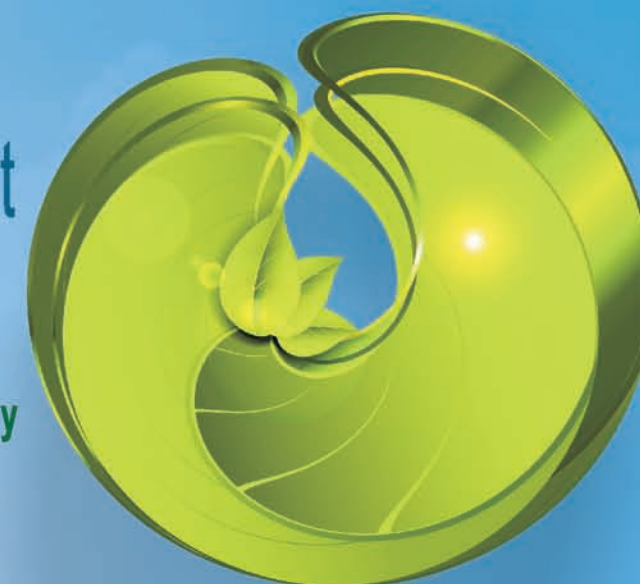




Green Development & Win-Win in Harmony

# Sustainable Development Report 2014

Green Development & Win-Win in Harmony

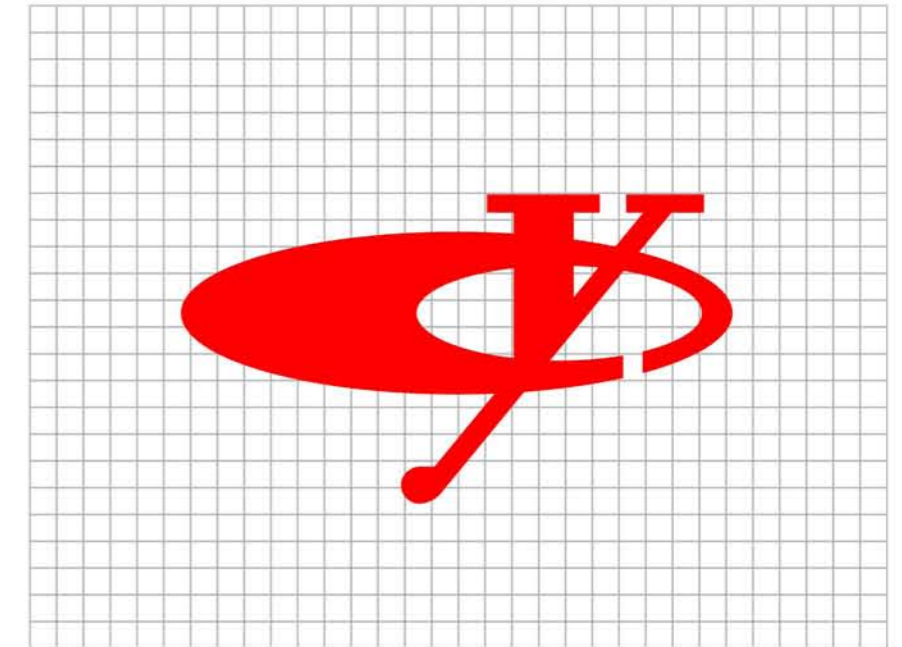


Sustainable Development Report 2014

Guangxi Yuchai Machinery Group Co., Ltd.

Yulin • China





### The “YC” Logo

The “YC” logo is made up of the initial letters of “Yu Chai”, but it can also be understood in English as “Yulin China”. This shows the determination of Yuchai, a Chinese domestic brand, to develop itself into a famous international brand. “C” represents the orbit of the earth moving across the universe, which symbolizes Yuchai Group’s globalized orientation and its vision of becoming a large and internationally influential multinational company. “Y” represents flourishing development and conveys Yuchai’s strategic objectives and pursuit of excellence.

The logo is properly shaped, vivid and full, combining the varying and enthusiasm in tranquility and simplicity. It embodies the fact that Yuchai, the internal combustion engine manufacturing base and excavator manufacturer with the most extensive product offering in China, is constantly seeking to improve as it continues its pursuit of “Green Development & Harmony in Win-win”. This will bring Yuchai’s “Excellent Quality & Globalized Yuchai” onto the world stage.

## The Yuchai Philosophy

**Business philosophy:**  
Excellent Quality & Globalized Yuchai

**Core values:**  
Green Development & Harmony Win-win

**Vision:**  
To build a world famous brand and large multinational enterprise group

**Mission:**  
Lead our partner and the public's trust much more valuable



## Report Overview

### Time period of the report:

January 1<sup>st</sup> 2014 to December 31<sup>st</sup> 2014

### Executive summary:

This report has been written based on the sustainable development activities of Yuchai Group in all fields and includes the activities of its subsidiaries. For ease of presentation and reading, Guangxi Yuchai Machinery Group Co., Ltd. is hereinafter referred to as "Yuchai Group", "Yuchai" or "the Group".

### Release of the report:

Since the release of its first sustainable development report in June 2008, Yuchai Group has published seven consecutive annual reports. This report is Yuchai Group's eighth sustainable development report.

### Basis for the preparation of the report:

Disclosure of social responsibility performance based on core themes determined in accordance with ISO26000 and related content.

### Report data:

The report is a true reflection of Yuchai Group's sustainable development activities. All information and data contained in the report come from official documents and Yuchai Group's statistical reports, as well as summaries of and statistics about sustainable development practices of affiliated companies. The financial data is drawn from Yuchai Group's 2014 financial report.

### How to obtain the report:

A hardcopy can be obtained from Guangxi Yuchai Machinery Group Company Ltd. by writing to the Group; an electronic copy can be downloaded from Yuchai Group's website.

### Report languages:

Chinese, English

### Report forms:

Environmentally friendly paper and electronic document

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### Guarantee of report's reliability

The company's board of directors and all of its directors undertake that the report does not contain any false representations, misleading statements or material omissions and they are jointly and severally liable for its truthfulness, accuracy and completeness.



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## Speech by the Chairman of the Board

### Establishing green values and creating a beautiful future

Yuchai began to actively build its green value system and deepen its core principle of "Green Development & Harmony Win-win" in 2014, when the Group launched a campaign of "Second Stage of Development"—a new phase of reflection on the industrial development of the Group and the beginning of a new system for reform and upgrading.

Green represents Yuchai's concept of responsibility, and covers all of its economic, social and environmental responsibilities. Yuchai must keep its development in harmony with the environment and society in order to provide high-quality, efficient, healthy and safe products for mankind. This will make its relationship with its partners and the public more valuable, help to achieve mutual benefits for all stakeholders and allow us to share the results with them.

The green value system represents Yuchai's positioning and concept of itself in relation to economic and social values, and also manifests Yuchai's business philosophy of "seeking green development, creating green value and focusing on harmonious development of life, resources and the environment". The green value system is the priority of the Group's operations management, the backbone of "Second Stage of Development" transformation and upgrading and lies at the heart of its CSR.

The support of all stakeholders is critical to the realization of green

value. Therefore, it is necessary to analyze the needs of stakeholders before starting operations management activities, in order to provide stakeholders with the products and services that they need and to create economic, social and environmental benefits for them. Over the past year, Yuchai has been accelerating the framework of its green value system by following the principle of "creating green values and winning a beautiful future" through the three mainlines of green industry, green operations and green life. Yuchai's sound and sustainable development depends on green value throughout the entire value chain as a result of the orderly control of all management aspects, green research and development, green purchasing, green manufacturing, green marketing, green service, recycling, remanufacture and reuse as well as on the management of life, resources and the environment. The 2014 sustainable development report summarizes all the work and preliminary achievements recorded so far during Yuchai's establishment of its green value system, and Yuchai



appreciates your encouragement, care and support for our undertakings.

Yuchai must never falter on the path towards green industrialization, even though it is now facing intense market challenges in the new economic context. The business continues to uphold the core values of "Green Development & Harmony Win-win" as it further explores the green value system and fulfills its social responsibilities as set out in ISO26000 and the ten principles in the Global Compact of the United States. Moreover, Yuchai is promoting corporate transformation and upgrading to proceed with "Second Stage of Development" and undertakes its due responsibilities as a Chinese corporation to behave as an excellent corporate citizen.

Chairman of the Board of Guangxi Yuchai Machinery Group Co., Ltd.

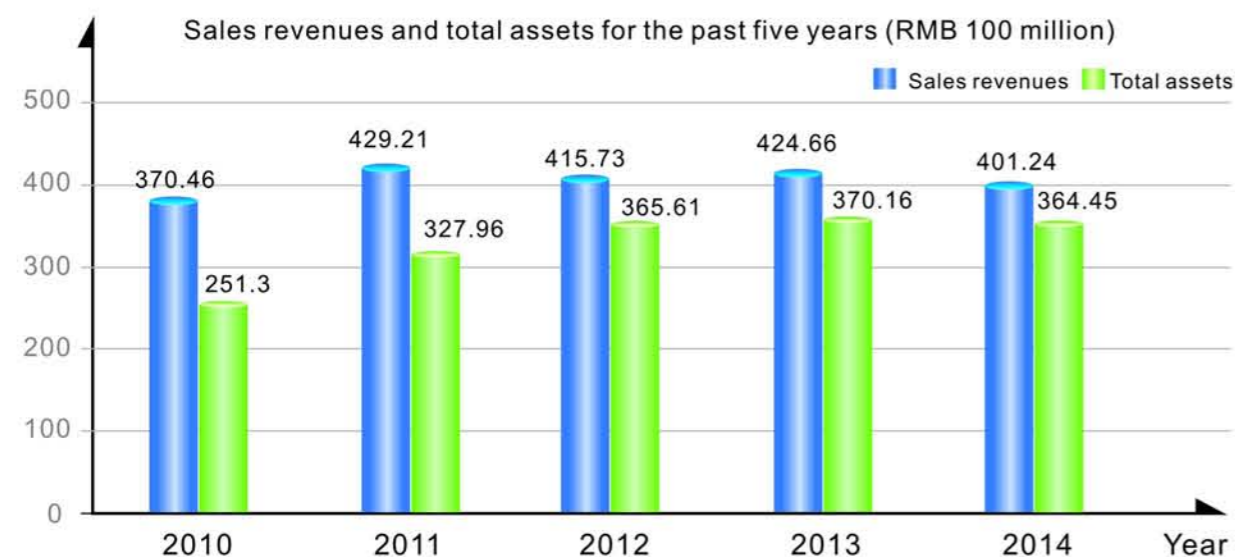


Company profile

## Company profile

Yuchai Group is a large modern corporate group engaged in the engine and petrochemical fields as well as associated sectors. Through lean management and group operations, Yuchai has become a leading industrial group which owns more than 30 wholly-owned, controlled or partially owned subsidiaries, with total assets of RMB 36.445 billion and more than 20,000 employees. It is the internal combustion engine manufacturing base with the most extensive product family in China and its major excavator exporter, with an industrial base in Guangxi worth RMB 100 billion. The Group has established branches in many provinces and cities in China, including Guangxi, Guangdong, Fujian, Jiangsu, Anhui, Shandong, Hubei, Sichuan, Liaoning and Chongqing. Yuchai ranks 278th in the list of the Top 500 Chinese companies, 138th in the Top 500 manufacturers, 103rd in the Top 500 Chinese influential brands and 17th among the Top 500 machinery companies. Yuchai's brand value is worth RMB 18.816 billion.

In 2014, in the spirit of the business policy of "starting a new undertaking, accumulating internal strength and promoting upgrading", the Group implemented the "Second Stage of Development" campaign and achieved sales revenues of RMB 401.24 billion. The Group developed steadily and robustly: core business maintained constant growth and new businesses expanded smoothly. Sales of engines, lubricant and spare parts increased over the previous year. Guangxi Yuchai Machinery Company Ltd. maintained its edge in the truck and coach engines sectors, while new business for heavy-duty and light-duty engines grew steadily. Sales of marine engines grew by 6.5%, despite the adverse market conditions. Agricultural engines became the "top choice of agricultural machines". Overseas exports of engines increased by 12% over the year, hitting a new record high. Yuchai Petronas Lube Co., Ltd. a joint venture affiliated to the Group, showed positive development momentum and achieved double-digit growth in both its operating income and operational efficiency.



Sales Revenues for the All Industrial Clusters in 2014 (RMB 100 million)

Industrial cluster	Engine industry	Petrochemical industry	Logistics service platform	Investment & financing service platform	Other industries	Total
Sales revenue	263.80	107.05	28.80	0.47	1.12	401.24
Growth rate	-4.44%	-7.60%	-4.43%	-33.77%	-40.92%	-5.52%

## 2014 Honors List

Category	Award/certificate	Award presenter/certificate issuer
General awards	One of the Top 500 Chinese Companies of 2014	China Enterprise Confederation/China Enterprise Directors Association
	One of the Top 500 Chinese Manufacturing Companies of 2014	China Enterprise Confederation/China Enterprise Directors Association
	One of the Top 500 Chinese Machinery Companies of 2014	China Machinery Enterprise Management Association
	Nomination for the Chinese Industrialization Award	China Federation of Industrial Economics
Brand awards	One of China's 500 Most Valuable Brands (11th) 2014 World Brand Lab/World Executive Group	Technology awards
Technology awards	Guangxi Science and Technology Progress Award First Prize	People's Government of Guangxi Zhuang Autonomous Region
Management awards	National Excellent Enterprise for Quality Creditability	China Association for Quality Inspection
	Work Safety Standardization Level 1 Certification (Machinery)	China Association of Work Safety
	Process Innovation Base for Top 100 Manufacturing Enterprises	China Association of Machinery Manufacturing Technology
	Outstanding Corporate Social Responsibility Award	Entrepreneur Daily Press
	National Modern Vocational Education Innovation Practice Partnership Enterprise for the Machinery Industry	Machinery Industrial Education Development Center/National Machinery Vocational Education and Teaching Steering Committee/China Education Association of Machinery Industry
	National Quality Trustworthy Team of 2014	China Association for Quality/All China Federation of Trade Unions/All-China Women's Federation/China Association for Science and Technology
	Top 50 Teams in Corporate Culture Grassroots Practice	China Corporate Culture Institute



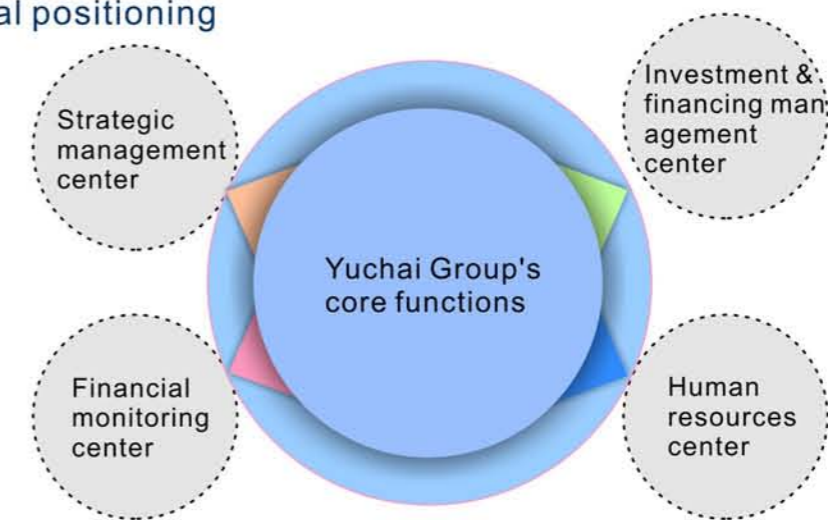
## Organizational governance

### 2.1 Strengthening organizational governance and reinforcing corporate citizenship

Yuchai Group has made the compounded control method of "strategic control + financial control" the center of its efforts to implement business operations, lean management and brand building by means of four control centers: a strategic

