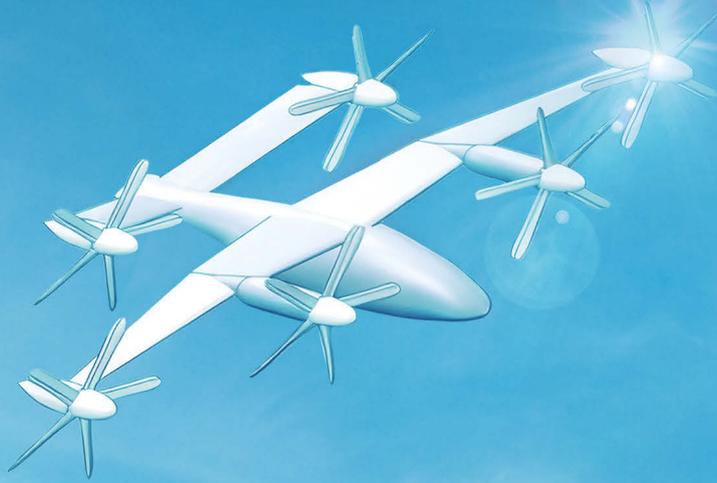




# AviChina

AviChina Industry & Technology Company Limited  
中国航空科技工业股份有限公司  
(A joint stock limited company incorporated in the People's  
Republic of China with limited liability)  
(Stock Code : 2357)



## 2023

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE  
REPORT



# Contents

ESG DEVELOPMENT OVERVIEW IN 2023	2	IV. INDUSTRIAL SUPPORT – THE POWER ENGINE TO TRIUMPH IN THE SKY	
DEFINITIONS	4	(I) Driven by Technological Innovation	34
ABOUT THE REPORT	9	(II) High-quality Products And Services	43
STATEMENT OF THE BOARD	11	(III) Information Security Guarantee	45
I. AVICHINA AT A GLANCE		(IV) Sustainable Supply Chain	47
(I) About AviChina	12	V. LOW-CARBON OPERATION – A BEAUTIFUL ENVIRONMENT FOR FREE FLIGHT	
(II) Distribution of Major Industries	14	(I) Response to Climate Change	50
<b>Special Report:</b> Forging Ahead for Twenty Years, and Embarking on a New Journey to Create Brilliance – 20th Anniversary of AviChina	15	(II) Efficient Environmental Governance	57
		(III) Compliant Emission Management	61
		(IV) Use of Green Resources	67
II. DEEPENING RESPONSIBILITY – SUSTAINABLE DEVELOPMENT OVERVIEW		VI. TALENT MANAGEMENT – VIGOROUS BRILLIANTS	
(I) Sustainable Development Strategy	18	(I) Creating a Fair and Healthy Workplace	72
(II) ESG Governance	20	(II) The Talent Development Strategy	84
(III) Response to Sustainable Development Goals of the United Nations	21	(III) Guard Health and Safety	96
(IV) Stakeholder Communication	22	VII. COMMUNITY DEVELOPMENT – A BEAUTIFUL BLUEPRINT OF UNITY	
(V) Identification and Assessment of Material Issues	23	(I) Support Rural Revitalization	112
III. STANDARDIZED GOVERNANCE – A ROBUST CORNERSTONE FOR PROGRESS		(II) Emergency Rescue Operations	116
(I) Consummation of Corporate Governance	24	(III) Dedication to Charity	118
(II) Active Development of Investor Relations	26	(IV) Dissemination of Aviation Culture	122
(III) Operating Compliance and Robustness	28	APPENDIX I: SUMMARY OF ESG PERFORMANCE DATA	124
(IV) Adherence to Business Ethics	30	APPENDIX II: INDEX TABLE	128





# ESG Development Overview in 2023

## KEY PERFORMANCE



### Financial performance

Indicator	Data	Unit
Total assets	185,018	RMB million
Operating income	84,725	RMB million
Profit before tax	7,069	RMB million
Net profit	2,447	RMB million
Research and development expenses	7,573	RMB million



