scope1: Direct GHG emissions		425.14	579.84
Scope2: Indirect GHG emissions	tCO <sub>2</sub> e	3,489.04	3,777.64
Total GHG emissions <sup>1</sup>		3,914.18	4,357.48
Total GHG emissions intensity	tCO <sub>2</sub> e/ hundred-million RMB of operating revenue	321.56	381.92
<b>Air Pollutants</b>			
NOx emissions		0.10	0.00
PM emissions		0.87	0.13
Non-methane hydrocarbons emissions		28.10	17.14
Benzene		/	0.09
Toluene	Ton	0.14	0.08
Xylene		0.51	0.20
Aromatic compounds		0.77	0.42
Ethyl acetate, Butyl acetate		/	0.03

<sup>1</sup>The increase in the company's GHG emissions compared to 2022 is mainly attributed to the increase in production volume.



Indicator	Unit	2022	2023
<b>Wastewater and Wastewater Pollutants Discharges</b>			
Wastewater discharges		/	81,004.00
COD		24.08	17.98
BOD <sub>5</sub>	Ton	8.97	6.93
Ammonia Nitrogen discharge		1.21	1.95
Total Nitrogen discharge		/	2.77
Suspended solids		/	4.37
<b>Waste</b>			
<b>Hazardous Waste</b>			
Hazardous waste generation	Ton	61.16	71.21
Transfer and disposal volume of hazardous waste		61.16	71.21
<b>General Waste</b>			
Industrial waste produced volume <sup>2</sup>	Ton	1,761.00	2,024.00
Industrial waste recycled volume		1,761.00	2,024.00
<b>Water Resources</b>			
The number of operational sites in water-scarce regions	Count	0	0
Water withdrawal in water-scarce regions		0	0
Water withdrawal	m <sup>3</sup>	95,846.00	95,242.18
Water consumption		/	14,238.18
Water consumption density	m <sup>3</sup> /hundred-million RMB of operating revenue	/	1,247.93
<b>Energy Consumption</b>			
Electricity consumption <sup>3</sup>	kWh	6,117,910.00	6,623,950.61
Natural gas consumption	m <sup>3</sup>	75,327.00	70,931.00
Gasoline consumption <sup>4</sup>	Litre	20,200.00	26,473.61
Diesel consumption <sup>5</sup>		59,434.00	95,917.62

2.The increase in the company's industrial waste produced volume compared to 2022 is mainly due to the increase in production volume.

3.The increase in the company's electricity consumption compared to 2022 is mainly due to the increase in production volume.

4.The increase in gasoline consumption compared to 2022 is primarily due to the increase in the company's business traffic volume.

5.The increase in diesel consumption compared to 2022 is primarily due to the increase in the company's business traffic volume.

## Market

Indicator	Unit	2022	2023
<b>Product Qualification</b>			
Total number of qualified products		371	385
Total number of products	Case	371	385
Product qualification rate	%	100.00	100.00
<b>Incidents of non-compliance concerning the health and safety impacts of products and services</b>			
Total number of non-compliant incidents related to health and safety impacts of products and services	Case	0	0
<b>Incidents of non-compliance concerning product and service information and labeling</b>			
Total number of non-compliant incidents related to product and service information and labeling	Case	0	0
<b>Incidents of non-compliance concerning marketing communications</b>			
Total number of non-compliant incidents related to marketing communication	Case	0	0
<b>Incidents of Customer Complaints</b>			
Total number of customer complaint incidents		0	11
Resolved customer complaints	Case	/	11
Customer complaint resolution rate	%	/	100.00
<b>R&amp;D Investment in Science and Technology</b>			
Total R&D investment in science and technology	Ten-thousand RMB	6,424.02	7,345.87
<b>Intellectual Property</b>			
Number of new patent applications		68	25
Number of new patent grants		65	79
Number of new copyright registrations	Item	/	9
Number of new trademark applications		/	6
<b>Suppliers Management</b>			
<b>Annual Distribution of Suppliers by Region</b>			
Number of suppliers in mainland China	Count	533	656



Indicator	Unit	2022	2023
Including: Number of suppliers in the province where the company is located		291	242
Number of suppliers in other regions		5	8
Total	Count	538	664
Number of Tier 1 suppliers		/	341
Number of significant suppliers		/	76