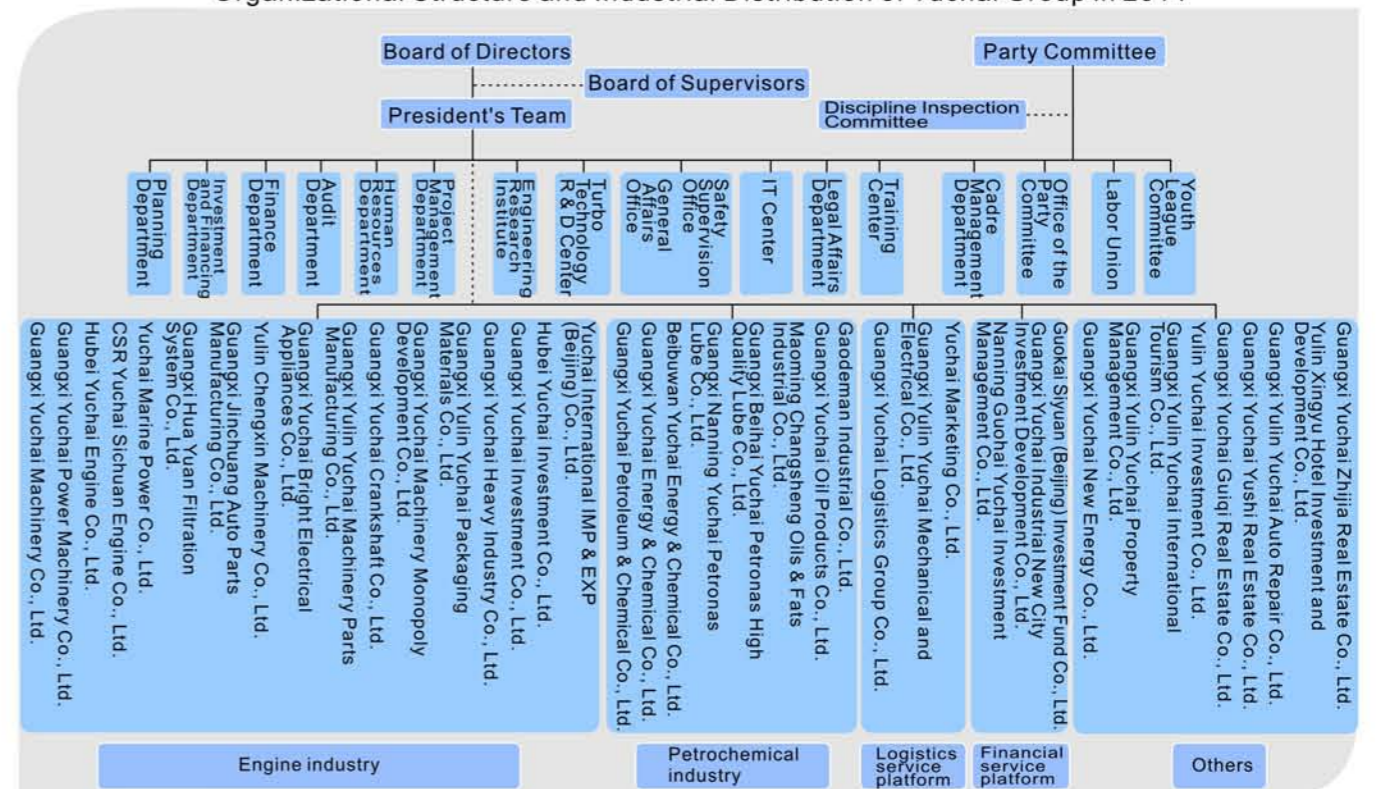
management center, investment & financing management center, financial monitoring center and human resources center. Yuchai has published the Strategic Planning Outlines 2014-2018 for "Second Stage of Development" of Yuchai Group.

#### Organizational positioning



#### Organizational governance structure

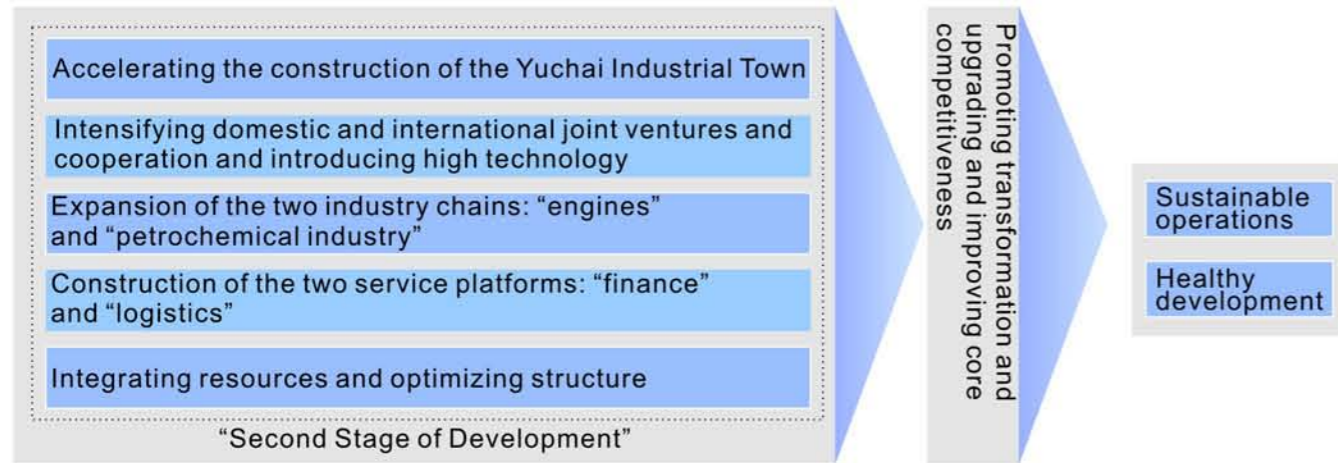
Organizational Structure and Industrial Distribution of Yuchai Group in 2014



## “Second Stage of Development” & development strategy

Yuchai Group has re-aligned its development strategy, transforming its industrial pattern and development priorities into two industrial chains (the engine and petrochemical industries) and two service platforms (finance and logistics). Yuchai has outlined its strategic security system in its “one core, two reforms, three innovations and five upgrades”, and has already begun work on eight key projects including product business adjustment, expansion of

the investment and financing platform, strengthening of the regulation and control system and innovation mechanism reform, based on eight core elements (products, financing, management, marketing, innovation, development, teamwork and culture). The Group is dedicated to the improvement of operations quality and continuous and healthy development to ensure the implementation of “Second Stage of Development” and its strategic objectives.



### Organizational governance measures

Yuchai Group has built a five-dimensional control system and a large-scale auditing system, and is promoting management innovation, reinforcing risk control examinations and carrying out a rigorous institutional audit. The Group has implemented a property rights deputation system, financial director appointment system and auditor appointment system, and has integrated risk management with

operations management. It has also improved its financial information system, established a multi-bank capital management platform, is dynamically monitoring the capital status of all subsidiaries, is continuously observing and strengthening the operational risks of its subsidiaries, controlling management risks, upgrading capital management capability and ensuring capital security and sound development of the business.

## 2.2 Improving auditing systems and ensuring operational safety

Yuchai Group has improved the audit monitoring method in line with the principle of “timeliness, normalization and entire process”, has completed the auditing system and operation guide by means of “strengthening the team, establishing norms and building up a platform”, and has upgraded the auditing system and operation guide. Yuchai is continuously improving the auditing service quality, deepening the content of its audit reports, and further

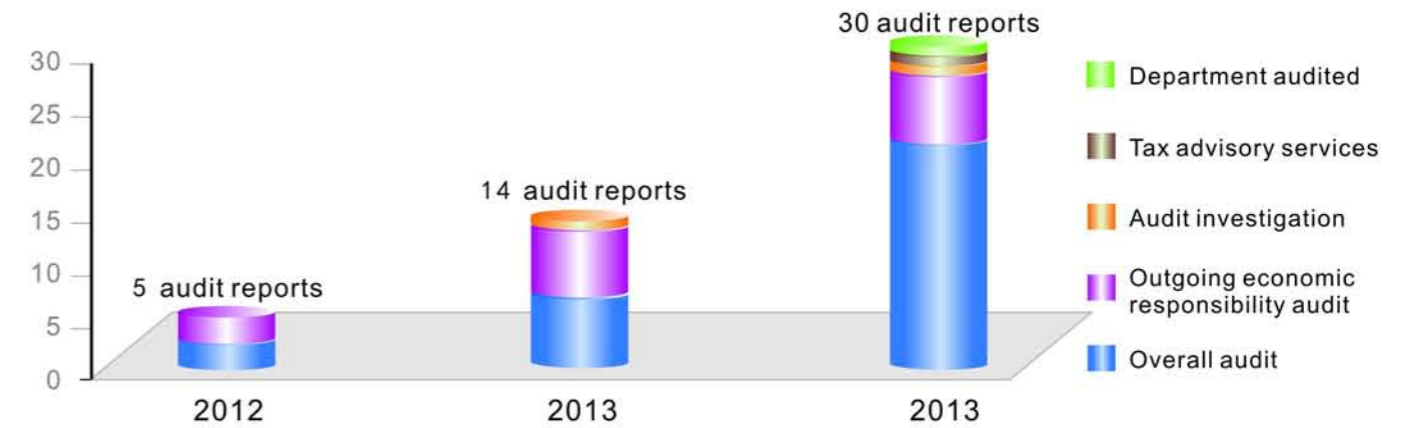
improving audit follow-ups. Yuchai attaches great importance to the weakness of its subsidiaries' critical internal controls and promotes the normalized management of subsidiaries in order to meet the requirements of the Group's control and the monitoring and service needs of internal control by subsidiaries, ensuring the Group can better meet its economic responsibilities.

### Internal audit results

We have audited 19 subsidiaries and issued 30 audit reports, with a completion rate as high as 150%. Furthermore, we have completed 8 outgoing economic responsibility audits, 1 taxation consulting report for subsidiaries and 1 financial system special report, and submitted 758 audit findings. Auditing timeliness and normalization levels have been improved. The audit scope has been extended to

cover financial income and expenditure, internal control and economic responsibility, while the audit report has been further improved. The completion rate of audit modification has reached a record high, exceeding the average for the industry, which is helping the Group to promote the normalized management of subsidiaries, improve operations quality, prevent operational risks and create value for the Group and shareholders.

### Audit results over the past three years



## 2.3 Deepening corporate culture and strengthening awareness of responsibility

Yuchai Group is following the core values of “Green Development & Harmonious Shared Success”, and combining this with the characteristics of the “Second Stage of Development” transition, to push forward with cultural strategic planning, construction of a green value system and roll out of corporate culture activities. At the same time, it is making every effort to promote safety culture, quality culture, an excellent

team culture and other subculture development activities and extended cultural work. Yuchai is committed to renewing the cultural system, upholding entrepreneurship, creating a strong cultural atmosphere, building up a green corporate culture and enhancing the Group's ability to perform its social responsibilities.

### Cultural strategic planning

We have drawn up a Corporate Culture Strategic Plan for Yuchai Group and Yuchai stocks in the period 2014-2018 in a bid to promote the implementation of the “Second Stage of Development” strategy, improve

and upgrade the existing corporate culture, strengthen employees' sense of responsibility and mission, and stimulate the creativity and pioneering passion of our team.

### Corporate culture activities

Yuchai Group is spreading Yuchai's cultural ideas, strengthening employees' cultural awareness, increasing employees' cultural identification and further popularizing green culture by holding ethics-themed educational activities including “green mind” reading initiatives, “parent-child environmental protection education”, energy conservation exams,

exhibition fairs for green value system results, a green Yuchai mini-video contest and cultural salon. Advocating “total participation to create a green Yuchai”, the Group is resolved to firmly instill a sense of green responsibility in its employees' daily lives and is working hard to promote green values and the image of the Group.



Yuchai Group's culture and morality lectures in 2014



Employees visiting the exhibition fair for green value system results



Parent-child environmental protection education



# Responsibility management



- 3.1 Building the Yuchai green value system
- 3.2 Expanding interactive communication channels
- 3.3 Analysis of substantive issues

Guided by its core values and directed by the goal of establishing a green value system, Yuchai uses the green value chain model as the blueprint and has followed the social responsibilities set out in ISO26000 and the ten principles of the Global Compact of the United States. It carries out all operations management work throughout the whole process in a responsible manner. The Group is focused on the management of life, resources and the environment, accepting its

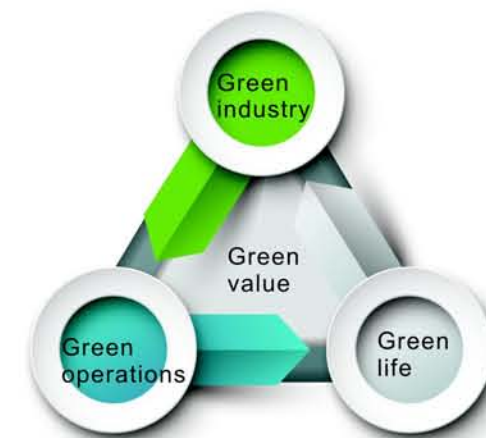
## 3.1 Building the Yuchai green value system

Yuchai has been accelerating the framework of its green value system through the three mainlines of green industry, green operations and green life by following the principle of "creating green values and winning a beautiful future".

Developing green industry – industrial planning and transition, building up green business clusters and establishing green investment concepts and mechanisms.

Promoting green operations – showing Yuchai's green values and image by means of upgrading the businesses throughout the process and in all directions, creating measurable green values through

corporate social responsibility and pushing forward the sustainable development of the business.



the formation of a green value chain, green offices and green workplaces and through controlling all elements efficiently.

Advocating a green life – popularizing a green lifestyle among all employees, carrying out activities, building green communities and voluntarily participating in social welfare and philanthropic events.

## 3.2 Expanding interactive communication channels

Stakeholders	Expectations of stakeholders	Responses and measures
Government	<ul style="list-style-type: none"> <li>• Submit to government supervision</li> <li>• Abide by laws and pay all taxes according to relevant laws</li> <li>• Conserve energy and reduce emissions to protect the environment</li> <li>• Provide more employment opportunities and maintain friendly labor relations</li> <li>• Management and technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Implement national policies and abide by national laws and regulations</li> <li>• Make all necessary reports</li> <li>• Render accurate information and statistical statements on time</li> <li>• Implement green manufacturing strategy</li> <li>• Enhance R&amp;D efforts and technological innovation</li> <li>• Strive to increase jobs</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Asset value maintenance and growth</li> <li>• Creditable and compliant operations</li> <li>• Returns to investors</li> </ul>	<ul style="list-style-type: none"> <li>• Achieve the objectives of the operations strategy</li> <li>• Accept supervision by investors</li> <li>• Convene regular shareholders' meetings</li> <li>• Implement national industrial policies</li> <li>• Periodically publish relevant operations information</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Maintain a stable employment situation</li> <li>• Development of education, training and career skills</li> <li>• Occupational safety and health</li> <li>• Safeguard other legal rights of employees</li> <li>• Career planning</li> <li>• Smooth communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Play the role of a labor union</li> <li>• Transparent factory affairs and democratic management</li> <li>• Optimize the system of Workers Congresses</li> <li>• Honor collective and labor contracts</li> <li>• Enhance education and training</li> <li>• Offer an arena for employees' career development to allow employees to grow together with the company</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Equal partnership</li> <li>• Stable procurement policy</li> <li>• Technical support</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a Yuchai strategic alliance</li> <li>• Prompt communication of information</li> <li>• Senior management meetings</li> <li>• Provide special protection for new products provided by suppliers</li> <li>• Joint development to reduce costs</li> <li>• Share the costs of social responsibilities</li> </ul>

Stakeholders	Expectations of stakeholders	Responses and measures
Purchasers (customers)	<ul style="list-style-type: none"> <li>Deliver goods to meet both quality and quantity standards</li> <li>Provide after-sales service guarantee</li> </ul>	<ul style="list-style-type: none"> <li>Implement strategic partnerships</li> <li>Provide quality products</li> <li>Provide technical services</li> <li>Offer return visits for product quality service</li> </ul>
Service provider	<ul style="list-style-type: none"> <li>Steady service policy</li> <li>Provide technical support</li> </ul>	<ul style="list-style-type: none"> <li>Establish a Yuchai service system</li> <li>Establish a training network</li> <li>Establish a service network</li> </ul>
Work with partners	<ul style="list-style-type: none"> <li>Strictly observe regulations and policies, and work and compete with partners to jointly create an orderly and healthy atmosphere</li> <li>Enhance exchanges and draw on each others' experiences</li> <li>Work together to contribute to the development of China's power industry</li> </ul>	<ul style="list-style-type: none"> <li>Attend industry meetings</li> <li>Professional competitions and exchanges</li> <li>Fair rivalry</li> <li>Regular communications and liaison</li> </ul>
Social groups and organizations	<ul style="list-style-type: none"> <li>Maintain close contact with social organizations for mutual support and development</li> </ul>	<ul style="list-style-type: none"> <li>Actively attend relevant meetings</li> <li>Actively offer suggestions</li> <li>Pay membership fees</li> <li>Maintain smooth channels of communication</li> </ul>
Community and the public	<ul style="list-style-type: none"> <li>Build a harmonious community</li> <li>Support local economic development and social progress</li> <li>Reduce emissions and pollution during production</li> <li>Support community welfare activities</li> </ul>	<ul style="list-style-type: none"> <li>Build a model community for energy conservation and emissions reduction</li> <li>Carry out necessary activities to maintain stability and security</li> <li>Participate in community construction</li> <li>Support welfare ventures</li> <li>Carry out educational support and poverty alleviation</li> </ul>

#### Dongfeng comes to Yuchai

On October 16<sup>th</sup>, Hubei Dongfeng TV station's show *Communication*—"Win-win to Create a Better Future" was shot in the light and micro-duty engine workshop of Engine Plant 4 of Yuchai Guangxi Yuchai Machinery Company Ltd. It covered the ideas of Yuchai employees about Dongfeng and Dongfeng vehicles, cooperation with Dongfeng, as well as Yuchai's position in the industry, Yuchai's quality, service, technology and future development.