### Environmental performance

Indicator	Data	Unit
GHG emission intensity	0.058	tCO <sub>2</sub> e/RMB10,000 revenue
Comprehensive energy consumption intensity	0.016	tonnes of standard coal/RMB10,000 revenue
Water consumption Intensity	0.65	tonnes/RMB10,000 revenue



### Social performance

Indicator	Data	Unit
Total employees	74,584	person
Percentage of employees trained	87.55	%
Percentage of female employees trained	88.51	%
Total investment in volunteer activities	1.9280	RMB million
Number of patent applications	2,879	piece
Number of patents granted	1,748	piece



## ESG Development Overview in 2023



### Governance performance

Indicator	Data	Unit
Number of directors	9	person
Anti-corruption training coverage for directors	100	%
Total hours of anti-corruption training for directors	1,745.5	hour
Anti-corruption training coverage for employees	95.5	%
Total hours of anti-corruption training for employees	137,887.5	hour

### IMPORTANT HONOR

Honorary Award	Issuing Authority	Recipient of Award
China Securities "Golden Bauhinia Awards": "Excellent Listed Company with High-Quality Development" and "Annual Special Award – Outstanding Listed Company in 2023"	Takung Investor Relations Consulting	AviChina
Honorary title of "China's Top 100 Enterprises"	Forum of Top 100 Listed Companies in China	AviChina



## Definitions

Item	Definition
Articles of Association	Articles of Association of the Company (as amended from time to time)
AVIC	Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), the controlling Shareholder of the Company, directly and indirectly holds 60.25% equity interests in the Company
AVIC Airborne	AVIC Airborne Systems Co., Ltd. (中航機載系統股份有限公司) (previously known as China Avionics Systems Co., Ltd. (中航航空電子系統股份有限公司)), a joint stock limited liability company whose shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
AVIC CAPDI	China Aviation Planning and Design Institute Co., Ltd. (中國航空規劃設計研究總院有限公司), a wholly-owned subsidiary of the Company
AVIC Forstar	AVIC Forstar S&T Company Limited (中航富士達科技股份有限公司), a subsidiary of JONHON Optronic
AVIC Helicopter	AVIC Helicopter Co., Ltd. (中航直升機有限責任公司), a wholly-owned subsidiary of the Company
AVIC Kaitian	Chengdu CAIC Electronics Co., Ltd. (成都凱天電子股份有限公司), a subsidiary of AVIC Airborne
AVIC Lanfei	Lanzhou Flight Control Co., Ltd. (蘭州飛行控制有限責任公司), a subsidiary of AVIC Airborne
AVIC Optoelectronics Precision	AVIC Optoelectronics Precision Electronics (Shenzhen) Co. Ltd. (中航光電精密電子(深圳)有限公司), a subsidiary of JONHON Optronic
AVIC Precision Machinery Technology	Hubei AVIC Precision Machinery Technology Co., Ltd. (湖北中航精機科技有限公司), a subsidiary of AVIC Airborne
AVIC Xinxiang Aviation Group	AVIC Xinxiang Aviation Industry (Group) Co., Ltd. (新鄉航空工業(集團)有限公司), a subsidiary of AVIC Airborne