### Supplier Audit

Number of newly admitted suppliers in the year		40	51
Number of newly admitted suppliers assessed through desk review		/	51
Number of newly admitted suppliers assessed through on-site inspection		/	18
Number of suppliers on hand assessed through desk evaluation		/	146
Number of suppliers on hand assessed through on-site inspection	Count	/	43
Number of significant suppliers assessed		/	76
Total number of suppliers participating in coaching programs		/	26
Total number of suppliers participating in coaching programs with significant real potential negative impacts		/	0

### Distributor Management

#### Regional Distribution of Distributors

Number of distributors in mainland China		22	23
Including: Number of distributors in the province where the company is located		2	3
Number of distributors in other regions	Count	8	8
Total		30	31

#### Distributor Audit

Number of distributors reviewed in the current year		30	31
Number of new distributors admitted in the current year	Count	4	1
Proportion of newly admitted distributors reviewed to the total number of reviewed distributors in the current year	%	13.33	6.45

## Employment

Indicator	Unit	2022	2023
<b>Employee Composition</b>			
Total employees		1,215	1,234
Including: Employees with signed employment contracts		1,215	1,217
Employees who signed reemployment agreements	Person	/	17
Other workers <sup>6</sup>		26	46

#### Employee Composition By Gender

Male		1,044	1,064
Female	Person	171	170

#### Employee Composition By Age

Under 30		270	283
30 to 50	Person	781	767
Over 50		164	184

#### Employee Composition By Education

Masters and above		33	35
Bachelors		385	413
Colleges	Person	355	182
Others		442	604

#### Employee Composition By Nationality

China		1,213	1,233
Others	Person	2	1

<sup>6</sup>Workers other than employees include external consultants, interns, labor dispatch personnel, etc.



Indicator	Unit	2022	2023
<b>Employee Composition By Profession</b>			
Production employees		578	582
Sales employees		112	114
Technical employees		287	382
Finance employees		20	16
Administrative employees		218	140
Female production employees	Person	28	20
Female sales employees		34	42
Female technical employees		28	37
Female finance employees		17	12
Female administrative employees		64	59
Employees in Science, Technology, Engineering, and Mathematics (STEM) positions		/	280
Female employees in Science, Technology, Engineering, and Mathematics (STEM) positions		/	22
Proportion of female employees in Science, Technology, Engineering, and Mathematics (STEM) positions	%	/	7.86
<b>Employment in the Local Province</b>			
Number of local employees	Person	820	825
Proportion of local employees	%	67.49	66.86
Number of female local employees	Person	134	131
Proportion of female local employees	%	78.36	77.76
Number of local senior management <sup>7</sup>	Person	/	4

<sup>7</sup>The senior management personnel of the company includes the General Manager, Chief Engineer, Chief Financial Officer, and Board Secretary.

Indicator	Unit	2022	2023
Percentage of local senior management	%	/	100.00
Number of female local senior management	Person	/	1
Percentage of female local senior management	%	/	100.00
<b>Management Gender Distribution</b>			
Male management		98	101
Female management	Person	24	24
Including: Female senior management		1	1
Female middle management		23	23
Proportion of female senior management		/	25.00
Proportion of female management	%	19.67	19.20
Proportion of female managers in revenue-generating departments		/	12.90
<b>Labor Contracts</b>			
Employment contract signing rate	%	100.00	100.00
<b>Employment of People with Disabilities</b>			
Number of employees with disabilities	Person	2	2
Ratio of employees with disabilities	%	0.16	0.16
<b>Employee Turnover</b>			
<b>The Overall Situation of Employee Turnover</b>			
Total employees at the beginning of the year		1,211	1,215
Total new recruiters in the year		177	249
The total number of resignations for the year	Person	173	230
The total number of voluntary resignations		/	179
The total number of resignations from the management team		/	14



Indicator	Unit	2022	2023
Annual turnover rate	%	12.46	15.71

#### Employee Turnover by Age

The number of employees under 30 years old who resigned		/	103
The number of employees between 30 and 50 years old who resigned	Person	/	116
The number of employees above 50 years old who resigned		/	11

#### Employee Turnover by Nationality

The number of Chinese national employees who resigned		/	229
The number of non-Chinese national employees who resigned	Person	/	1