#### Official media micro blogs come to Yuchai

On October 16th, journalists from 11 mainstream media agencies (including the People's Daily, Economy Daily, CCTV News and people.com.cn) visited Yuchai for an interview about the economic situation entitled "Confidence from Businesses". Yan Ping and his executive colleagues patiently answered questions put forward by the journalists with regards to transformation and upgrading, system construction, the talent pool, environmental protection and development prospects, stressing the responsibilities of a Chinese brand in rejuvenating national industry as well as rational thinking and faith in state policies.



#### Netizens of gxnews.com.cn come to Yuchai

On December 19th 2014, Yuchai Group collaborated with gxnews.com.cn to stage an interactive communication activity where netizens could have contact with Yuchai. About 10 netizens were granted this opportunity. Officials from Yuchai Group had a sincere dialogue with netizens and replied to their questions, including regarding Yuchai's "Second Stage of Development-", any possibility for Yuchai to engage in the whole vehicle industry, measures for introducing top talent, operational conditions at Guangxi Yuchai Machinery Company Ltd., Yuchai's efforts to benefit employees through development and highlights from overseas markets.



#### First Technology Open Day

As the leader in engine technology research and development in China, Yuchai has mastered several core engine technologies including a proprietary electronic control system and combustion system and after-treatment technology. Since it was entrusted with establishing a national internal combustion engine engineering lab, Yuchai has been sharing technical breakthroughs and promoting industrial development by all possible means. On October 22nd, Yuchai organized the first technology open day at the Test Center of the Engineering Research Institute to showcase its core technology and engine technology R&D to customers, the public, media and employees.



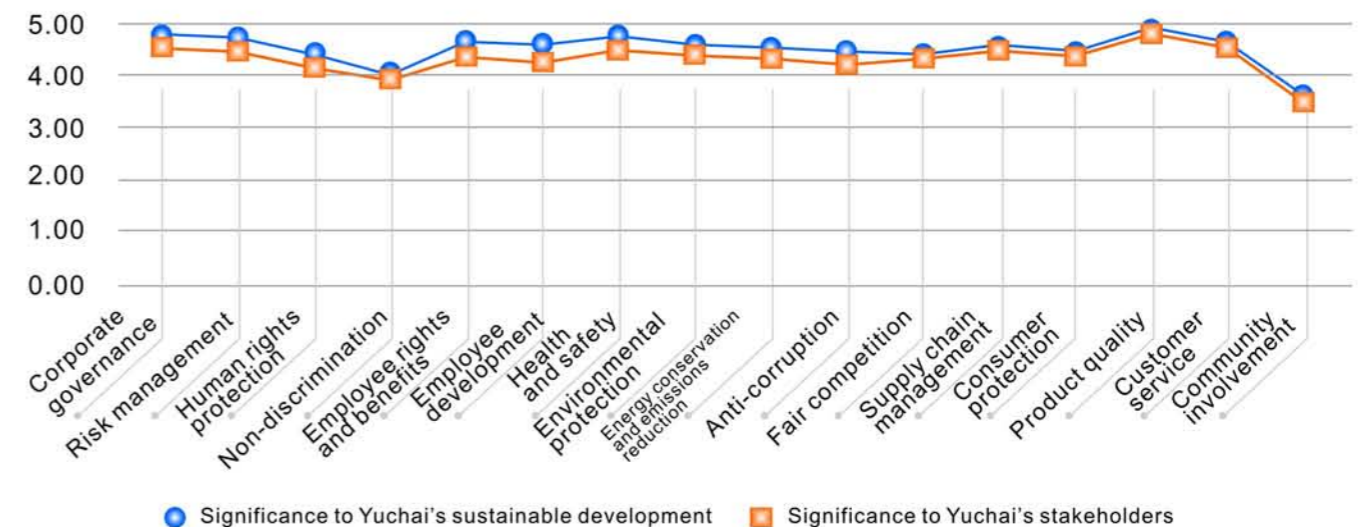
#### Yuchai and Yinlun corporate culture salon

On October 24th, Guangxi Yuchai Machinery Company Ltd. and Zhejiang Yinlun Machinery Company Ltd. successfully organized the "Yuchai-Yinlun Corporate Culture Salon" in Tiantai County, Zhejiang Province. Themed "Cultural Integration and Mutual Success for a Better Future", this event offered both sides a chance to communicate and discuss how to learn from each others' strong points and close the gap, how to integrate cultures and how to forge a better tomorrow. Both sides agreed on the content of the Letter of Commitments on Undertaking Social Responsibilities and Being a Good Corporate Citizen.

### 3.3 Analysis of substantive issues

Yuchai has conducted surveys on substantive issues oriented to stakeholders in order to identify the significant issues concerning sustainable development in 2014 and highlight the disclosure of KPIs. In this survey, Yuchai distributed 200 questionnaires to suppliers, key accounts, news media, senior and mid-level management and ordinary employees of the Group, receiving 143 replies. The results of this survey

showed that corporate governance, risk management, employee rights and benefits, employee development, health and safety, environmental protection, production quality and customer service are major issues which may influence the development of Yuchai in the opinion of stakeholders.



### 4.1 Building the Industrial New City, promoting transformation and upgrading

The Industrial New City takes the development of the high-end equipment manufacturing industry as its subject and the industrial support of Yuchai as its orientation. It will cover a planned area of 10,954 mu (including 2,817 mu in Phase I and 8,137 mu in Phase II).



Industrial layout: one headquarters base and four industrial parks

One headquarters base – providing amenities such as office facilities, R&D centers, residential quarters, ecological parks, schools and hospitals, which will provide office services, “one-stop” services and a living standard security services.

Four industrial parks – spare parts industrial park, terminal equipment manufacturing industrial park, complete equipment industrial park and commercial logistics industrial park.

Objectives of building Yuchai Industrial New City: to build a complex new industrial city integrating the high-end equipment manufacturing industry and modern services industry, creating a livable industrial city.

### 4.2 Generating power by solar photovoltaic energy and developing the new energy industry

The Yuchai Photovoltaic Power Project was one of the national Golden Sun Demonstration Projects of 2011, and was put into trial operation on June 25th 2012. This project is the largest in-service roof-distributed PV power project in China in terms of installed capacity up to the present day.



The installed capacity of the project is 30,002 kW, and the power generated in 2014 reached 27.5 million kW·h, equivalent to the saving of 10,800t of standard coal and a reduction in discharged gas of 26,924t of CO<sub>2</sub>, 810t

SO<sub>2</sub>, 405t NO<sub>x</sub> as well as a reduction of 7,344t in dust.

### 4.3 Commodity strategy planning and producing green machinery

Guangxi Yuchai Machinery Co., Ltd. has been actively conducting strategic research and planning for engine products in accordance with the *Energy-saving and New Energy Vehicle Industry Development Plan (2012-2020)*, as well as with regards to China's energy

security and gas development position and relevant regulations. It has now formulated and published the *Specific Strategic Planning for Gas Engines, Specific Strategic Planning for New Energy and Strategic Planning and Report for Yuchai Euro IV and Euro V*.

## Green industry

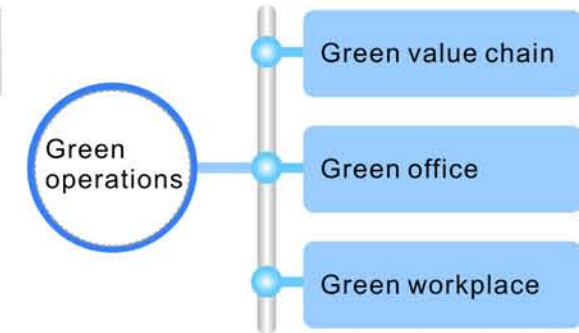
# 4

- 4.1 Building the Industrial New City, promoting transformation and upgrading
- 4.2 Generating power by solar photovoltaic energy and developing the new energy industry
- 4.3 Feasible commodity strategy planning and producing green machinery



## 5.1 Implementing green operations management

Yuchai is implementing green operations management in relation to three aspects: the green value chain, green office and green workplace, as shown in the diagram on the right.



### Joining the China Golden Bee CSR 2020

#### Case

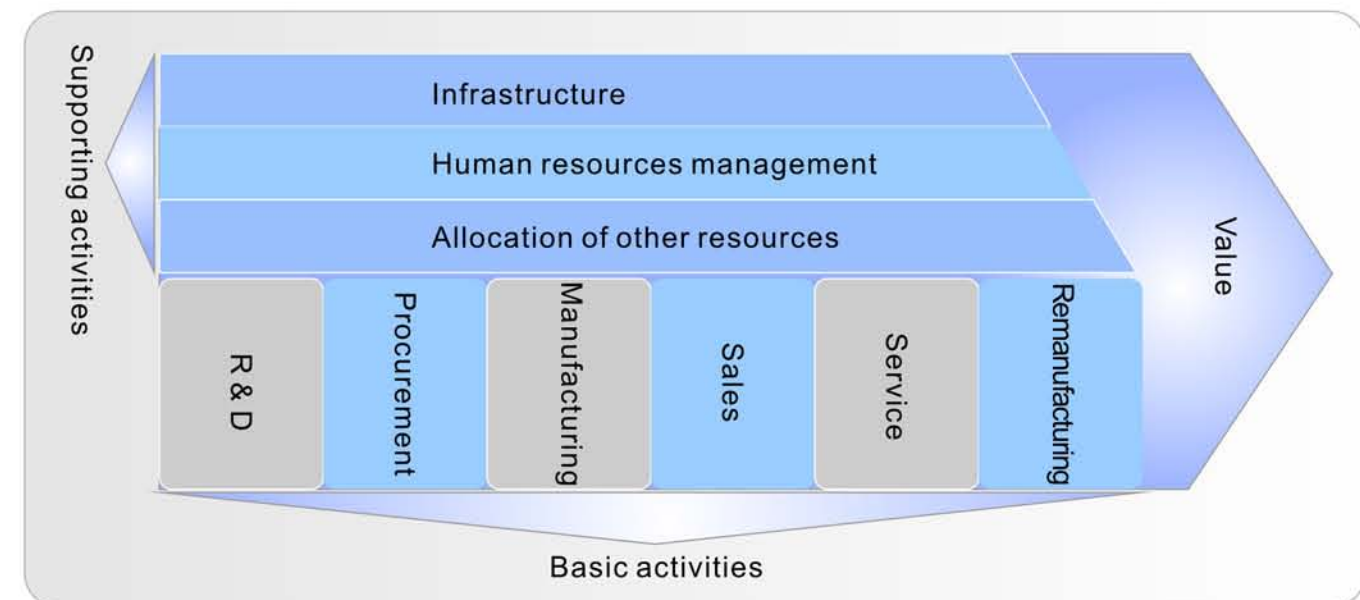
On June 5<sup>th</sup> 2014, at the Ninth China CSR International Forum, Yuchai, a new promoter, released the “Low-carbon-Green Intelligent Manufacturing” in the low-carbon topic of initiative of China Golden Bee CSR 2020. The project's aim is “green power, green intelligent manufacturing”, under which a plan and proposal have been established and released to guide its implementation.



## 5.2 Forming a green value chain and creating green value

Establish a green value chain platform to ensure R&D, procurement, manufacturing, sales, service and remanufacturing of Yuchai engines all meet our green and low-carbon objectives.

The implementation of a green value chain represents the path and model for Yuchai to fulfill its social responsibilities.



# Green operations

- 5.1 Implementing green operations management
- 5.2 Forming a green value chain and creating green value
- 5.3 Green office
- 5.4 Green workplace

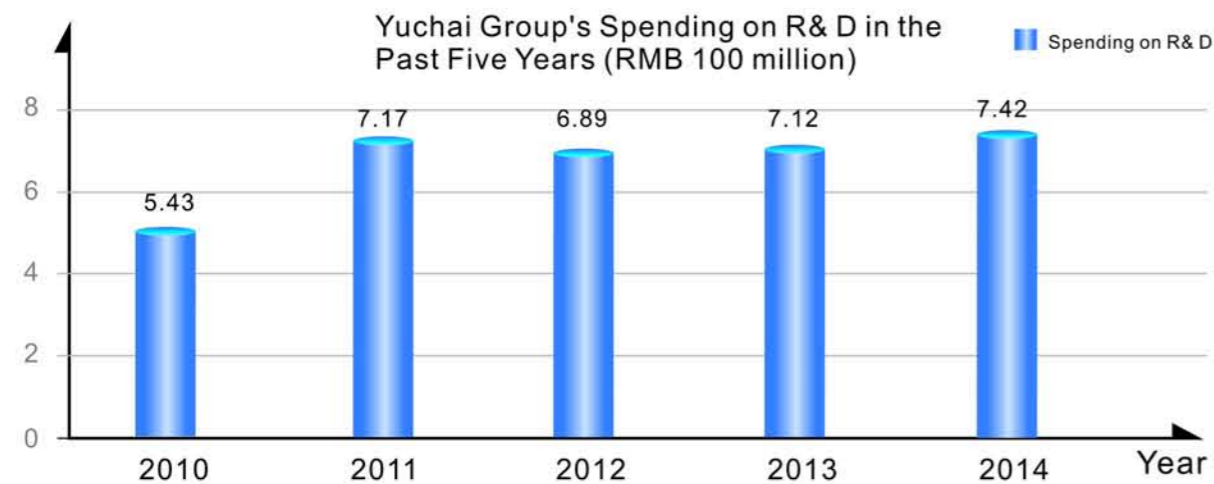


### 5.2.1 Green R&D

Yuchai Group is paying close attention to product research and development and continues to increase spending in this field year by year. At the same time, Yuchai is an advocate for technological innovation and is strengthening cooperation between all parties,

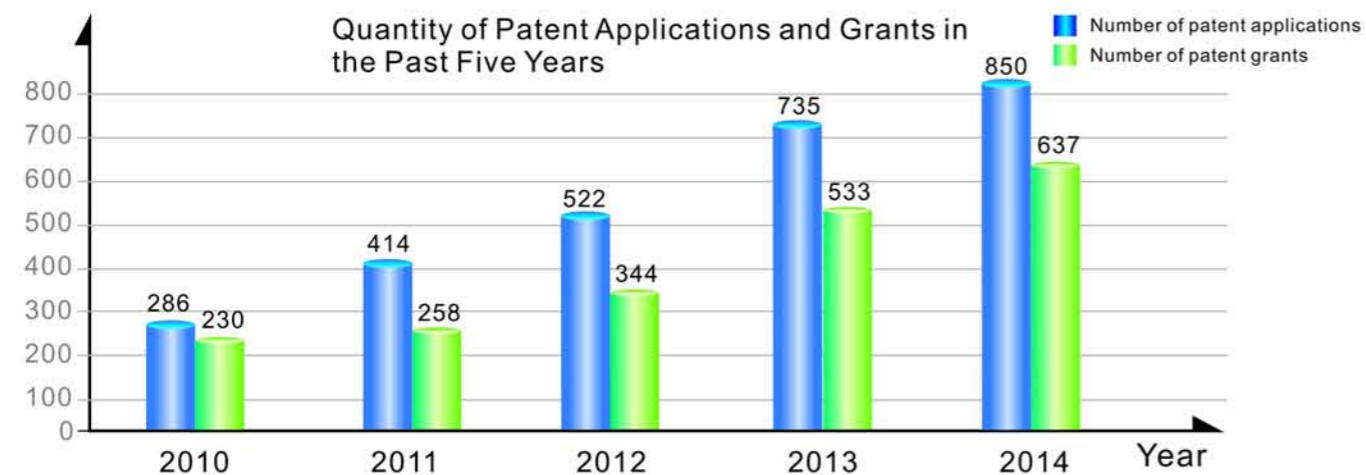
establishing technical platforms and making its products more powerful, cost effective, reliable and environmentally friendly, all by relying on the application of new technology.