## Definitions

Item	Definition
AviChina or the Company	AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司), a joint stock limited company established in the PRC with limited liability on 30 April 2003
AviChina Capital	AviChina Industrial Investment Co., Ltd. (中航科工產業投資有限責任公司), a wholly-owned subsidiary of the Company
AviChina Hong Kong	AviChina Hong Kong Limited (中航科工香港有限公司), a wholly-owned subsidiary of the Company
AVICOPTER	AVICOPTER PLC (中航直升機股份有限公司), a joint stock limited company whose shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
Board or Board of Directors	the board of directors of the Company
Changfeng Avionics	Suzhou Changfeng Avionics Co., Ltd. (蘇州長風航空電子有限公司), a subsidiary of AVIC Airborne
Changhe Aircraft	Changhe Aircraft Industries (Group) Co., Ltd. (昌河飛機工業(集團)有限責任公司), a wholly-owned subsidiary of AVICOPTER
Changhe Aviation	Jiangxi Changhe Aviation Industry Co., Ltd. (江西昌河航空工業有限公司), a wholly-owned subsidiary of AVICOPTER
Chuanxi Machinery	Sichuan AVIC Industry Chuanxi Machinery Co., Ltd. (四川航空工業川西機器有限責任公司), a subsidiary of AVIC Airborne
CSRC	China Securities Regulatory Commission
Director(s)	the director(s) of the Company
Fengyang Hydraulic	Guizhou Fengyang Hydraulic Co., Ltd. (貴州楓陽液壓有限責任公司), a subsidiary of AVIC Airborne
Group	the Company and its subsidiaries



## Definitions

Item	Definition
GuiZhou FengLei	GuiZhou FengLei Aviation Ordnance Co., Ltd. (貴州風雷航空軍械有限責任公司), a subsidiary of AVIC Airborne
H Shares	overseas listed foreign invested shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
Hafei Aviation	Harbin Hafei Aviation Industry Co., Ltd. (哈爾濱哈飛航空工業有限責任公司), a wholly-owned subsidiary of AVICOPTER
Harbin Aircraft	Harbin Aircraft Industry Group Co., Ltd. (哈爾濱飛機工業集團有限責任公司), a wholly-owned subsidiary of AVICOPTER
Helicopter Tianjin	Tianjin Helicopter Company Limited (天津直升機有限責任公司), a wholly-owned subsidiary of AVICOPTER
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongdu Aviation	Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都航空工業股份有限公司), a joint stock limited company whose shares are listed on the Shanghai Stock Exchange, a subsidiary of the Company
Huiyang Company	Huiyang Aviation Propeller Limited (惠陽航空螺旋槳有限責任公司), a wholly-owned subsidiary of AVICOPTER
Jingdezhen Helicopter R&D Branch	AVIChina Industry and Technology Company Limited Jingdezhen Helicopter Research and Development Branch (中國航空科技工業股份有限公司景德鎮直升機研發分公司)
JONHON Optronic	AVIC JONHON Optronic Technology Co., Ltd. (中航光電科技股份有限公司), a joint stock limited liability company whose shares are listed on the Shenzhen Stock Exchange, a subsidiary of the Company
Keeven Instrument	Beijing Keeven Aviation Instrument Co., Ltd. (北京青雲航空儀錶有限公司), a subsidiary of AVIC Airborne



## Definitions

Item	Definition
Lanzhou Aviation Electric	Lanzhou Wanli Aviation Electric Co., Ltd. (蘭州萬里航空機電有限責任公司), a subsidiary of AVIC Airborne
Nanjing Hangjian	Nanjing Hangjian Aviation Equipment Technology Service Co., Ltd. (南京航健航空裝備技術服務有限公司), a subsidiary of AVIC Airborne
Oriental Instrument	Shaanxi Oriental Aeronautic Instrument Manufacture Co., Ltd. (陝西東方航空儀錶有限責任公司), a subsidiary of AVIC Airborne
PRC	the People's Republic of China
Qianshan Avionics	AVIC Shaanxi Qianshan Avionics Co., Ltd. (陝西千山航空電子有限責任公司), a subsidiary of AVIC Airborne
Qing'an Company	Qing'an Group Co., Ltd. (慶安集團有限公司), a subsidiary of AVIC Airborne
reporting period	the period from 1 January 2023 to 31 December 2023
SAEC	Shaanxi Aero Electric Co., Ltd. (陝西航空電氣有限責任公司), a subsidiary of AVIC Airborne
SASAC	State-owned Assets Supervision and Administration Commission (國有資產監督管理委員會)
Shaanxi Huayan	AVIC Shaanxi Huayan Aero-Instrument Co., Ltd. (陝西華燕航空儀錶有限公司), a subsidiary of AVIC Airborne
Shanghai Aviation Electric	Shanghai Aviation Electric Co., Ltd. (上海航空電器有限公司), a subsidiary of AVIC Airborne
Shenyang Xinghua	AVIC Shenyang Xinghua Aero-Electric Appliance Co., Ltd. (瀋陽興華航空電器有限責任公司), a subsidiary of JONHON Optronic
Sichuan Fanhua	AVIC Sichuan Fanhua Aviation Instrument and Electric Co., Ltd. (四川泛華航空儀錶電器有限公司), a subsidiary of AVIC Airborne
Sichuan Hydraulic	Sichuan Lingfeng Aero Hydraulic Machinery Co., Ltd. (四川凌峰航空液壓機械有限公司), a subsidiary of AVIC Airborne