### Employee Training<sup>8</sup>

#### The Overall Situation of Employee Training

Total annual investment in employee training	Ten-thousand RMB	91.56	50.68
Total number of employees trained	Person	1,215	1,234
Average amount of training	Ten-thousand RMB	0.08	0.04
Total number of female employees trained		171	170
Total number of male employees trained	Person	1,044	1,064
Proportion of female employees trained	%	100.00	100.00
Employee training coverage rate		100.00	100.00
Total number of training sessions for employees	Time	102	256
Total number of training hours for employees		11,541.00	30,235.50
Average training hours for employees	Hour	9.50	24.50
Total participants in training	Participant	3,685	12,259

8. Apart from the data of total annual investment in employee training, the data under The Overall Situation of Employee Training only includes employee training organized by the Human Resources Department and the Safety and Environmental Department. The data for the Employee Training by Type are only counted for employee training conducted by the Human Resources Department.

Indicator	Unit	2022	2023
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#### Employee Training by Type

Total online training hours		/	531
Total number of hours spent on coaching and training sessions		/	15,784
Total hours of leadership training		/	675
Total number of hours spent on IT training sessions		/	6
Average number of training hours for female employees		/	55
Average number of training hours for male employees		/	34
Average training hours for employees under 30	Hour	/	30
Average training hours for employees aged 30 to 50		/	32
Average training hours for employees over 50		/	34
Average training hours for junior management		/	11
Average training hours for middle management		/	58
Average training hours for senior management		/	7

#### Employee Performance

The number of production personnel who undergo regular performance and career development evaluations		/	542
The number of sales personnel who undergo regular performance and career development evaluations	Person	/	9
The total number of employees who undergo regular performance and career development evaluations		/	551
The percentage of employees who undergo regular performance and career development evaluations	%	/	44.65



Indicator	Unit	2022	2023
<b>Employee Compensation</b>			
The entry level salary for male employees		2,000	2,000
The entr level salary for female employees		2,100	2,100
The government-mandated minimum wage for males in the local area	RMB	1,650	1,650
The government-mandated minimum wage for females in the local area		1,650	1,650
The ratio of the entry level salary for males to the government-mandated minimum wage for males in the local area		121.21	121.21
The ratio of the entry level salary for females to the government-mandated minimum wage for females in the local area	%	127.27	127.27
<b>Freedom of Association</b>			
Number of employees participating in the labor union	Person	/	1,234
Proportion of employees participating in the labor union	%	/	100.00
<b>Employee Care and Welfare</b>			
The defined benefit plans and other retirement plans	Ten-thousand RMB	/	2
The company's contribution ratio to the defined benefit plans and other retirement plans	%	/	74.97
Total duration of paid maternity leave taken by employee	Day	/	40
<b>Security Practices</b>			
Security personnel trained in human rights policies or procedures		14	14
The number of security personnel employed by company	Person	8	8
Total number of third-party security personnel		6	6
The proportion of security personnel trained in human rights policies or procedures	%	100.00	100.00

## Occupational Health and safety

Indicator	Unit	2022	2023
<b>Work Safety Input</b>			
Total annual investment in work safety	Ten-thousand RMB	303.50	421.57
<b>Occupational Health and Safety Training Performance</b>			
Total participants in occupational health and safety training	Participant	2,161	8,733
Total participant time in occupational health and safety training	Hour	4,035	13,420
Total number of people receiving occupational health and safety training	Person	1,215	1,234
Proportion of personnel receiving occupational health and safety training	%	100.00	100.00
Number of females receiving occupational health and safety training	Person	171	170
Proportion of females receiving occupational health and safety training	%	100.00	100.00
Number of safety emergency drills	Time	7	9
Number of attendees for safety emergency drills	Participant	/	500
Number of occupational health and safety offline training session	Time	38	206
<b>Work Safety Accident</b>			
Extremely serious accidents		0	0
Serious accidents		0	0
Major accidents	Case	0	0
General accidents		0	0
Number of shutdowns	Time	0	0
Hours of shutdowns	Day	0	0