#### Safeguarding investment and strengthening R&D



Yuchai Group has outperformed all other businesses in Guangxi in terms of patent applications for nine consecutive years. Its "key techniques and commercialization for energy-efficient and environmentally friendly diesel engines" and "key

techniques and engineering application for weather-proof turbocharging for internal combustion engines" both won second prize in the national technological progress awards, in 2012 and 2013 respectively.



Note: Yuchai Group currently owns 2,082 patents, including 104 invention patents.

#### Building an R&D system and constructing a technology platform

Yuchai is working hard to build a powerful R&D system both internally and externally. In addition to its three R&D bases in Yulin, Nanning and Suzhou, the

Group has strengthened its cooperation with famous colleges and R&D institutions both at home and abroad, which has improved its R&D capacity.

#### Flexibly applying new technology to develop green products

Yuchai is committed to a path of green and sustainable development and has been working hard to produce lighter, quieter and lower fuel consuming products, as well to develop more green products based on new technologies.

In the field of engineering machinery, the YC4D90Z-T30, YC4A160L-T30 and YC6J-T30 diesel engines all meet the T3 emissions standard.

The YC4D is the most advanced engine for passenger vehicles in China, integrating multiple advanced diesel engine techniques for passenger vehicles from around the world. It is reliable and durable, and has passed the stringent appraisal of the European Machinery Development Procedure. It has a service life of over 300,000 km and can be used in a wide range of vehicles such as SUVs, MPVs, light-duty coaches, pickups and sedans.



YC6J-T30 diesel engine



YC4Y22-50 diesel engine

In the field of light-duty trucks, the YC4Y22-50, YC4S-50, YC4FAN-50, YC4EG-50 and YC6MK-50 diesel engines all meet the Euro V emission standard.

YC4S series engines are four-valve engines specially designed for medium and high-end light-duty trucks in cooperation with the famous European Engine Research and Development Institute. They are characterized by their compact structure, low weight, low emissions, low fuel consumption and low noise.

The fuel consumption for the YC6MK420-40 on road test achieves a good level of 32L per hundred kilometers at high speed, which is about 6L less than its main competitors. In terms of NVH, novel calibration technology has been applied to lower the noise by more than 3db, making its comfortability the industry leader.

In terms of diesel engines for automobiles, the YC6L-60 has passed the EU E/e-mark certification standard.

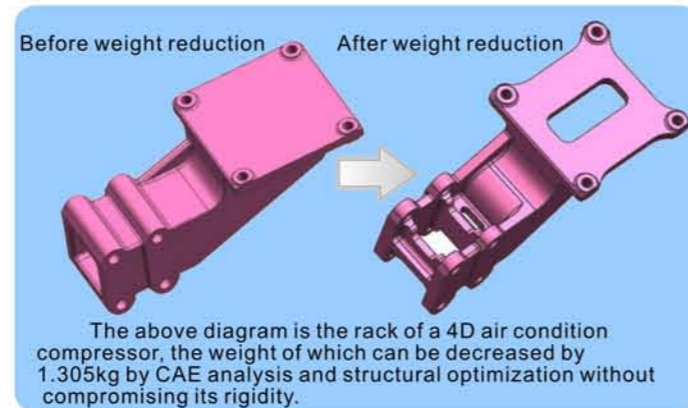
The YC6L330-60 Euro VI new diesel engine was developed as early as 2011, making it the first automobile diesel engine to meet the Euro VI emission standard in China. It integrates 55 patented technologies and excels in its low fuel consumption, cleanliness and environmentally-friendliness. This model has passed the EU E/e-mark certification standard, making Yuchai the first Chinese company to be given Euro VI certification.



YC6L330-60 diesel engine

Light-duty technology application, a significantly lighter diesel engine

Whilst keeping the engine power unchanged, Yuchai has reduced the weight of four engines (4D\6J\6A\6MK) by slimming down the structure, materials and functions, and has met or surpassed the expected target. As a result, the Group has saved materials and cut costs.



**Case study** The C&C trucks equipped with the 6K12 diesel engine and the 6K13N gas engine won the titles of "Fuel Efficiency Champion" at the Seventh China International Truck Fuel Efficiency Contest and "Energy Efficient Heavy-Duty Truck of 2014".



On November 25<sup>th</sup>, at the awards ceremony of the Seventh China International Truck Fuel Efficiency Contest, a 6x4 motor tractor equipped with a Y&C 6K12 and an LNG motor tractor equipped with a Yuchai hybrid power 6K13N engine were awarded the title "Fuel Efficiency Champion".

The C&C truck K-gold edition equipped with a 6K13N gas engine was given the title "Energy Efficient Heavy-Duty Truck of 2014" at the 2014 edition of the annual ceremony of the commercial vehicle community.

5.2.2 Green supply chain

Strengthening supply chain management and implementing green purchasing

Yuchai has made green development one of its supplier admission conditions to ensure that new suppliers conform to Yuchai's green development requirements. Yuchai assessed 55 potential suppliers who submitted applications in 2014 by six criteria, including design capacity, manufacturing capability, testing capability, purchase control, quality management and safety/environmental qualification. The Group signed the Environmental, Occupational Health and Safety Management Agreement with 250 component suppliers and 86 non-installation materials suppliers in 2014.

Yuchai conducts annual comprehensive assessments of the performance of its suppliers according to seven criteria: technology, quality,

response, delivery, cost, environment and social responsibility. The standard clauses of the environmental assessment include environmental certification, environmental protection, resource consumption, dangerous chemicals, green purchasing and green office, while the standard clauses of the social responsibility assessment include payment of tax, employee development, compliance with labor law, employee happiness and social welfare activities.

Annual assessments will both encourage suppliers to improve their performance indexes, and at the same time will encourage them to focus on the control of environmental safety aspects and management of employee rights and responsibilities.

Fulfilling commitments regarding non-conflict minerals

Yuchai, as a Sino-foreign joint venture, fulfills its undertakings regarding non-conflict minerals in the process of procurement and refuses to buy or use "any mineral from a conflict area" (e.g. stannum, tantalum, tungsten, gold and other minerals produced in The Democratic Republic of the Congo and nine neighboring countries defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act dated July 21<sup>st</sup> 2010). Yuchai strictly implements due diligence so as to avoid the use of the conflict minerals in its products or production process and so as to perform its global social responsibilities. On November 5<sup>th</sup>, Guangxi Yuchai Machinery Company Ltd. organized a training session on compliance and implementation of conflict mineral policy.



As a core strategic partner of Yuchai, Bohai Pistons is set to become the strongest link in Yuchai's supply chain. Bearing in mind our goal of "creating the world-famous brands and developing into a large multinational group", we are willing to join hands to build a green value system and achieve harmonious and win-win development between Bohai Pistons and Yuchai.

Lin Fenghua, Chairman of the Shandong Binzhou Bohai Piston Company Ltd.



We have been working with Yuchai for nearly 20 years, and we have been very impressed by one miracle after another that Yuchai's independent engine plants have witnessed as they progressed from the age of product, service, integration and segmentation marketing, to the era of intelligence, management and cultural innovation. Wuxi Cummins Turbo Technologies Company Ltd. is expanding its cooperation with Yuchai with excellent management and modern technologies. We are confident that with the guidance of Yuchai Group, more and more outstanding engine parts manufacturers like Cummins will step onto a promising path together with Yuchai.

Chenjian, General Manager of Wuxi Cummins Turbo Technologies Company Ltd.

### 5.2.3 Green manufacturing

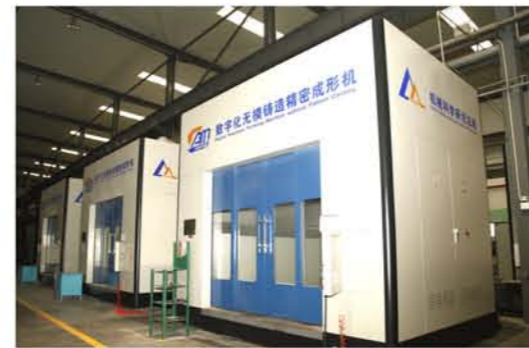
#### Advanced processes lead green manufacturing

Yuchai is using digitalized precision forming technology and 3D printing technology, capable of module-free rapid casting and powerful material research and development, as well as rapid

manufacturing and testing for major engine parts. All of these effectively guarantee and propel Yuchai's green manufacturing.

#### Rapid manufacturing improves efficiency and reduces costs

The application, development and construction of rapid manufacturing technology has now become mature. Yuchai has successfully applied module-free rapid casting technology to develop gas cylinders, gas cylinder covers, various complicated pipes and other key parts, and has shortened the new product development time from 120 days (with modules) to 40 days, a three-fold increase.



#### Green casting and clean production

Yuchai has five automatic and smart casting lines, covering gas cylinders, gas cylinder covers, crankshafts and other core castings for Yuchai light-, medium- and heavy-duty engines. The Group uses sophisticated techniques such as casting simulation, core cooling and making, robot coring setting and duplex melting, with high production efficiency and low casting discard rate.



#### Development of high-end casting technology of high-strength, ultra-thin engine block water jacket

According to the need to develop a new compact dry-type cylinder sleeve, the Group used the new sand core manufacturing technology and independently fabricated and formed a 2mm extra-thin water jacket sand core. After the core setting, engine block was cast successfully. The sectioning test shows that there is no sand core sintering or cementation inside the 2mm extra-thin water jacket, which meets the advanced international standard.



Small gas cylinder for extra-thin anti-sintering sand core casting

#### Research on robot gripping frameless water jacket core techniques

Yuchai has successfully developed a frameless water jacket core machining process, which can effectively remove the robot gripping frame and reduce casting costs. According to the measurement of the weight of the Type D engine cover casting and water jacket core after removing frames, the sand costs will be decreased by 10% per ton of casting.



Schematic diagram of modified frameless water jacket core robot gripping techniques

#### Lean manufacturing improves QCD level

Guangxi Yuchai Machinery Company Ltd. has identified more than 350 lean projects in four areas (establishment of barrier-free production system, safe production, quality improvement and system

enhancement) to upgrade Quality (Q), Cost (C) and Delivery (D) and reduce labor costs, operating expenses, maintenance costs, quality costs and energy expenditure.



General Manager Wu Qiwei and Chief Manufacturing Director Yamada Ichiho have visited the sites many times to oversee the lean manufacturing process



Guangxi Yuchai Machinery Company Ltd. arranged for key personnel to visit Japan to study lean manufacturing

#### Improvement with boring fuel pump and rack

Case study

Before improvement

Improvement measures

Q/YC198-12 screw plug M12X1.5, changed to Q61512/ screw plug M12X1.5 configuration



After improvement

Improvement results

Interference is eliminated, guaranteeing mounting quality and product reliability of the complete equipment.

#### Enhancing waste treatment and control to reduce polluting emissions

##### Wastewater treatment to prevent pollution

Guangxi Yuchai Machinery Company Ltd.'s wastewater treatment plant processes 714,312 cubic meters of wastewater per year. The online wastewater monitoring system monitors major indexes of COD, BOD, SS, PH and ammonia nitrogen in the wastewater and wastewater discharge all day long, and 100% of treated wastewater can be satisfactorily treated before discharge. The annual recovered quantity of recycled water is 10,289 cubic meters.

The new Nanning Base Wastewater Treatment Plant Project has been completed and put into operation with an investment of RMB 1.88 million. This project mainly treats industrial wastewater on the Yuchai Nanning Base and domestic wastewater from the canteen, and the treated water meets the Class I standard specified in the Integrated Wastewater Discharge Standard (GB8978-1996).



Controlling smoke and dust from electric welding and improving the working environment

Guangxi Yuchai Machinery Company Ltd. purchased five dust collectors for over RMB 300,000, which collects welding dust from Engine Plants 2 and 3

and the Training Department, providing employees with a better environment.



De-dusting equipment

Controlling noise and improving environmental quality

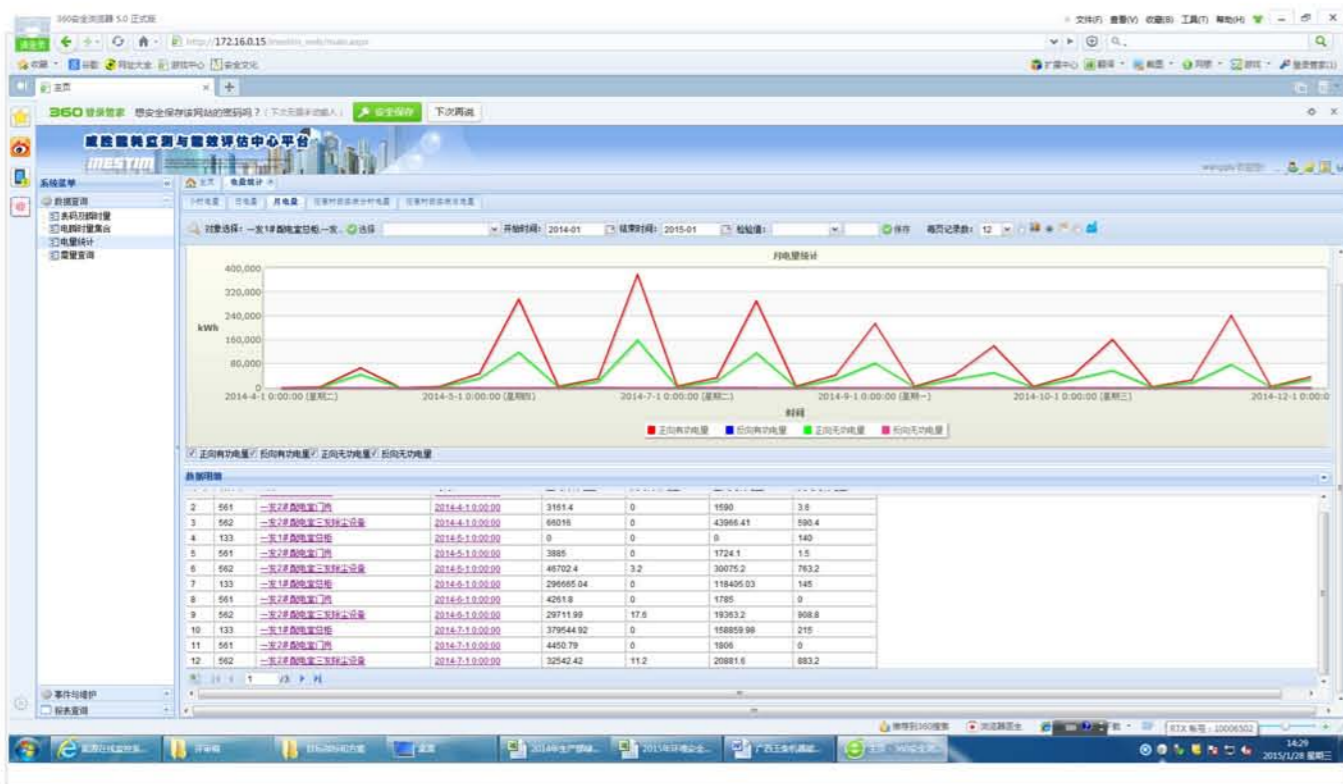
Guangxi Yuchai Machinery Company Ltd. has modified the five ventilation and de-dusting systems in Comprehensive Workshop No. 4 of Engine Plant 5, where the exhaust duct is now mounted with a silencer. The fan is equipped with a sound insulation room to reduce noise pollution.

Strengthening monitoring to reduce energy consumption and reutilize energy through technology

Establishing an energy monitoring system

Establishing an energy monitoring system which serves as a platform for analyzing energy consumption and assessing energy efficiency. The system offers a

reliable basis for diagnosing energy control issues and their rectification, promoting energy control and reducing costs.



Technical upgrades to improve energy conservation efficiency

Guangxi Yuchai Machinery Company Ltd. continues to utilize environmentally friendly air energy hot-water heating facility to improve the heating methods of the electric heating and cleaning machines in all production workshops. In 2014, 30 cleaning machines were modified and passed testing before being put into operation.

The drying room for the pre-painting line of Yuchai Engine Plant 5 replaced diesel combustion and drying with electric heating and drying. After modification, the pollution from diesel combustion on the surroundings was reduced, the costs lowered, and about RMB 250,000 can now be saved annually.