## Definitions

Item	Definition
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Taixing Aviation Optoelectronic	Taixing Aviation Optoelectronic Technology Co., Ltd. (泰興航空光電技術有限公司), a subsidiary of JONHON Optronic
Taiyuan Instrument	AVIC Taiyuan Aviation Instrument Co., Ltd. (太原航空儀錶有限公司), a subsidiary of AVIC Airborne
Tianjin Aviation	Tianjin Aviation Mechanical and Electrical Co., Ltd. (天津航空機電有限公司), a wholly-owned subsidiary of the Group
Trainer	aeroplanes designed and used for pilot training purposes
Xiangtong Photoelectric	Shenzhen Xiangtong Photoelectric Technology Co., Ltd. (深圳市翔通光電技術有限公司), a subsidiary of JONHON Optronic
Xinghua Huayi	JONHON Optronic Huayi (Shenyang) Electronic Technology Co., Ltd. (中航光電華億(瀋陽)電子科技有限公司), a subsidiary of JONHON Optronic
Yibin Sanjiang	Yibin Sanjiang Machinery Co., Ltd. (宜賓三江機械有限責任公司), a subsidiary of AVIC Airborne
Zhengzhou Aircraft	Zhengzhou Aircraft Equipment Co., Ltd. (鄭州飛機裝備有限責任公司), a subsidiary of AVIC Airborne



# About The Report

This report is an Environmental, Social and Governance (ESG) report issued by AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司), focusing on disclosing the strategies, actions and achievements in sustainable development.



## REPORTING PERIOD

This report is an annual report. The time range covers 1 January 2023 to 31 December 2023. In order to ensure the continuity of the report, some contents beyond the aforementioned scope are incorporated.



## REPORTING SCOPE

All data and information disclosed in this report come from the Company and its subsidiaries. Unless otherwise specified, the financial data quoted in this report are derived from the audited financial reports of the Group, and other data come from the internal official documents and relevant statistics of the Group.



## COMPILATION BASIS

This report is based on the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) in Appendix C2 of the Hong Kong Listing Rules the (“**Stock Exchange**”) and with reference to the GRI Sustainability Reporting Standards (2021 Edition), the Reference Indicator System for Special ESG Reports of Listed Companies Controlled by Central Enterprises issued by SASAC of the State Council, Guidance on Social Responsibility by the International Organization for Standardization (ISO 26000), the IFRS Sustainability Disclosure Standards of the International Sustainability Standards Board (ISSB) and the Guidelines for Corporate Social Responsibility Report in China by the Chinese Academy of Social Sciences (CASS-ESG5.0).

This report has been prepared in accordance with the reporting principles stipulated in the ESG Reporting Guide of the Hong Kong Stock Exchange:

**Materiality:** The materiality matrix disclosed in the chapter headed “Deepening Responsibility—Sustainable Development Overview” of this report explains the process and ultimate results of the determination of material topics in details. Key stakeholders and targeted measures for communication are also listed out.