Indicator	Unit	2022	2023
<b>Occupational Health and Safety Performance</b>			
The number of workers covered by the occupational health and safety management system		1,215	1,234
Occupational injuries	Person	10	6
Occupational fatalities		0	0
Occupational fatality rate	%	0.00	0.00
Total lost time due to work-related injuries	Day	/	61
Total number of work-related injury incidents		10	6
The total number of near-miss incidents	Case	/	45
Total Recordable Injury Rate (TRIR) per 200,000 hours worked - Employees		/	0.55
Total Recordable Injury Frequency Rate (TRIFR) per 1,000,000 hours worked - Employees		3.89	2.76
Lost Time Injury Rate (LTIR) per 200,000 hours worked - Employees	/	/	45.01
Lost Time Injury Frequency Rate (LTIFR) per 1,000,000 hours worked - Employees		/	225.06
Million Hours Near-Miss Incident Rate		/	20.75

## Community

Indicator	Unit	2022	2023
<b>Outward Donations</b>			
Total outward donations	Ten-thousand RMB	71.94	33.97

## Governance

Indicator	Unit	2022	2023
<b>Business Ethics</b>			
<b>Anti-corruption Advocacy and Training</b>			
Proportion of employees received anti-corruption training		/	100.00
The proportion of suppliers received anti-corruption training		/	100.00
The proportion of distributors received anti-corruption training	%	/	100.00
The proportion of customers received anti-corruption training		/	96.00
<b>Violations of Business Ethics</b>			
Commercial bribery and corruption incidents		/	0
Conflicts of interest incidents		/	0
Money laundering or insider trading incidents	Case	/	0
Litigation or significant administrative penalties resulting from unfair competition or monopolistic practices		/	0
Litigation resulting from infringement of intellectual property rights		/	0



# GRI Index



GRI Standards	Disclosures	Location	Omission
<b>General Disclosures</b>			
GRI 2: General Disclosures 2021	2-1 Organizational details	About NFLG	
	2-2 Entities included in the organization's sustainability reporting	About This Report	
	2-3 Reporting period, frequency and contact point	About This Report	
	2-4 Restatements of information	Not covered in this report	This report does not involve information restatement
	2-5 External assurance	Not covered in this report	The external assurance has not been carried out during the reporting period
	2-6 Activities, value chain and other business relationships	About NFLG Message from the Chairman Innovation-Driven Development & Suppliers and Clients	
	2-7 Employees	Equal Employment Data Overview	
	2-8 Workers who are not employees	Data Overview	
	2-9 Governance structure and composition	Sustainability-Related Governance Mechanisms	
	2-10 Nomination and selection of the highest governance body	Sustainability-Related Governance Mechanisms	
	2-11 Chair of the highest governance body	Sustainability-Related Governance Mechanisms	
	2-12 Role of the highest governance body in overseeing the management of impacts	Energy Conservation Management Pollution Control and Ecosystem Protection Sustainability-Related Governance Mechanisms Risk Management, Internal Control, and Compliance	
	2-13 Delegation of responsibility for managing impacts	Sustainability-Related Governance Mechanisms Risk Management, Internal Control, and Compliance	
	2-14 Role of the highest governance body in sustainability reporting	Sustainability-Related Governance Mechanisms	
	2-15 Conflicts of interest	Sustainability-Related Governance Mechanisms	
2-16 Communication of critical concerns	Communications with stakeholders		

GRI Standards	Disclosures	Location	Omission
GRI 2: General Disclosures 2021	2-17 Collective knowledge of the highest governance body	Sustainability-Related Governance Mechanisms	
	2-18 Evaluation of the performance of the highest governance body	Not covered in this report	Data not collected during this report period
	2-19 Remuneration policies	Sustainability-Related Governance Mechanisms	
	2-20 Process to determine remuneration	Sustainability-Related Governance Mechanisms	
	2-21 Annual total compensation ratio	Not covered in this report	Data not collected during this report period
	2-22 Statement on sustainable development strategy	Message from the Chairman Corporate Strategy	
	2-23 Policy commitments	Climate Response Pollution Control and Ecosystem Protection Responsible Marketing Activities Human Rights Protection Occupational Health and Safety Rural Revitalization and Social Contribution Anti-Commercial Bribery and Anti-Unfair Competition	
	2-24 Embedding policy commitments	Climate Response Pollution Control and Ecosystem Protection Responsible Marketing Activities Human Rights Protection Occupational Health and Safety Rural Revitalization and Social Contribution Risk Management, Internal Control, and Compliance Anti-Commercial Bribery and Anti-Unfair Competition	
	2-25 Processes to remediate negative impacts	Climate Response Pollution Control and Ecosystem Protection Responsible Supply Chain Excellent Customer Service Information Security and Privacy Protection Rural Revitalization and Social Contribution Risk Management, Internal Control, and Compliance Anti-Commercial Bribery and Anti-Unfair Competition	