Guangxi Yuchai Machinery Company Ltd. has invested RMB 20 million to carry out technological modifications on the cupola furnace in the No. 3 Casting Workshop of the Foundry Works, where the electric melting furnace substitutes for the cupola furnace to reduce emissions of the pollutant sulfur dioxide and fumes generated by coke combustion.

The Foundry Works of Guangxi Yuchai Machinery Company Ltd. have seen technology upgrade for the surface drying furnace, which can now adjust the heating status according to the roller bed in different areas in the furnace. The overall furnace heating is changed to the heating as per need based on different function areas. The new process not only reduces energy consumption, but also prevents the excess baking of the sand core and unnecessary waste.

The cleaning fluid temperature rise system of the secondary cleaning machine at Engine Plant 3 of Guangxi Yuchai Machinery Company Ltd. combines the original two heating systems into a single one (i.e. only the heat pump system is used, while the traditional fuse heating system is discarded), which reduces energy loss and lowers production costs.

The five high power exhaust systems for cylinder cover line 08 in Engine Plant 3 of Guangxi Yuchai Machinery Company Ltd. are fitted with "microcomputer time controlled switches", so that the equipment can be automatically started or stopped based on the time schedule. This can effectively reduce both human resources and energy loss.



The high power de-dusting equipment of cylinder cover line 08 in Engine Plant 3 of Guangxi Yuchai Machinery Company Ltd. is configured with a "super-intelligent motor energy saving system" on the main motor circuit, which reduces the equipment unload loss and lowers energy loss through automatic frequency conversion of production power load and power adjustment.



玉柴股份铸造厂铸三车间冲天炉改造



玉柴股份铸造厂对表干炉进行技术改造

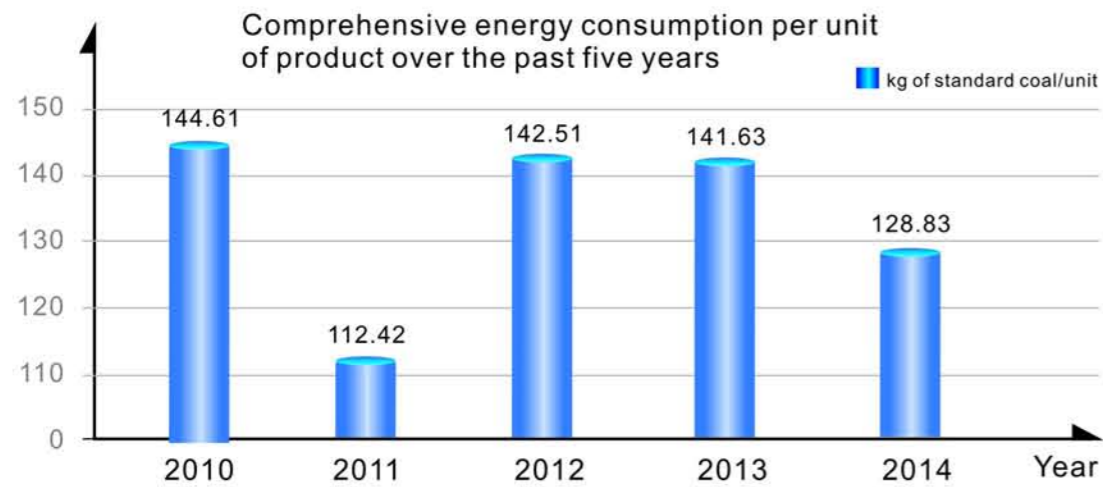




### Reducing energy loss in production and achieving green production

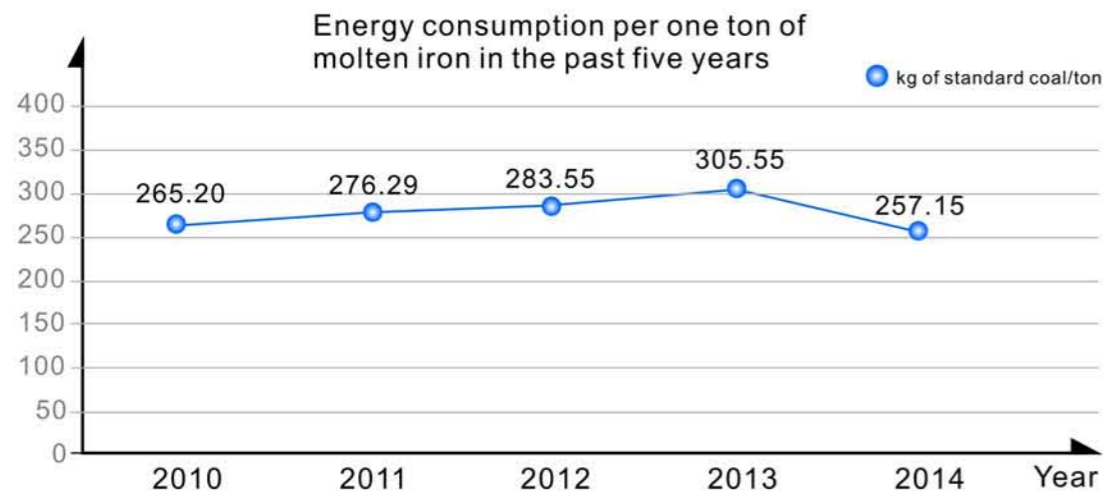
Guangxi Yuchai Machinery Company Ltd. mainly depends on coke and diesel power as its major energy sources. In 2014, the Yulin Base produced 384,000 diesel engines, with comprehensive energy consumption per RMB 10,000 of GDP of 43.6kg standard coal, down by 5.8% as compared with the same period in the previous year, equivalent to energy

conservation of 3067t of standard coal; carbon dioxide emissions were reduced by 9,200t. The total energy consumed was 49,513t of standard coal, a drop of 13.88%. The comprehensive energy consumption per unit of product was 128.83kg of standard coal, a decrease of 9.04% on a year-on-year basis.



Water, electricity and coal consumption in the past five years

Year	2010	2011	2012	2013	2014
Water(m <sup>3</sup> /unit)	2.89	2.67	3.55	3.19	2.98
Electricity(kW·h/unit)	519.29	449.00	556.46	647.97	638.16
Coal(kg/unit)	25.79	23.62	19.14	0.00	0.00



### 5.2.4 Green marketing

#### Product certification and sales of green products

Guangxi Yuchai Machinery Company Ltd. has carried out technological upgrades for Euro IV and Euro V automobile engines and T3 non-road engines, passing 345 Euro IV, 118 Euro V, 707 non-road and 101

overseas certifications. The company sold 483,800 engines in the year, including 146,600 Euro IV and Euro V engines; 36,600 gas engines, a growth of 12.7%; and 6,000 hybrid power dedicated engines.

#### Cracking down on counterfeiting and resisting unfair competition

Yuchai attaches great importance to improving quality and cracking down on fake products, so as to protect the lawful rights of consumers, effectively purify the market and protect the Yuchai brand. Yuchai has carried out market research to identify counterfeit

products, organized a crack down on faked goods, attacked the "fake brand" dens and struck a decisive blow against the scourge of fake goods sellers, safeguarding the rights and benefits of consumers in the process.

#### Case study

◆ In 2014, Guangxi Yuchai Machinery Monopoly Development Company Ltd. worked with local law enforcement departments to crack down on counterfeits through various channels, which further safeguarded our legal rights in the market. The cases of major counterfeits dropped by over 50% as compared with the same period in the previous year, and the rights and benefits of consumers have been secured as the counterfeit Yuchai spare parts were taken off the market.

◆ In 2014, Guangxi Nanning Yuchai Petronas Lube Company Ltd. brought 15 dens producing counterfeits and 26 shops selling fakes goods to justice, and 13 people were detained or bailed. According to approximate statistics, the judicial authorities seized 231,450L of counterfeit products, 15,110 anti-counterfeiting labels as well as a large quantity of equipment for making fake commodities and a list of sales, and recovered direct losses of RMB 4.6 million.

◆ Guangxi Hua Yuan Filtration System Company Ltd. organized 19 crackdowns on counterfeit products in Jiangxi, Guizhou, Chongqing, Sichuan, Henan, Guangxi, Yunnan and Guangdong in 2014, involving RMB 1.85 million.

#### Reducing the use of wood in green packaging

Yuchai follows the 4R principle (Reduce, Reclaim, Reuse and Recycle) for international green packaging, and has gradually substituted iron cases for wooden containers in engine packaging. The undercarriage of the engine can be reclaimed and reused to reduce costs and protect the environment. In 2014, Yuchai used 285,000 iron packaging sets, saving 114,000 cubic meters of timber.



### Reinforcing quality management to ensure product quality

Yuchai has adopted Product Life-Cycle Management (PLM) in order to ensure its products are safe and reliable and protect consumers. The Group has strengthened quality control and improved product

planning, design and manufacturing in the hope of offering customers safe and high value-added products.

#### Quality control and assurance system

In accordance with the quality management system standards of ISO/TS16949: 2009, ISO9001: 2008 and GJB9001B-2009 as well as the Implementation Rules for Voluntary Certification of Motor Vehicle Engine Products and Consistency Requirements of Environmental Production, Yuchai has established, implemented and maintained a quality management system based on the requirements of customers as well as the specific situations and product characteristics of the company.

With the YCQMS (Yuchai Quality Management System), Yuchai actively monitors quality activities,

analyzes and summarizes product quality results to make continuous improvements, and ensures that it can constantly meet the requirements of customers and comply with laws and regulations.

Every year, Yuchai has defined the B10 service life indexes for all platform engines for effective monitoring: six-cylinder heavy-duty engine  $\geq$  800,000 km, six-cylinder medium-duty engine  $\geq$  600,000 km, four-cylinder medium-duty engine  $\geq$  400,000km and gas engine  $\geq$  300,000km. The random inspection pass rate and sample pass rate of Yuchai's products in examinations by national agencies has reached 100%.

#### Quality management for parts


In order to put into practice the resource security strategy and improve parts quality, Yuchai and its key parts suppliers have worked together to build dedicated production lines. In 2014, 23 dedicated lines were completed and accepted. At the same time, Yuchai has

taken a host of measures to continuously improve parts quality, including breakdown of objectives, special control of quality objectives, quality control of parts as well as diversified activities oriented to suppliers.




**Title of "National Excellent Enterprise in Quality Creditability"**

**Case study**

In September, Guangxi Yuchai Machinery Company Ltd. participated in the "Enterprise Quality Creditability Initiative" sponsored by the General Administration of Quality Supervision, Inspection and Quarantine, voluntarily performed its social responsibilities, and was honored with the title of "National Excellent Enterprise for Quality Creditability" granted by the China Association for Quality Inspection.



The image shows a certificate with a red border and a central emblem. The text on the certificate includes '证书' (Certificate), '全国质量诚信优秀典型企业' (National Quality Creditability Excellent Typical Enterprise), and 'YUCHAI QUALITY'.

Marketing is a passionate field in which you must keep striving to seize opportunities, open the market and expand market share. Yuchai and we have spared no efforts in our model cooperation to sell nearly 1000 Balong motor tractors equipped with Yuchai engines annually at Beilun Port in Ningbo.

Shi Changfa, General Manager of Ningbo Tongyuntong Auto Trading Company Ltd.

The time zips by. In the decade that I've been growing with Yuchai, we have specialized in customizing our individual services for each customer under the guidance of Yuchai's service ideology while adhering to the principle of "people orientation, heart-and-soul services, priority to quality and seeking excellence". We aim to develop by optimizing our services, extending Yuchai's services and forging ourselves into a famous local brand by cooperating with Yuchai in the spirit of "improving quality by upgrading our professionalism and creating value through services".

Han Jinggang, General Manager of Zhumadian Fengze Material Trading Company Ltd.

We have been working with Yuchai for more than 10 years and have witnessed Yuchai's brilliant performance as an industry pacesetter. Yuchai upholds the principle of "Green Development & Harmonious Shared Success" to offer professional, high quality and considerate services to every customer. Yuchai's natural gas engines are highly regarded by users for their economical performance, strong power, safety, reduced noise, environmentally friendliness and adaptability. Yuchai is tenacious and perseverant in expanding the market, and becomes even calmer and more confident when market conditions are unpredictable.

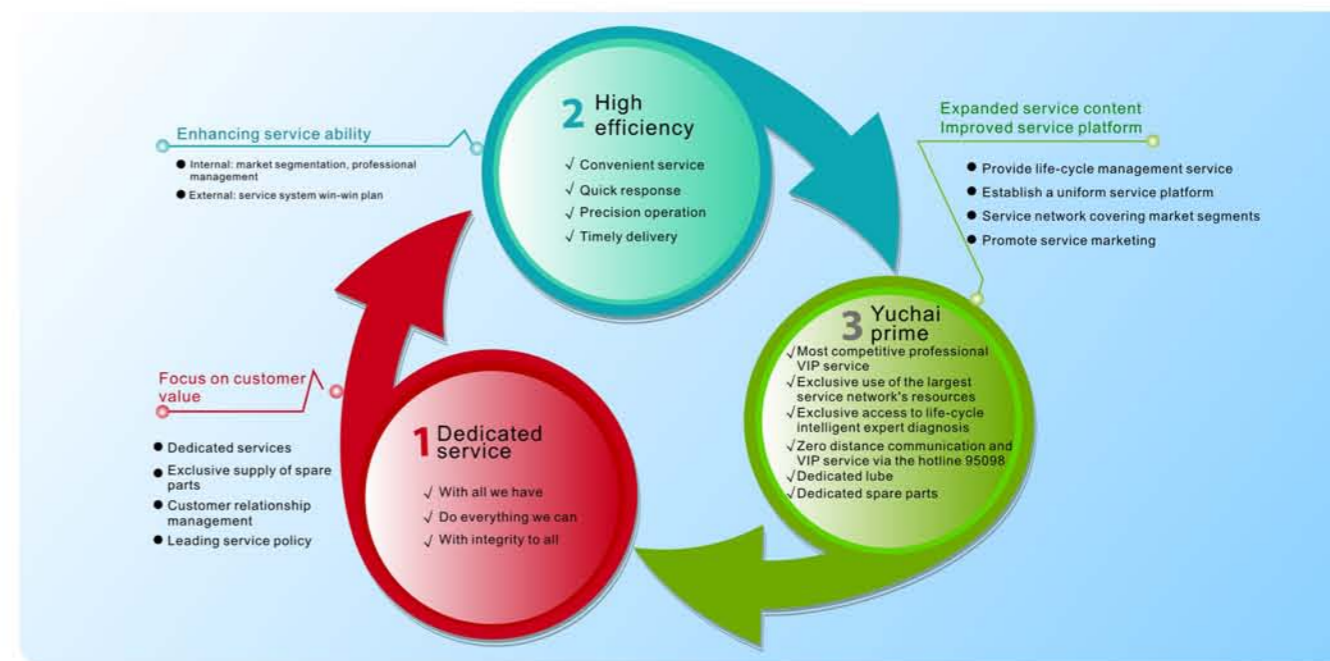
Li Guanghua, General Manager of Shaanxi Changkai Automobile Sales & Service Company Ltd.

### 5.2.5 Green services

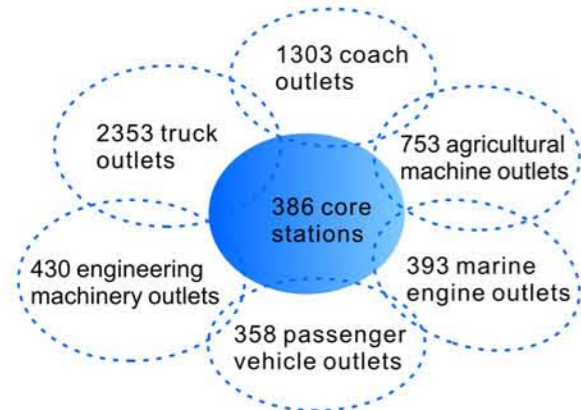
#### Warm-hearted service, Yuchai Prime

Yuchai advocates "commit ourselves to serve customers with wholeheartedness and integrity", upholds the concept of "wholehearted, highly efficient and Yuchai Prime", to improve the capability and level

of services, introduce a modern service management system, and provide users with professional and VIP services.



Expand and specialize service outlets



Yuchai has 33 local offices and 2912 service centers in China, as well as 173 service outlets and 113 agents overseas covering 39 countries/regions and including 107 Southeast Asian outlets throughout the ASEAN region. Yuchai provides the most professional, quickest and most satisfactory marketing services to both Chinese and foreign customers, setting the industry standard. Yuchai boasts over 5000 service centers, franchised shops and outlets, allowing it to meet the needs of our customers.