## About The Report

**Quantitative:** This report adopts quantitative methods to disclose applicable environmental and social key performance indicators, and indicates reference standards, calculation methods and parameters.

**Balance:** Both positive and negative information are disclosed objectively in this report to ensure unbiased content.

**Consistency:** The statistical methods used in the data disclosed in this report remain consistent, and if there is any inconsistency, explanations has been made.



### DATA SOURCES

Unless otherwise specified, the financial data quoted in this report are derived from the audited financial reports of the Group, and other data come from the internal official documents and relevant statistics of the Group. Unless otherwise specified, the monetary unit used in this report is RMB (yuan).



### ACCESS TO THE REPORT

The electronic version of this report will be published on the website of the Stock Exchange and the official website of the Company. The Company encourages all stakeholders to provide feedback on any suggestions and opinions regarding the Group's ESG-related work.



# Statement of The Board

The Board of Directors of AviChina makes the following statement in accordance with the requirements of the ESG Reporting Guide of the Stock Exchange.

The Board of Directors of the Group attaches great importance to sustainable development and is committed to building a more consummate ESG management system. By unceasingly increasing the participation of the Board in ESG matters, it actively integrates ESG concepts into the Company's business development and daily operations, thereby continuously optimizing and improving the Group's performance in the field of sustainable development.



## ESG GOVERNANCE OF THE BOARD

The Board of Directors serves as the supreme decision-making body on ESG matters of the Group and reviews, supervises and governs ESG-related issues. The Board of Directors has four committees, namely the Development and Strategy Committee, the Nomination Committee, the Audit and Risk Management Committee and the Remuneration Committee which comprehensively support the implementation of work on ESG-related issues, diligently study and review relevant meeting proposals so as to offer insights or recommendations for the policy formulation of the Board of Directors.



## ESG MANAGEMENT PRINCIPLES AND STRATEGIES

The Group attaches paramount importance to the improvement of ESG strategies, demonstrating a steadfast dedication to constructing an efficient ESG management system. Moreover, it promptly disseminates the latest advancements in fulfilling its responsibilities through a diverse range of internal and external communication methods of responsibilities. The Group makes full use of official websites of stock exchanges, the company's official websites and other channels to ensure the transparency and openness of information. During the reporting period, the Group continued to conduct in-depth stakeholder surveys, closely tracked the latest core ESG issues, and fully incorporated them into the Group's ESG development strategy for comprehensive consideration to promote the sustainable development of the Group.



## TARGETS, INDICATORS, AND REVIEW PROGRESS

The Group has formulated medium- and long-term targets and quantitative goals on ESG-related issues, covering low-carbon emission, resource utilization, safe production, human resources and other dimensions. The Group has also prepared relevant plans and programs, regularly inspect the progress of each target, and perform supervision, evaluation and review on the progress of goals to facilitate the realization of ESG targets.

This report truthfully and elaborately discloses the progress and effectiveness of ESG-related work of the Company in 2023, and was reviewed and approved by the Board of Directors in March 2024.



# I. AviChina at a Glance

## (I) ABOUT AVICHINA

AviChina (stock code: 2357) was incorporated in Beijing on 30 April 2003. It was listed on the Main Board of the Hong Kong Stock Exchange on 30 October 2003, with a registered capital of RMB7,972,854,242. Its parent company, Aviation Industry Corporation of China, Ltd., stands as the leader in the PRC's aviation manufacturing industry and ranks among the Global 500 companies. Airbus is a long-term strategic partner of AviChina.

AviChina is the only aviation high-tech industry group in the Hong Kong capital market. It controls five A-share listed companies including AVICOPTER (600038.SH), Hongdu Aviation (600316.SH), AVIC Airborne (600372.SH), JONHON Optronics (002179.SZ) and AVIC Forstar (835640.BJ) and holds number of companies such as AVIC CAPDI, Tianjin Aviation and AviChina Hong Kong, and its main businesses cover helicopters, trainer aircraft, general-purpose aircraft, aviation ancillary system and related business aviation engineering services, etc.