GRI Standards	Disclosures	Location	Omission
GRI 2: General Disclosures 2021	2-26 Mechanisms for seeking advice and raising concerns	Responsible Supply Chain Excellent Customer Service Employee Communication Occupational Health and Safety Establishment of a Community-friendly Communication Mechanism Stabilize Industries to Promote Employment and Rural Revitalization Protection of Investor Rights and Interests Communications with stakeholders Complaint Mechanism and Complainant Protection	
	2-27 Compliance with laws and regulations	Energy Conservation Management Pollution Control and Ecosystem Protection Information Security and Privacy Protection Responsible Marketing Activities Human Rights Protection Occupational Health and Safety Governance Structure Protection of Investor Rights and Interests Risk Management, Internal Control, and Compliance Anti-Commercial Bribery and Anti-Unfair Competition	
	2-28 Membership associations	Promote Industry Development	
	2-29 Approach to stakeholder engagement	Communications with stakeholders	
	2-30 Collective bargaining agreements	Not covered in this report	Data not collected during this report period
<b>Material topics</b>			
GRI 3: Material Topics 2021	3-1 Management of material topics	Material Issues Assessment Communications with stakeholders	
	3-2 List of material topics	Material Issues Assessment	
<b>Economic performance</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainable Development Risk Management Governance Structure Risk Management, Internal Control, and Compliance Communications with stakeholders	

GRI Standards	Disclosures	Location	Omission
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	2023 At a Glance	
	201-2 Financial implications and other risks and opportunities due to climate change	Sustainable Development Risk Management Risk Management, Internal Control, and Compliance	
	201-3 Defined benefit plan obligations and other retirement plans	Data Overview	
	201-4 Financial assistance received from government	2023 At a Glance	
<b>Market presence</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Data Overview	
	202-2 Proportion of senior management hired from the local community	Data Overview	
<b>Indirect economic impact</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Rural Revitalization and Social Contribution	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Rural Revitalization and Social Contribution	
	203-2 Significant indirect economic impacts	Rural Revitalization and Social Contribution	
<b>Procurement practices</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Supply Chain	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Not covered in this report	Data not collected during the reporting period
<b>Anti-corruption</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-Corruption and Anti-Bribery	



GRI Standards	Disclosures	Location	Omission
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Anti-Corruption and Anti-Bribery	
	205-2 Communication and training about anti-corruption policies and procedures	Anti-Corruption and Anti-Bribery	
	205-3 Confirmed incidents of corruption and actions taken	Anti-Corruption and Anti-Bribery Data Overview	
<b>Anti-competitive behavior</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Anti-unfair Competition and Anti-Monopoly	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Anti-unfair Competition and Anti-Monopoly Data Overview	
<b>Tax</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Tax Compliance Management	
GRI 207: Tax 2019	207-1 Approach to tax	Tax Compliance Management	
	207-2 Tax governance, control, and risk management	Tax Compliance Management	
	207-3 Stakeholder engagement and management of concerns related to tax	Tax Compliance Management Communications with stakeholders	
	207-4 Country-by-country reporting	Not covered in this report	Data not collected during this report period
<b>Materials</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Strategy Action for GHG Emission Reduction Waste Disposal Resource Utilization and Circular Economy Data Overview	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Resource Utilization and Circular Economy Data Overview	



GRI Standards	Disclosures	Location	Omission
GRI 301: Materials 2016	301-2 Recycled input materials used	Action for GHG Emission Reduction Resource Utilization and Circular Economy Waste Disposal Data Overview	
	301-3 Reclaimed products and their packaging materials	Resource Utilization and Circular Economy	
<b>Energy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	2023 At a Glance Corporate Strategy Energy Conservation Management Action for GHG Emission Reduction Resource Utilization and Circular Economy Data Overview	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Conservation Management Data Overview	
	302-2 Energy consumption outside of the organization	Not covered in this report	Due to the privacy policies of some of clients, this report is currently unable to accurately calculate the external energy consumption of the organization
	302-3 Energy intensity	Data Overview	
	302-4 Reduction of energy consumption	Corporate Strategy Energy Conservation Management Action for GHG Emission Reduction Resource Utilization and Circular Economy	
	302-5 Reductions in energy requirements of products and services	Action for GHG Emission Reduction Resource Utilization and Circular Economy	
<b>Water and effluents</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Strategy Action for GHG Emission Reduction Pollution Control and Ecosystem Protection Water Resources Conservation Wastewater Management Data Overview	