With core stations as the backbone and professional stations as support, Yuchai has built a professional service network covering all fields. This includes 386 core stations, 2,353 truck engine stations, 1,303 bus engine stations, 753 engine for agricultural machinery stations, 430 engine for construction machinery stations, 393 marine engine stations and 358 passenger vehicle engine stations.

Improved Yuchai service management system

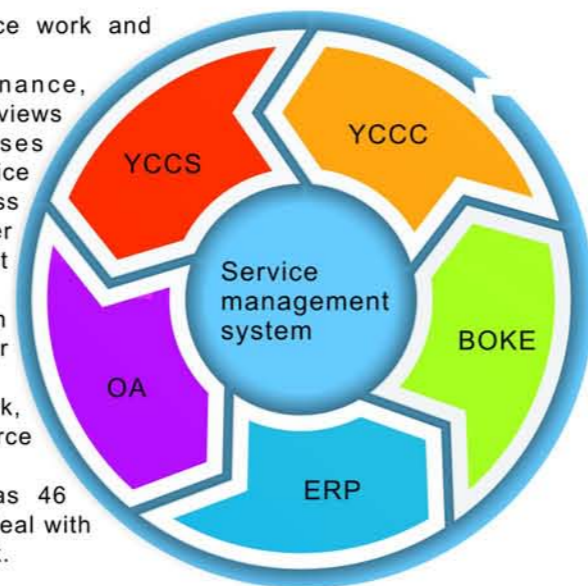
OA and ERP systems enable efficient and quick office work and information/resource sharing.

YCCS information systems integrate all maintenance, commissioning, insurance proceedings, rectifications, report reviews and other business information management, expenses settlements, statement output, basic data management, service station management, service business management, business exchanges and notification releases before, during and after sales. This provides our staff or customers with detailed product service and business information support.

The YCCC calling system operates 24/7 and is an information platform for monitoring service quality and customer relationship management.

The BOKE parts system connects the nationwide network, which allows users to view the inventory and realize resource sharing.

Yuchai national hotline is 95098. The call center has 46 operators who can accept over 2000 incoming calls a day to deal with customers' requests, complaints, and enquiries around the clock.



Establishing a customer relationship management system

The customer relationship management (CRM) system is helping to improve the customer system management level and can handle the whole management process from office plan sheets and review sheets to SAP sales order. Yuchai has established multi-directional customer information

collection channels to acquire and analyze data from engine manufacturers, dealers, end users, partners and competitors. At the same time, it has built a management platform that can follow up these commercial opportunities.

Enhancing service capability

Yuchai has established 1542 engine electronic system service stations certified to Euro IV standard, and brought together technology, development, quality and service engineers to provide support to engine factories during the upgrade and transformation to Euro IV, whole vehicle assembly and product launching. The Group provides training for the technical, quality, process and assembly personnel of engine manufacturers as scheduled, follows up the use

of products, keeps track of market performance and carries out benchmarking analysis and improvement for the fuel consumption, power and urea consumption of the vehicle.

Yuchai has built up service networks for engineering machinery, agricultural equipment and marine engines, and has established professional off-road engine and marine engine service systems based on the characteristics of the products.

Service stations, loyal partners of Yuchai

Case study



Shiyan Bus Yuchai Service Station is just one of Yuchai's 3000-plus service stations. The station's chief Gao Shangming has a lot to say when it comes to his attachment to Yuchai. "I have an education background in technology. In 2008, when I was first introduced to Yuchai machinery, I was fascinated", he said, "The cold machine conveys the unique spirit and philosophy of Yuchai. Since then, my destiny was closely tied to Yuchai's, and I changed my career to machinery maintenance and repair."

"After the change, I got more chances to get to know Yuchai's cultural and service concepts, and I volunteered to become a 'messenger of Yuchai culture'. I introduced Yuchai culture and products to my customers and the people around me." Gao added, "I am so proud to be an agent of Yuchai, and it is also the motivation that supports my team and myself to serve Yuchai."

Tenth anniversary of the Yuchai Call Center

Case study

Yuchai celebrated the 10th anniversary of its call center and held a symposium on October 10th. Since its foundation in September 2004, the Call Center has extended its services from merely receiving calls to return visits to customers, special investigations and follow-ups, SMS and expert assistance. It practices the service concept of "commit ourselves to serve customers with wholeheartedness and integrity" to the fullest extent possible and has won widespread praise from customers.



Continuously improving customer satisfaction

Yuchai has conducted customer satisfaction surveys in cooperation with the national authorities (China Association for Quality), and the results show

that Yuchai's customer satisfaction has remained at over 80 points for several consecutive years, keeping it ahead of its competitors in the industry.

Service operations in 2014

Item	Target values	2014 Achievements
User satisfaction index (third party assessment)	80	80.82
Service provider entity satisfaction (third party assessment)	85	86.60
Service satisfaction	88	89.53
Service complaint rate	≤1.3%	1.30%
Emergency rate	≤1.5%	1.50%

### Focusing on training and improving service levels

In order to further strengthen the service training system, Yuchai provided 21 internal employee training courses for 735 trainees in 2014, 13 training courses for 367 new stations and engine manufacturers that involved 683 trainees, and 40 courses on new products, Euro IV and gas engines for 856 service stations that involved 1,030 trainees.

Yuchai has organized annual training tour programs of "upgrading customer satisfaction and skills" by relying on the existing training base at Yuchai Service Center, in order to play the professional and

technical advantages of suppliers and improve the after-sales service quality of suppliers. The Procurement Department and suppliers association have set up two trainer teams for the southern and northern assembled parts suppliers, and these two teams are responsible for preparing teaching materials, documents and examination papers. Trainers offer on-site training for Yuchai Service Stations according to working principles, fault determination and troubleshooting.

#### Yuchai offers technical service training to marine engine dealer

Case study

On July 7<sup>th</sup> 2014, employees of PT. Semeru Teknik (ST), a Yuchai marine engine dealer headquartered in Indonesia, concluded their training in the first Yuchai technical service training class. The trainees included Wen Tianmeng, chairman of BB Group of Indonesia, and 24 other technology and sales personnel.



### 5.2.6 Recycling & remanufacturing

In 2014, Yuchai remanufactured about 1000 engine assemblies and basic engines, 500 compact assemblies, and various engine parts, which had a combined value of RMB 120 million.

The reuse value of remanufactured parts was RMB 60 million, including 400 reclaimed cylinder covers with reuse value of RMB 500,000, and nearly 700 reclaimed cylinders with reuse value of RMB 1.2

million. The reuse rate reached 41.77%.

By 2014, Yuchai had gained RMB 800 million worth of output value and economic benefits of RMB 150 million, added 400 jobs, saved 1700t of standard coal and cut emissions of carbon dioxide by 5100t due to remanufacturing. Remanufacturing has brought enormous advantages both economically and socially.

### Developing and using neutral rust removal and other remanufacturing techniques

Yuchai has developed and applied new neutral rust removal techniques, which mean that cylinders and cylinder covers have no rust taint following remanufacturing. At the same time, the production efficiency has been improved by 25% and the labor intensity decreased by 30%.

The remanufacturing process techniques for large

casting and valuable parts have been developed and applied in production, and have yielded excellent financial benefits. For example, brushing electroplating, cold welding and repair techniques have been used to remanufacture discarded or outdated parts.



Immersion in neutral rust remover to remove rust in the internal cavity



Comparison between before and after remanufacture of parts



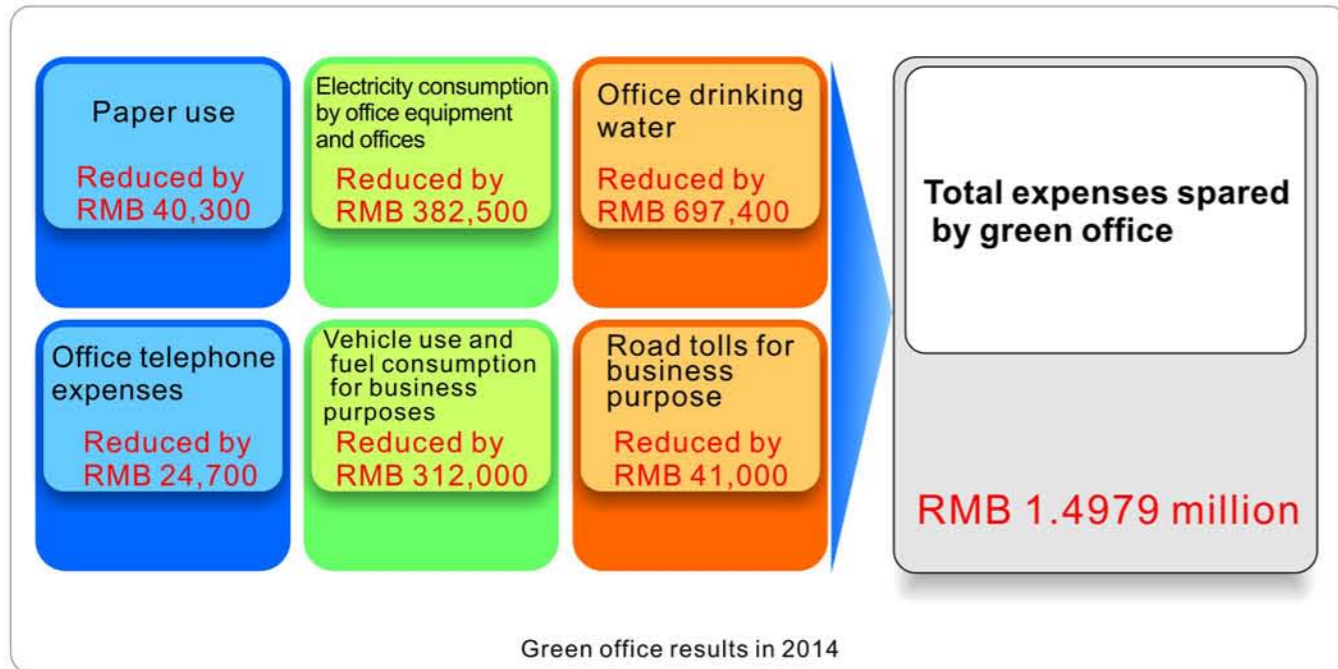
### 5.3 Green office

Yuchai has put forward its basic idea for the green office as follows: "highly efficient use of resources, improvement of office work, cost reduction and increased income". It is also promoting reform in line

with "green offices, green meetings, green paperwork, green filing and green driving" in the regular office work.

A 'green office' is an energy-saving, environmentally friendly, safe, high quality, less expensive and people-oriented office working style.





**Case study**

### Reformed "three-standardization" business

Engine Plant 5 of Guangxi Yuchai Machinery Company Ltd. has implemented the electronic reservation of meeting rooms, electronic registration of document numbers and electronic compilation of process instruction documents.

Electronic reservation of meeting rooms allows the user to view the booking of the meeting room at any time to prevent conflicts and improve the use efficiency of meeting rooms.

Following the implementation of electronic registration of document numbers and electronic compilation of process instruction documents, 1,729 hardcopy guides, 1,462 hardcopy technical notices, 166 hardcopy assembly and trial run process sheets and 185 prototype engine review sheets were cancelled, saving a lot of paper and improving working efficiency by 35%.

- Electronic reservation of meeting rooms
- Electronic compilation of process instruction documents
- Electronic registration of document numbers

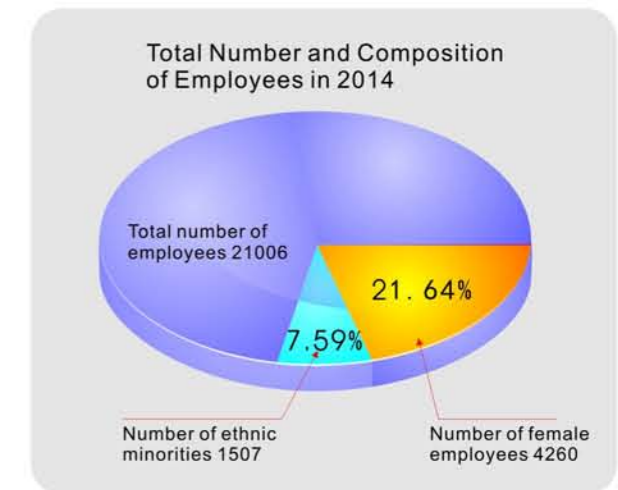
## 5.4 Green workplace

Yuchai is committed to being people-oriented, encouraging unity, friendship and mutual help. It respects employees, secures their basic rights, provides a comfortable working environment for

employees, relieves workers from heavy work burdens, and creates an equitable and democratic atmosphere.

### 5.4.1 Respecting and securing employees' rights

Yuchai Group respects and secures employees' citizenship and political rights, as well as other economic, social and cultural rights, is committed to eliminating employment or career discrimination and actively assists vulnerable groups.



#### Strengthening monitoring of employee rights

Yuchai Workers Congress has three supervision committees, which examine labor affairs, income distribution and living welfare on a quarterly basis and seek to promptly rectify any problems.

At the same time, Yuchai has intensified supervision and inspection of factory affairs and established "four-level open networks" for the

company, factories, workshops and sections. Yuchai organizes two audits each year for the supervision and inspection of factory affairs, and urges the relevant entities to rectify any problems found. Accordingly, major operating decisions are open to all employees, ensuring employees' right to know, to participate and to supervise.

**Case study**

### Group contract performance inspection

In July 2014, Yuchai Group renewed the *Collective Contract* and *Collective Contract for Female Employees*, which legally secured employees' basic rights and benefits. Yuchai conducted two contract performance checks in the year, and settled 26 issues concerning labor, working time, rest, leave, remuneration, social security and welfare, labor safety, health and occupational training.

### Open feedback channels for employees' rights and benefits

Yuchai Group provides a variety of channels for employees to feedback their opinions on rights and benefits, including staff representative meetings, meal symposiums, proposals at the Workers Congress, and negotiation meetings for collective contract parties. Yuchai convenes a staff representative meeting on a quarterly basis, and in 2014 more than 200 issues concerning production management, product quality,

production safety and living welfare were solved. The quarterly meal symposiums in 2014 solved more than 20 issues regarding meal quality, variety and hygiene. Through measures such as these, Yuchai is able to successfully ensure the employee stability of the workforce, while mobilizing the enthusiasm of employees and improving employee their satisfaction.

Settlement of employee rights and benefits issues in 2014

S/N	Channels	Time cycle	Number of settled problems (Nr.)
1	Staff representative meetings	Quarterly	200
2	Meal symposiums	Quarterly	20
3	Proposals at the Workers Congress	Annually	34
4	Negotiation meetings for collective contract and female employee collective contract	Semi-annually	26
5	Three supervision committees of the Yuchai Workers Congress	Quarterly	56



Canteen meal negotiation meeting

### Supporting vulnerable groups

Yuchai Group actively supports disadvantaged groups and fulfills its corporate social responsibility to help disabled people into work. The number of disabled

employees on the Yuchai payroll was 36 in 2014, and Yuchai pays special employment security funds to them annually as required by national policy.

### Safeguarding the rights and benefits of female employees

In accordance with the Law of the People's Republic of China on the Protection of the Rights and Interests of Women, Labor Law of the People's Republic of China and Special Regulations on Labor Protection of Female Employees, Yuchai has signed the Collective Contract for Female Employees of Yuchai Group, which aims to protect the lawful, special rights and benefits of female workers by legal means.

In 2014, Yuchai Group implemented the "Caring for Female Employees" initiative, in order to help out

needy and one-parent female employees. More than 30 female officials were in the twinning with needy women workers in aiding activity, and visited them on holidays. Meanwhile, Yuchai organized family cultural arts festivals to improve cultural and ideological progress, established a female worker innovation studio, and sponsored the Female Employee Skill Contest to foster growth and ensure that women can work comfortably at Yuchai.

Case study

#### Establishing a female worker innovation studio



Chairman Yan Ping of Yuchai Group with members of the female worker innovation studio

On July 10<sup>th</sup>, Yuchai Group unveiled its innovation studio for female workers at the training center. This is a new employee studio that follows the skills master studios and model worker studios, and means that the nearly 5,000 female employees at Yuchai Group now have a new platform for technological breakthroughs, renovation, invention and inheritance.

The first members of the Yuchai female worker innovation studio included 10 women from technical R&D, quality management, production and manufacturing, and included senior engineers, senior technicians, technical experts and outstanding personnel. The studio focuses on seven tasks: technology and quality, application and popularization of "three new technologies" technology and skill inheritance, ect. All objectives are quantified and subject to periodic appraisal.