In recent years, the Group's performance has continued to flourish steadily, with its market capitalization continuing to rise, which has attracted well-known domestic and foreign investment institutions to hold its shares. The Hang Seng Composite Index, the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect all include AviChina as their constituent stocks. At the same time, the Group has standardized corporate governance and has won various awards such as the Award for Excellent Corporate Governance in Asia, the Best Listed Company Award, and the Shanghai-Hong Kong Stock Connect Best Investment Value Award.

### **Operation philosophy**

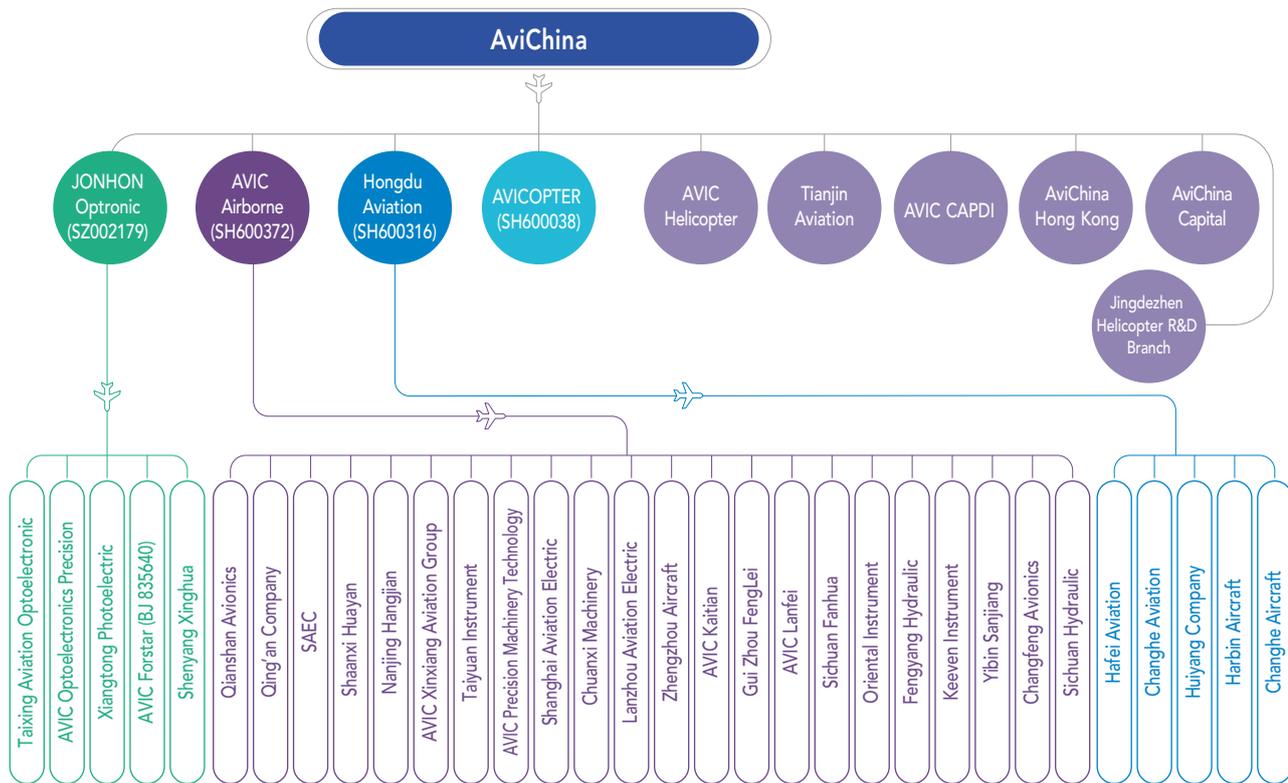
The Company is committed to "becoming the listed company with the most investment value in the aviation industry", striving to establish itself as a world-class aviation high-tech industry group, facilitating aviation high-tech innovation, and promoting the high-quality development of the PRC's aviation industry.