GRI Standards	Disclosures	Location	Omission
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Corporate Strategy Action for GHG Emission Reduction Water Resources Conservation Wastewater Management	
	303-2 Management of water discharge-related impacts	Corporate Strategy Action for GHG Emission Reduction Water Resources Conservation Wastewater Management	
	303-3 Water withdrawal	Data Overview	
	303-4 Water discharge	Data Overview	
	303-5 Water consumption	Data Overview	
<b>Biodiversity</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Strategy Pollution Control and Ecosystem Protection Biodiversity Protection	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not covered in this report	The business operations are not located within or adjacent to protected areas or areas rich in biodiversity outside protected areas
	304-2 Significant impacts of activities, products and services on biodiversity	Not covered in this report	The business operations will not have a significant impact on biodiversity
	304-3 Habitats protected or restored	Not covered in this report	The business operations are not located in protected or restored habitats
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not covered in this report	The business operations and surrounding areas do not involve affected habitats



GRI Standards	Disclosures	Location	Omission
<b>Emissions</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	GHG Emissions Management Energy Conservation Management Action for GHG Emission Reduction Pollution Control and Ecosystem Protection Air Emissions Management Data Overview	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	GHG Emissions Management Data Overview	
	305-2 Energy indirect (Scope 2) GHG emissions	GHG Emissions Management Data Overview	
	305-3 Other indirect (Scope 3) GHG emissions	Not covered in this report	During this reporting period, we have not yet compiled this data
	305-4 GHG emissions intensity	2023 At a Glance GHG Emissions Management Data Overview	
	305-5 Reduction of GHG emissions	Action for GHG Emission Reduction Solutions for Recycling of Construction Waste	
	305-6 Emissions of ozone-depleting substances (ODS)	Not applicable	The operations do not involve relevant emissions
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Data Overview	
<b>Waste</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate Strategy Action for GHG Emission Reduction Resource Utilization and Circular Economy Waste Disposal Data Overview	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Action for GHG Emission Reduction Resource Utilization and Circular Economy Waste Disposal	
	306-2 Management of significant waste-related impacts	Corporate Strategy Action for GHG Emission Reduction Resource Utilization and Circular Economy Waste Disposal	

GRI Standards	Disclosures	Location	Omission
GRI 306: Waste 2020	306-3 Waste generated	Waste Disposal Data Overview	
	306-4 Waste diverted from disposal	Waste Disposal Data Overview	
	306-5 Waste directed to disposal	Waste Disposal Data Overview	
<b>Supplier environmental assessment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Supply Chain	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Data Overview	
	308-2 Negative environmental impacts in the supply chain and actions taken	Responsible Supply Chain	
<b>Employee</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Data Overview	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Development	
	401-3 Parental leave	Not covered in this report	Not yet calculated during the reporting period
<b>Labor management relations</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection Employee Communication	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Not covered in this report	The company is not involved in relevant matters
<b>Occupational Health and Safety</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Occupational Health and Safety	

GRI Standards	Disclosures	Location	Omission
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational Health and Safety	
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety	
	403-3 Occupational health services	Occupational Health and Safety	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety	
	403-5 Worker training on occupational health and safety	Occupational Health and Safety Data Overview	
	403-6 Promotion of worker health	Occupational Health and Safety	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety	
	403-8 Workers covered by an occupational health and safety management system	Occupational Health and Safety	
	403-9 Work-related injuries	Occupational Health and Safety Data Overview	
	403-10 Work-related ill health	Occupational Health and Safety Data Overview	
<b>Training and education</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Employee Development	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Data Overview	
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee Development	
	404-3 Percentage of employees receiving regular performance and career development reviews	Data Overview	
<b>Diversity and equal opportunity</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Human Rights Protection	