Case study

#### First Female Employee Skills Contest

On October 16<sup>th</sup>, Yuchai Group organized the First Female Employee Skills Contest, which aimed to urge female employees to develop the habits of learning, improve their skills and create an atmosphere of innovation.



Crane operator (ground crane) practical operation examination site for Yuchai Group's First Female Employee Skill Contest

### Securing employees' democratic rights

Yuchai Group organized the third session of the 17th Workers Congress on February 18th, and 779 staff representatives and 16 non-voting delegates attended the congress. This session received 52 proposals, 18 of which were rejected and 34 that were accepted after panel review. The accepted proposals were forwarded to the relevant line manager for a response, and the functional departments have implemented the remedial measures based on the responses of the line managers.



### Solving employees' problems and worries



Lot drawing for choosing affordable commercial housing (Phase III)

Yuchai Group continued to promote the affordable commercial housing project to solve housing problems for employees and effectively assists relevant departments to improve their surrounding living environment. The Group looks after field staff and their families and helps and offers assistance to employees in need.

### Continuing to promote affordable commercial housing projects

Case study

Yuchai Group organized the signing up, lot drawing and choice for housing in the affordable commercial housing project (Phases I, II and III), and 2,857 employees have completed the procedure of choosing an apartment and paying the initial deposit. Yuchai Century City is the largest affordable commercial housing project in Yulin. The project intends to provide 5003 affordable apartments, which makes it an important project for Yulin City and Yuchai Group and a big step towards solving housing issues for Yuchai employees, as well as helping to accelerate the introduction of new talent and retain existing talent.

### Assistance to employees in 2014

S/N	Type	Number of students	Amount (RMB)
1	Visited hospitalized employees	1,267	253,400
2	Assistance to employees suffering from critical illnesses and disasters	17	215,358
3	Birthday celebration activities	9,572	289,430
4	Allowances for employees in poverty	583	306,167
5	Allowances for Employee Mutual Insurance and Other Supplementary Insurance	178	42,950
6	Allowances for one-parent female employees in poverty	60	29,853
7	Group scholarships	154	389,000
8	Group student subsidies	33	64,900
9	Yan Ping Student Subsidies	27	69,500
10	"Golden Autumn" Student Subsidies	59	143,000

### Heart-warming friendly services

Case study

In recent years, Yuchai's friendly services have brought warmth to employees and their families. In 2014, Yuchai friendly service teams provided 1,720 instances of assistance to hospitalized, ill and poor employees and field staff from the sales company, Overseas Business Department and Finance Department and their families, and offered 269 housekeeping services to field staff.



Li Mei (winner of "Guangxi Model of Female Labor") of the friendly service team visits the families of field sales personnel

### Enriching employees' recreational and sports activities

Yuchai Group organizes and carries out all kinds of artistic performances and sports competitions, and employees are provided with activities every week and competitions every month. In 2014, Yuchai organized 14 events and activities such as a Tiger and Lion Dancing Performance, Workers Congress movie gala, "Women's Day Special Interest Contest", "Second

Stage of Development" speech contest, Mid-autumn Festival Gala, New Year Gala as well as track and field sports, hula hoop, balloon volleyball, "Party Birthday Evening Gala", rope skipping, badminton, shuttlecock kicking, basketball and tug-of-war, and a total of more than 45,000 people participated in the various recreational and sports activities.



Tug-of-war



Shuttlecock kicking competition

### "Heart-to-Heart Grassroots Performance"

Case study

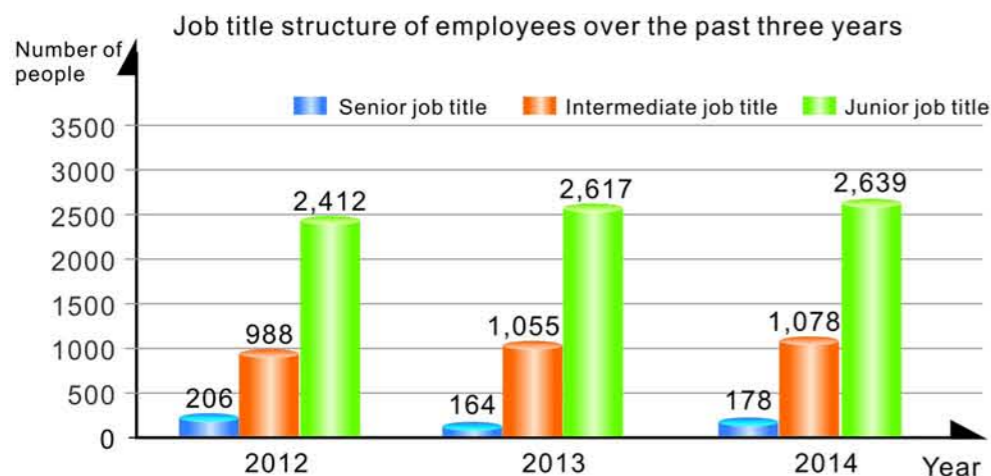
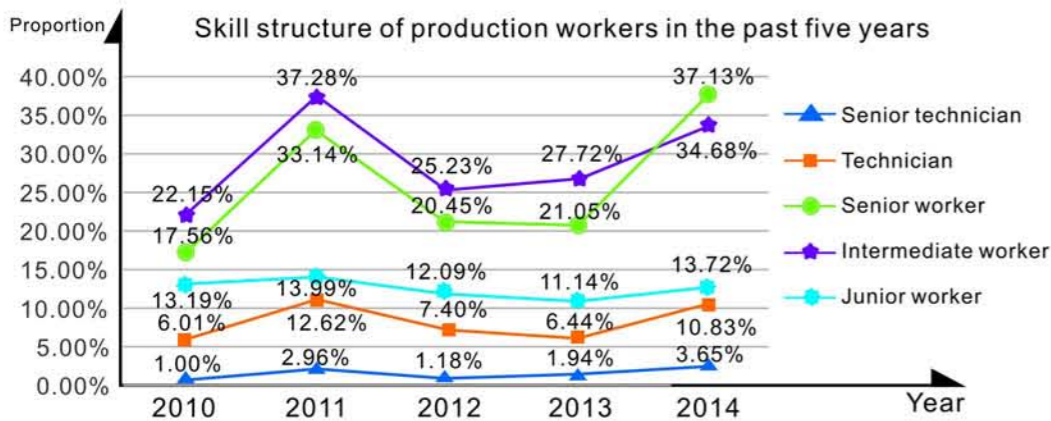
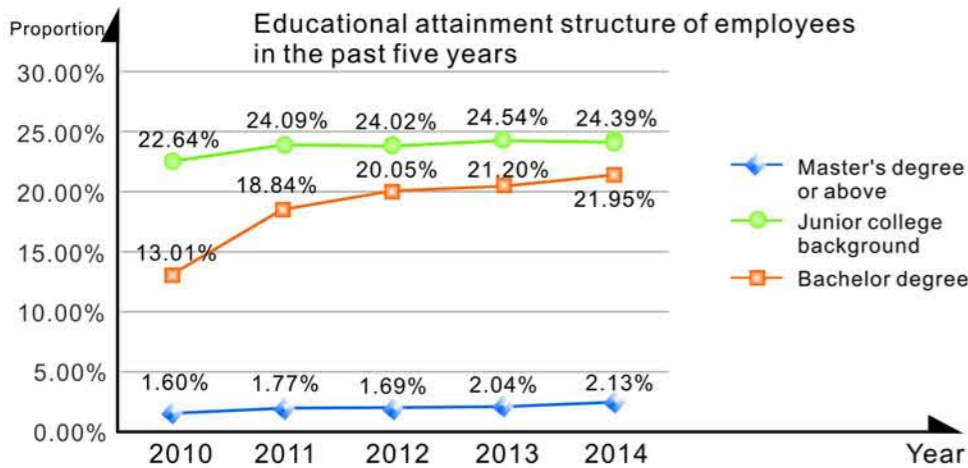
The Yuchai Staff Art Group, in line with the principle of "upholding Yuchai culture to present excellent art work", created and performed 57 programs and presented 29 "Heart-to-Heart Grassroots Performances" (equivalent to an art performance every 14 days) bringing happiness to 20,000 employees. They escorted the family care teams to Guangzhou to present performances to all officers and soldiers on the "Yulin" Ship. They were also invited to attend rehearsals and performance of the National Holiday Evening Gala of the Armed Police Troops in Yulin and Voice of China-Yulin.



### 5.4.2 Harmonizing labor relations and fulfilling employees' responsibilities

#### Actively carrying out job placement assistance

Yuchai Group strictly abides by national laws and regulations, actively increases jobs and provides job placements. It hires 1,288 new employees each year and employs 21,006 people on average each year. It has signed labor contracts with all of its employees and provides equal pay to men and women for equal work.



#### Securing employees' welfare benefits

Yuchai provides competitive remuneration packages for employees and implements grade-based salaries that link employees' income to their ability and contributions. In 2014, the per capita remuneration growth rate was 4.7%.

In accordance with national and local policies, Yuchai covers endowment insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing funds for all payroll employees, and provides supplementary insurance for critical illness, mutual funds and accidental injury for its employees. Meanwhile, the Group subscribed onto the employee medical mutual assistance security program of the General Trade Union of Guangxi Zhuang Autonomous Region for all

employees, and female employees onto the Female Employee Good Health Mutual Assistance Security Program for female employees. Employees are also entitled to free physical examinations, student subsidies for employees' children, employee assistance programs and various other welfare policies. Employees in Yulin have apartments for college graduates, and they are discharged from paying any rent in the first three years after enrollment, except for any management fees. They are also entitled to purchase affordable housing at a favorable price. Employees working outside Yulin enjoy a favorable housing purchase policy or housing subsidies provided by their companies.

#### Application of ergonomics to reduce labor intensity

In order to improve automation and the stability of equipment, Guangxi WatYuan Filtration System Company Ltd. encouraged technicians to modify the existing single position spot welder on the screwed slab

to a multi-position spot welder according to ergonomic principles and lean manufacturing requirements, which has helped to reduce labor intensity and improved production efficiency.



#### Eliminating labor discrimination

Yuchai Group, through the establishment of collective contracts, labor protection and management, female employee labor protection and management and employee leave administration rules, has improved a range of working mechanisms like collective contracts, remuneration and welfare, work safety, labor health checks. This has helped to prevent discrimination in labor practices and safeguarded the

lawful rights of both the company and its employees. All regulations are implemented through collective consultation, the Workers' Congress and labor dispute management. Workers have learnt to correct their own bad behavior and laying off a worker due to prejudice has been eliminated, making the labor environment fair and just.



## Ensuring the safety of employees

### Promoting the standardization of work safety

Yuchai Group, with the aim of promoting the standardization of work safety, is pushing forward with work safety in a normalized and well-organized manner in order to continuously improve the overall management level and the safety of equipment and facilities.

Guangxi Yuchai Machinery Company Ltd., the main subsidiary of the Group, was certified as a Level I national mechanical engineering enterprise with work

safety standardization in 2013, and organized self-assessment under the certification in 2014 with a score of 926.7 points, maintaining its position as a national first grade enterprise.

Moreover, six of its subsidiaries have completed their audits as second grade enterprises for work safety standardization certification while another completed their audits as third grade enterprises.

### Implementing the work safety responsibility system, and reinforcing safety foundations

Yuchai Group has further clarified the safety responsibilities of all officials and managers at various levels, amended the emergency response plans for all safety accidents, strengthened risk management and dedicated checks, and intensified the implementation of all regulations and drills. Yuchai has strengthened its

safety education training and tightened the hazard checks procedure. The Safety Supervision Office and supervision departments of all subsidiaries discovered 3,890 hazards in the year, with a rectification rate equal to or greater than 96%.

Fulfillment of Work Safety Targets in 2014

Index	Index value	Completion	Remarks
Fatalities	0	0	
Major equipment accidents, major fire accidents	0	0	
Serious injury accident rate	0	0	
Minor injury accident rate	≤3‰	Standard achieved	
On-site safety hazard rectification rate	≥95%	Standard achieved	
Discharge of "three wastes" (waste gas, waste water, waste residue)	Non-exceeding standard	Standard achieved	
Occupational disease prevention and control rate	100%	100%	Workers performing jobs that involve toxic and hazardous substances undergo comprehensive health examinations, and no new occupational disease cases are reported.

### Case study

Yuchai organizes occupational disease physical examinations, regular check-ups and gynecological examinations on a yearly basis. It has established an employee health club and arranged five health lectures, including the prevention of occupational diseases prevention of lumbar intervertebral disc herniation, psychological health and women's health.



Lectures on women's health

## Strengthening human resources training and development

Yuchai Group has invested over RMB 8.4 million in training. Employee training coverage is 100% and the average number of training hours per employee is 97 and includes cadre training, safety training, new

employee training, special training, skills training, training for special types of work and academic training.

Employee training in the past five years

Year	Number of training sessions	Training person-time	Total training hours
2010	1,899	218,055	760,523
2011	1,934	262,083	1,212,417
2012	2,017	202,457	952,851
2013	2,909	217,173	1,085,837
2014	1,752	195,326	776,000

### Excellence initiative – building the Yuchai training system

#### Case study

In order to establish a talent training system with on-the-job standards at its core, ensure the continuous, sound, rapid development and Second Stage of Development to meet the demands for personnel training, Yuchai launched the "excellence initiative – building the Yuchai training system" project in July 2014.

Stage 1 of Phase I (learning mapping) included three closed training courses and field guidance for 440 people, and the learning roadmap outputs for 16 critical posts from eight categories (R&D, quality, process, production, marketing, management, special talents and general purpose) have now been completed. At the same time, Phase 2 (course development and design) is in progress as planned.

In the space of three years, Yuchai plans to complete the employee training system, cultivate a lecturer team and courseware development team by means of developing a series of practical and guiding materials, introduce an e-learning management platform, foster employees' career development, improve training quality and build up competitiveness.



### Master technicians studios advancement

#### Case study

In 2014, the electrical maintenance and welder skills master studios were promoted to provincial level and granted special construction funds of RMB 300,000 from the government.

The female employee innovation studio was recognized as a provincial level studio and granted RMB 20,000 of special construction funds from the Women Workers Department of Guangxi.

The internal combustion engine commissioning & repair skills master studio is currently applying for the title of provincial studio, while the enterprise quality inspection skills master studio has been successfully established.

Improving skills through competition

Case study

In 2014, Yuchai organized the “Yulin Tryouts of Guangxi Skills Competition 2014 & Professional Skills Contest of Yuchai Group”, the “First Female Employee Skills Contest of Yuchai Group”, “First Professional Skills Competition of the Scientific Association of Yuchai Group”, and mobilized employees' enthusiasm to learn new skills.

Twelve contestants from Yuchai attended the “Guangxi Skills Champion” Competition, two won champion titles, nine ranked in the top 10 and the first two places went to Yuchai employees. The prize rate for Yuchai group was 75%, and it was the only Guangxi enterprise to be awarded the group winning prize.



5.4.3 Paying attention to anti-corruption education and clarifying anti-corruption responsibilities

Yuchai Group is constantly strengthening its anti-corruption systems and has organized 16 activities including honest professional education, special discussions and “offering advice on anti-corruption”, involving 21,385 individual attendees. The Group has improved 15 Party anti-corruption and control systems, and carried out 40 checks and audits of an “eight-point code to cut bureaucracy and maintain close ties to the Party”. As well as the Group's ten rules on tendering, recruitment, procurement and honesty, Yuchai has also implemented more than 20 corrective and preventative actions. The Group also investigated 19 Letters and

Visits for discipline violations, changed cadres' working style for the better and the Party's anti-corruption and honesty work has been improved significantly. Moreover, Yuchai Group arranged for newly promoted medium and high-ranking officials to visit the Party cadre caution and education base in Yulin City. The Procurement Department of Guangxi Yuchai Machinery Company Ltd. held the anti-corruption and self-discipline responsibility letter signing ceremony for all employees.



Newly promoted medium and high-ranking officials visit the Party cadre caution and education base in Yulin City



Anti-corruption and self-discipline responsibility letter signing ceremony for all employees held at the Procurement Department of Guangxi Yuchai Machinery Company Ltd.

Prized event: collect reasonable advices for “offering advice for anti-corruption”

Case study

From June to August, Yuchai Group optimized its anti-corruption culture development and education and carried out the prized event: Collect reasonable advices for “offering advice for anti-corruption”, which was actively attended by Party members, officials and employees who provided 132 suggestions. The hot topics from these suggestions focused on expansion of complaint channels, strengthening mechanism construction, prohibiting private use of company vehicles, innovations in patrol methods and enhancement of the development of a honest culture. In this event, three suggestions were chosen as first prize winners, five as second prize winners and eleven as third prize winners.