GRI Standards	Disclosures	Location	Omission
GRI 405: Diversity and Equal Opportunity 2016	405-2 Ratio of basic salary and remuneration of women to men	Not covered in this report	Not yet calculated during the reporting period
<b>Non-discrimination</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Human Rights Protection	
<b>Freedom of association and collective bargaining</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Employee Communication	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not covered in this report	Data not yet collected during the reporting period
<b>Child labor</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Not covered in this report	Data not yet collected during the reporting period
<b>Forced or compulsory labor</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Human Rights Protection	
<b>Security practices</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Human Rights Protection	

GRI Standards	Disclosures	Location	Omission
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Data Overview	
<b>Right of indigenous peoples</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Rural Revitalization and Social Contribution	
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Not covered in this report	The company is not involved in relevant matters
<b>Local communities</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Rural Revitalization and Social Contribution	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Rural Revitalization and Social Contribution	
	413-2 Operations with significant actual and potential negative impacts on local communities	Rural Revitalization and Social Contribution	
<b>Supplier social assessment</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Supply Chain	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Data Overview	
	414-2 Negative social impacts in the supply chain and actions taken	Responsible Supply Chain	
<b>Public policy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Not covered in this report	The company is not involved in relevant matters
GRI 415: Public Policy 2016	415-1 Political contributions	Not covered in this report	The company is not involved in relevant matters



GRI Standards	Disclosures	Location	Omission
<b>Customer health and safety</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Products Excellent Customer Service	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Responsible Products	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Responsible Products	
<b>Marketing and labeling</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Responsible Marketing Activities	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Responsible Marketing Activities	
	417-2 Incidents of non-compliance concerning product and service information and labeling	Responsible Marketing Activities	
	417-3 Incidents of non-compliance concerning marketing communications	Responsible Marketing Activities	
<b>Customer privacy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	Excellent Customer Service Information Security and Privacy Protection	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Information Security and Privacy Protection Data Overview	

# ISDS Index



## IFRS S1

Core Content	Disclosure Requirements	Location
<b>Governance</b>	a) The governance body(s) (which can include aboard, committee or equivalent body charged with governance) or individual(s) responsible for oversight of sustainability-related risks and opportunities.	Governance Structure Risk Management, Internal Control, and Compliance
	b) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related risks and opportunities.	Governance Structure Risk Management, Internal Control, and Compliance
<b>Strategy</b>	a) The sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects within the time horizons—short, medium or long term.	Sustainable Development Risk Management
	b) The current and anticipated effects of sustainability-related risks and opportunities on the entity's business model and value chain, and where in the entity's business model and value chain sustainability-related risks and opportunities are concentrated	Sustainable Development Risk Management
	c) How the entity has responded to, and plans to respond to, sustainability-related risks and opportunities in its strategy and decision-making, and the progress against plans the entity has disclosed in previous reporting periods, including quantitative and qualitative information, and trade-offs between sustainability-related risks and opportunities that the entity considered.	Sustainable Development Risk Management
	d) The quantitative and qualitative effects of sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and the sustainability-related risks and opportunities identified for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements, and how the entity expects its financial position, financial performance and cash flows to change over the short, medium and long term, given its strategy to manage sustainability-related risks and opportunities.	Data not collected in this report
e) The resilience of the entity's strategy and its business model to those sustainability-related risks	Sustainable Development Risk Management	
<b>Risk Management</b>	a) The processes and related policies the entity uses to identify, assess, prioritize and monitor sustainability-related risks, including information about: the inputs and parameters the entity uses, whether and how the entity uses scenario analysis to inform its identification of sustainability-related risks, whether and how the entity prioritizes sustainability-related risks, how the entity assesses the nature, likelihood and magnitude of the effects of those risks.	Sustainable Development Risk Management Risk Management, Internal Control, and Compliance
	b) The processes the entity uses to identify, assess, prioritize and monitor sustainability-related opportunities, including: whether and how the entity uses scenario analysis to inform its identification of sustainability-related opportunities.	Data not collected in this report
	c) The extent to which, and how, the processes the entity uses to identify, assess, prioritize and monitor sustainability-related risks and opportunities are integrated into and inform the entity's overall risk management process.	Sustainable Development Risk Management Risk Management, Internal Control, and Compliance

Core Content	Disclosure Requirements	Location
Metrics and targets	a) Metrics required by an applicable IFRS Sustainability Disclosure Standard.	Environmental Social Governance
	b) Metrics the entity uses to measure and monitor sustainability-related risks or opportunities and its performance in relation to that sustainability-related risk or opportunity.	Environmental Social Governance
	c) Any targets the entity has set it is required to meet by law or regulation.	Environmental Social Governance

IFRS S2

Core Content	Disclosure Requirements	Location
Governance	a) The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities.	Governance Structure Risk Management, Internal Control, and Compliance
	b) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities	Governance Structure Risk Management, Internal Control, and Compliance
Strategy	a) The climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects within time horizons—short, medium or long term, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk	Sustainable Development Risk Management
	b) The current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain, and where in the entity's business model and value chain climate-related risks and opportunities are concentrated	Sustainable Development Risk Management
	c) Information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity sets targets, how the entity is resourcing and quantitative and qualitative information about the disclosed progress of plans.	Sustainable Development Risk Management
	d) The quantitative and qualitative effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, the climate-related risks and opportunities identified in paragraph 16(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements, and how the entity expects its financial position, financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	Data not collected in this report
	e) The entity's assessment of its climate resilience, including the entity's assessment for its strategy and business model, the significant areas of uncertainty considered in the entity's assessment of its climate resilience and the entity's capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term. The entity shall use climate-related scenario analysis to assess its climate resilience and disclose how and when the climate-related scenario analysis was carried out, including information about the inputs the entity used, the key assumptions the entity made in the analysis and the reporting period in which the climate-related scenario analysis was carried out.	Sustainable Development Risk Management

核心要素	披露建议	披露位置
Risk Management	a) The processes and related policies the entity uses to identify, assess, prioritize and monitor climate-related risks, including information about: the inputs and parameters the entity uses, whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks, whether and how the entity prioritizes climate-related risks, how the entity assesses the nature, likelihood and magnitude of the effects of those risks	Sustainable Development Risk Management Risk Management, Internal Control, and Compliance
	b) The processes the entity uses to identify, assess, prioritize and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities.	Data not collected in this report
	c) The extent to which, and how, the processes for identifying, assessing, prioritizing and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.	Sustainable Development Risk Management Risk Management, Internal Control, and Compliance
Metrics and targets	a) The cross-industry metric categories of greenhouse gas emissions, internal carbon prices, the percentage of executive management remuneration recognized in the current period that is linked to climate-related considerations, capital deployment towards climate-related risks and opportunities, the amount and percentage of assets or business activities vulnerable to climate-related risks and opportunities.	Sustainable Development Risk Management GHG Emissions Management Governance Structure Data Overview
	b) Industry-based metrics that are associated with one or more particular business models, activities or other common features that characterize participation in an industry	Energy Conservation Management
	c) The quantitative and qualitative climate-related targets the entity has set or it is required to meet by law or regulation, progress towards reaching the target, information about its performance, and each greenhouse gas emissions target.	Climate Response



# SASB Index

SASB Topics	Accounting Metrics	Location
<b>Energy Management</b>	RT-IG-130a.1: (1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	Energy Conservation Management Data Overview
<b>Employee Health &amp; Safety</b>	RT-IG-320a.1: (1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Occupational Health and Safety Data Overview
<b>Fuel Economy &amp; Emissions in Use-phase</b>	RT-IG-410a.1: Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Data not collected during the reporting period
	RT-IG-410a.2: Sales-weighted fuel efficiency for non-road equipment	Data not collected during the reporting period
	RT-IG-410a.3: Sales-weighted fuel efficiency for stationary generators	Data not collected during the reporting period
	RT-IG-410a.4: Sales-weighted emissions of (1)nitrogen oxides (NOx) and (2)particulate matter (PM) for: (a)marine diesel engines, (b)locomotive diesel engines, (c)on-road medium- and heavy-duty engines and (d) other non-road diesel engines	Data not collected during the reporting period
<b>Materials Sourcing</b>	RT-IG-440a.1: Description of the management of risks associated with the use of critical materials	Responsible Supply Chain Responsible Products Responsible Marketing Activities
<b>Remanufacturing Design &amp; Services</b>	RT-IG-440b.1: Revenue from remanufactured products and remanufacturing services	Data not collected during the reporting period



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