Training on foreign corrupt practices

Case study

On November 4<sup>th</sup>, Guangxi Yuchai Machinery Company Ltd. organized a training session on foreign corrupt practices. Li Min, Executive Director from Ernst & Young Dispute Coordination and Review Service Department, introduced the anti-bribery clauses and accounting, book-keeping and content control from the Foreign Corrupt Practices Act (FCPA), quoted the Bribery Act of the United Kingdom and the Dodd-Frank Act of the United States and helped the trainees to learn more about the current situation based on anti-corruption cases in China, Malaysia and Singapore over the past few years.



Special lecture on clean administration education for officials

Case study

On October 15<sup>th</sup>, Yuchai Group organized an anti-corruption and clean administration lecture for officials, at which Zhang Jian, Director General of the Job-related Crimes Prevention Bureau of the People's Procuratorate of Guangxi Zhuang Autonomous Region was invited to give a speech titled “prevention of job-related crimes” to all leaders. Zhang Jian analyzed the current anti-corruption situation in China, introduced true crime cases by text, pictures and videos, interpreted relevant issues concerning duty crimes and expounded the reasons for embezzlement and bribery as well as the adverse effects on the individuals concerned, their families and society. This lecture served as a wake-up call to all the leaders present.



Yuchai encourages a green attitude, green life, love for home, environmental protection, energy conservation and the shared creation of a green community among employees.

Parent-child environmental protection education



Energy conservation checks in production and residential areas



"Green attitude" reading activities



Green life

6

# Community responsibility

- 7.1 Voluntary work to help people in need
- 7.2 Donations for education and repaying society
- 7.3 Providing services to improve people's livelihoods
- 7.4 Expanding investment to contribute to the local economy



## 7.1 Voluntary work to help people in need

Yuchai has established a youth volunteer group and voluntary worker teams. The youth volunteer group has 32 teams, including more than 800 volunteers.

They held 72 voluntary service activities and helped around 5,000 people.



Yuchai Rainbow Volunteer Team celebrates "Children's Day" with children in mountainous regions



Yuchai youth volunteer group served in the activity of handy service for the public



Yuchai voluntary worker teams offer daily necessities to a nursing home

## 7.2 Donations for education and repaying society

Over the past few years, encouraging a positive sense of social morality has become the theme of social development. Yuchai Group has actively participated in various social welfare activities and fulfilled its social responsibilities to call for positive energy and to help the weak escape from poverty and other difficulties.



### Donations to the education sector

On September 26<sup>th</sup>, Yuchai Group granted scholarships of RMB 4,000 to 29 excellent students from poor families at Dalian Jiaotong University. It also

sponsored nine student innovation projects with a bonus of RMB 3,000 each. The total amount of scholarships given out was RMB 143,000.

On July 27<sup>th</sup>, in response to the "Books-For-Green Plants Large Series Public Benefit Activities" sponsored by xinhuanet.com, Yuchai Group gave books to children in the poverty-stricken Tiandeng County and to Hope Project Schools in Guangxi.

On December 1<sup>st</sup>, Yuchai Group attended the poverty relief and educational assistance "Spring Bud Program" sponsored by the All-China Women's Federation and raised donations of RMB 180,000 from employees.



In 2014, Yuchai Group granted RMB 389,000 of group scholarships to 154 children of employees, gave RMB 64,900 as student subsidies to 33 children of employees, and granted RMB 69,500 as "Yan Ping

Student Subsidies" to 27 children of employees. Yuchai has also helped 42 employees' children in colleges and 17 in high schools to apply for Yulin "Golden Autumn" Student Subsidies, with a total of RMB 143,000.



### Contributing to the community

Yuchai Group denoted RMB 1 million to the Foundation for Justice and Courage of Yulin City

#### Case study

On December 30<sup>th</sup>, the government of Yulin held a ceremony for advanced figures and folk heroes & heroic deeds foundation donation ceremony, at which Yuchai Group denoted RMB 1 million to the Foundation for Justice and Courage of Yulin City.



Yuchai Group greets all officers and soldiers on the "Yulin" Ship

#### Case study

On August 4<sup>th</sup>, Li Tiansheng, deputy secretary of the Party Committee and Armed Forces Department of Yuchai Group and Chen Qing, the Two-supports Office (support the army and give special care to their families, and support the government and cherish the people) of Yulin City, led a Yuchai delegation to the "Yulin" Ship in Guangzhou to grant condolence money and present an art performance.



### 7.3 Providing services to improve people's livelihoods

The Yuchai Group Labor Union provides four different ways to help employees. "Medicine Kit Service" has served nearly 18,000 people, and distributed over 30 batches of medicines to grassroots entities; the laundry washed or repaired 68,000 pieces of clothing for employees; the Worker Healthcare Department provided 54,000 healthcare service visits free of charge; and Yuchai Water Park provided 42,800

instances of help for employees and their families. Yuchai has worked with local communities to maintain traffic order over 3,000 times and has escorted local residents home after late night work to ensure their personal safety on over 1,000 occasions. The satisfaction of the community services in 2014 is constantly rising.

Yuchai community medical services in 2014



### 7.4 Expanding investment to contribute to the local economy

#### ► Incorporation of Guangxi Yuchai Industrial New City Investment Development Company Ltd.

In March, Guangxi Yuchai Industrial New City Investment Development Company Ltd. (hereinafter referred to as "Industrial New City Company") was established, and a new operations management team was set up in May, which is responsible for the planning, construction, business attraction, operation and management of the Industrial New City.



The mayor of Yulin city Su Haitang went to Yuchai Industrial New City to ask for information

The Industrial New City takes the development of the high-end equipment manufacturing industry as its subject and the industrial amenities of Yuchai as its orientation. It aims to develop a comprehensive industrial base incorporating headquarters base, complete-equipment industry, parts industry, terminal equipment manufacturing industry and commerce and logistics industry. It is planned to achieve a scale of over RMB100 billion outputs (including the current output value of Yuchai Group) in 3 or 5 years with tax payments over RMB 3 billion and a local supporting industries rate of over 50%.

On December 26<sup>th</sup>, the Industrial New City signed strategic cooperation agreements with nine essential parts suppliers including Zhejiang Yinlun Machinery Company Ltd. and ZYNP, marking significant progress in the business attraction process for the Industrial New City.

#### ► Incorporation of Guangxi Yuchai Energy & Chemical Company Ltd.



Dalian Yuchai Energy Company Ltd. holds its first shareholders' meeting and meetings of the Board of Directors and Board of Supervisors

On July 15<sup>th</sup>, Dalian, partners of "Ship of Stars" Project (Yuchai Group, Dalian Inteh Group and Shanghai Bestway Marine Engineering Design Company Ltd.) attended the founding ceremony and the first shareholders' meeting and meetings of the Board of Directors and Board of Supervisors of Dalian Yuchai Energy Company Ltd. This new company was officially formed; business scope covers sales, management, lease, domestic freight forwarding, LNG engine business and relevant investment.

# Outlook for 2015



## ◆ Business approach

### Platform building

Expand the “finance” and “logistics” service platforms and build platforms for the industrial new city and international development.

### Accelerate transformation

Continue to proceed with the optimization of “financing, industry, product, talents and equity” based on the two industrial chains and two service platforms, in order to speed up the process transformation and upgrading.

### Improve systems

Continue to promote process optimization and mechanism innovation, improve the “six systems”, renew the “three mechanisms” and upgrade operations efficiency.

### Increase benefits

Consolidate the foundations by building platforms, promoting transformation and upgrading by optimizing the structure, strengthen management by improving systems and realize an increase in both efficiency and benefits.

## ◆ Scale target

Ensure that sales income reaches RMB 43 billion and strive to reach RMB 46 billion.

## ◆ Efficiency target

The total sum of profits and taxes increases in proportion with the scale of sales.

## ◆ Safety target

The number of work-related deaths, serious injuries and fire accidents shall be zero and the probability of accident involving minor injury shall be below 3%.

## ◆ Social responsibility management

Establish the Yuchai Group Green Foundation;  
 Conduct activities to introduce Yuchai Quality Culture to suppliers;  
 Promote China Golden Bee CSR 2020: Yuchai Low-carbon-Green Intelligent Manufacturing Project.

## Third-party evaluation

Based on the core values of "Green Development & Harmonious Shared Success", the *Yuchai Group's 2014 Sustainable Development Report* (hereinafter referred to as "the Report") explains the measures taken by Yuchai in the promotion of sustainable development and the results it achieved in 2014 to the government, employees, suppliers, purchasers (customers), service providers, partners, social organizations, communities and the public from the four perspectives of industry, operations, living and community. The Report has further enhanced the company's understanding and recognition of the importance of sustainable development and social responsibility, and has identified the direction that Yuchai Group needs to take in order to create greater economic, social, cultural and ecological value.

The Report's theme is clear and its content is substantial, which reflects Yuchai Group's sustainable development "transformation and upgrading" under the new economic normality. The Industrial New City has been designed to promote transformation and upgrading, manufacture green machinery and promote the sound development of green industry. The Report describes the green management, construction of a green value chain, promotion of green office and life and integration of green operations concepts with all aspects of business management and operations. The Report also provides details of volunteer work activities, donations to education, services provided to residents and benefits provided to local communities, as well as the fulfillment of corporate citizenship responsibilities.

The Report has been compiled in a lively manner. Important elements of all chapters are highlighted by vivid and impressive circular graphics at the beginning of the Report. All sections are supported with many cases and accompanied by clear pictures, which make the Report more readable. The Report contains plentiful statistics and shows Yuchai Group's performance data over five consecutive years, so that readers can better understand the company's growth and development dynamics. The logic diagrams design comes in a diversified manner, which represent the Group's management systems in the aspects of management operation and social responsibilities. The tables in the Report contain a lot of information and disclose the company's operations and awards.

We hope Yuchai Group will continue to follow the past and open up the future to embrace the opportunities and challenges in the context of the new normality and continue to create brilliant new achievements in the harmonious development between the company and the entire industrial chain during the Second Stage of Development process.



Director, Innovation Work Department of the Chinese Enterprise Confederation

Office Director, National Enterprise Management Modern Innovation Results Review Committee

## Third-party evaluation

Yuchai Group's *2014 Sustainable Development Report* is the eighth annual social responsibility report released by Yuchai Group. The Report, based on the values of "Green Development & Harmonious Shared Success", analyzes the characteristics of the manufacturing industry and shows the concepts, practices and performance in fulfilling social responsibility in the fields of organizational governance, industrial development, value chain, the environment, employees and society.

The Report is logically clear, explaining the management highlights of the company's sustainable development. The Report discloses the company's fulfillment of responsibility in the value chain from the three perspectives of green industry, green operations and green life and concisely showcases the company's image as a corporate citizen and facilitates readers' understanding of the Group's integration of responsibility management and operations business. The Report is supported by photos to illustrate the company's work sites and equipment, conducive to a better understanding of Yuchai's responsibilities and improving the report's readability.

The Report has reasonable headings and the performance statistics are accurate. The Report, according to the identification of the disclosed topics, covers the topics which all stakeholders are concerned about. The Report elaborates the company's "Second Stage of Development-" and development strategy, and readers are informed of the Group's long-term planning and ideology. With regard to the disposal of waste, the Report discloses the company's treatment of waste by combined texts and pictures, including the treatment process, methods and quantity of waste of various types. The Report uses data indexes or graphics to interpret key information, making it easy for readers to learn about and compare the company's performance of its responsibilities.

The Report emphasizes the inclusion of the opinions of relevant parties. The Report, by use of plain wording, facilitates effective communication with stakeholders when disclosing objective information. For example, the Report quotes third parties and demonstrates a desire for sincere communication with all walks of life and stakeholders, so it is very readable and attractive for readers.

Generally speaking, it is a report that keeps in line with the times, representing the features of the industry and effective communication between stakeholders. Yuchai Group hopes to keep closer and actively respond to stakeholders by virtue of the Report, in order to incorporate the responsibility concepts into its operations management, promote the green development of the company and contribute to a green life in society.



Deputy Chief Editor of China WTO Tribune, Director of International Centre for Corporate Social Responsibility and Sustainability of Peking University



## Appendix

### ISO26000 Index Comparison Table

Core subjects	Related issues	Information disclosed	Corresponding page numbers
1、Organizational governance	1-1 Organizational governance	Strengthening organizational governance and increasing responsibility as a corporate citizen	11
		Improving the auditing system and ensuring the operational safety of the business	12
		Deepening corporate culture and strengthening awareness of responsibility performance	13
2、Human rights	2-1 Due diligence	---	
	2-2 Human rights risk situations	---	
	2-3 Avoiding compliance	---	
	2-4 Resolving grievances	Open feedback channels for employees' rights and benefits	40
	2-5 Discrimination and vulnerable groups	Supporting vulnerable groups	40
		Safeguarding the rights and benefits of female employees	41
	2-6 Civil rights and political rights	Securing employees' democratic rights	42
	2-7 Economic, social and cultural rights	Enriching employees' recreational and sports activities	43
		Green life	51
2-8 Fundamental principles and rights at work	Respect for and securing employees' rights	39	
3、Labor practice	3-1 Employment and employment relations	Actively carry out job placement assistance	44
	3-2 Conditions of work and social protection	Securing employees' welfare benefits	45
	3-3 Social dialogue	Expanding interactive communication channels	15
	3-4 Health and safety at work	Ensuring the safety of employees	46
	3-5 Employee development and training in the workplace	Strengthening human resources training and development	47

Core subjects	Related issues	Information disclosed	Corresponding page numbers
4、The environment:	4-1 Preventing pollution	Green industry	19
		Green manufacturing	26
	4-2 Sustainable resource use	Recycling & remanufacturing	36
	4-3 Climate change mitigation and adaptation	Enhancing waste treatment and control to reduce pollution and emissions	27
		Reducing energy loss in production and achieving green production	30
4-4 Protection of the environment, biodiversity and restoration of natural habitats	---		
5、Fair operating practices	5-1 Anti-corruption	Paying close attention to anti-corruption education and clarifying responsibilities	48
	5-2 Responsible political involvement	---	
	5-3 Fair competition	Cracking down on counterfeiting and resisting unfair competition	31
	5-4 Promoting social responsibility in the value chain	Green supply chain	24
	5-5 Respect for property rights	---	
6、Consumer issues	6-1 Fair marketing, factual and unbiased information and fair contractual practices	Green marketing	31
	6-2 Protecting consumers' health and safety	Reinforcing quality management to ensure product quality	32
	6-3 Sustainable consumption	Green marketing	31
	6-4 Consumer service, support, and complaint and dispute resolution	Green services	33
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	6-6 Access to essential services	Green services	33
	6-7 Education and awareness	Strengthening training and improving service levels	36
7、Community involvement and development	7-1 Community involvement	Voluntary work to help people in need	53
	7-2 Education and culture	Donations to education and repaying society	54
	7-3 Employment creation and skills development	Harmonizing labor relations, and fulfilling employees' responsibilities	44
	7-4 Technology development and access	Green R&D	22
	7-5 Wealth and income creation	Company profile	08
	7-6 Healthy	Providing services to improve people's livelihoods	56
	7-7 Social investment	Expanding investment to contribute to the local economy	57

## Feedback form for readers' opinions

Dear reader,

To continuously improve the our social responsibility work and future social responsibility reports for Guangxi Yuchai Machinery Group Company Ltd., we sincerely hope that we can listen to your opinions and suggestions. Please help us complete the relevant questions in the opinion feedback form. You can fill out the form and send them to us via mail, e-mail or fax.

### 1、 Overall evaluation of the report (please place a tick "√" in the corresponding position)

Item	Excellent	Good	OK	Poor	Very Poor
Does this report reflect the current situation of Guangxi Yuchai Machinery Group Company Ltd.'s social responsibility work in a comprehensive and accurate manner?					
Does this report respond to an answer the questions with which the stakeholders are most concerned?					
Is the information and data disclosed in this report clear, accurate and complete?					
How is the readability of this report, i.e., the logical presentation, content design, language and format?					

### 2、 Which aspect do you think is the most satisfactory?

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### 3、 Does anything else need to be added to this report that is not yet included in the report?

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### 4、 What are your suggestions for our social responsibility work in future and the issuance of future social responsibility reports?

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If it is convenient, please leave us your personal information:

Name:	Occupation:
Company:	Address:
Zip code:	E-mail:
Tel:	Fax:

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