## I. AviChina at a Glance

### Organizational structure

### CORPORATE STRUCTURE OF THE GROUP





I. AviChina at a Glance

(II) DISTRIBUTION OF MAJOR INDUSTRIES

The Group has an integral layout of the aviation industry chain integrating aviation equipment design, research and development, manufacturing and auxiliary services. Its business encompasses aviation entire aircraft, aviation ancillary system and related business, as well as aviation engineering services and other fields, which has established a business development strength characterized by formidable product competitiveness alongside sustainable development.

<p>Aviation entire aircraft</p> 	Helicopter	The products cover various series of helicopters such as 1-ton, 2-ton, 4-ton, 7-ton and 13-ton models, including Z-8, Z-9, Z-11 and other series (including AC series); meanwhile, the Group cooperates with world-renowned aviation companies to develop and manufacture a variety of helicopters.
	Trainer aircraft	The product range encompasses advanced, intermediate and junior trainer aircraft. Specific models include L15, K8, CJ6, etc.
	General-purpose aircraft	The product range encompasses Y12 transport aeroplanes series and N5 agricultural aeroplanes series.
<p>Aviation ancillary system and related business</p> 	Avionics system	This segment is committed to providing customers with comprehensive avionics system solutions, and its business scope covers three major fields, namely defense aviation, civil aviation, and advanced manufacturing. Its product spectrum covers avionics-related fields including flight control systems, radar systems, photoelectric detection systems, cockpit display and control systems, airborne computers and network systems, inertial navigation systems, atmospheric data systems, integrated data systems, control panels and dimming control systems. It provides related supporting system solutions, products and services for advanced manufacturing fields such as electronic information, intelligent systems, electromechanical automation, and basic devices.
	Components and parts	This segment involves the research and development of medium- and high-end optical, electrical, and fluid connection technologies and products. It specializes in providing interconnection solutions for aviation, defense and high-end manufacturing, with more than 300 series and over 250,000 varieties of various connection products independently developed. The main products include electrical connectors, optical components and optoelectronic equipment, cable assemblies and integrated products, fluid components and liquid cooling equipment, etc. The products are widely used in high-end manufacturing fields such as defense, commercial aerospace, communication networks, data centers, new energy vehicles, petroleum equipment, power equipment, industrial equipment, rail transportation, and medical equipment.
<p>Aviation engineering services</p> 		This segment involves industries such as aviation production, civil aviation, civil construction, municipal environment, infrastructure, and civil industry represented by pharmaceutical engineering.
<p>Aviation-related investment business</p> 		This segment involves aviation-related industry investment, asset management, investment management, and technology development, consulting, services and transfer-related businesses in related high-tech industries.



## I. AviChina at a Glance

### SPECIAL REPORT: FORGING AHEAD FOR TWENTY YEARS, AND EMBARKING ON A NEW JOURNEY TO CREATE BRILLIANCE – 20TH ANNIVERSARY OF AVICHINA

In 2003, the Company was established and successfully listed. As “the only high-tech aviation industry group listed in Hong Kong”, the Company has strived forward with its original aspirations, and harnessed the collective powers of the capital market to facilitate the development of the aviation industry and technology for 20 years.

Entrepreneurship: 20 years of twists and turns, intricate challenges, and relentless dedication



2003.5.18 Establishment celebration of AviChina



2003.10.30 AviChina was successfully listed on the Hong Kong Stock Exchange

#### *Multiple No.1*

Since inception, AviChina has shouldered the original mission of innovating systems and mechanisms, supporting the development of aviation as its primary business with market-oriented financing. It has achieved multiple breakthroughs in the market since its listing.

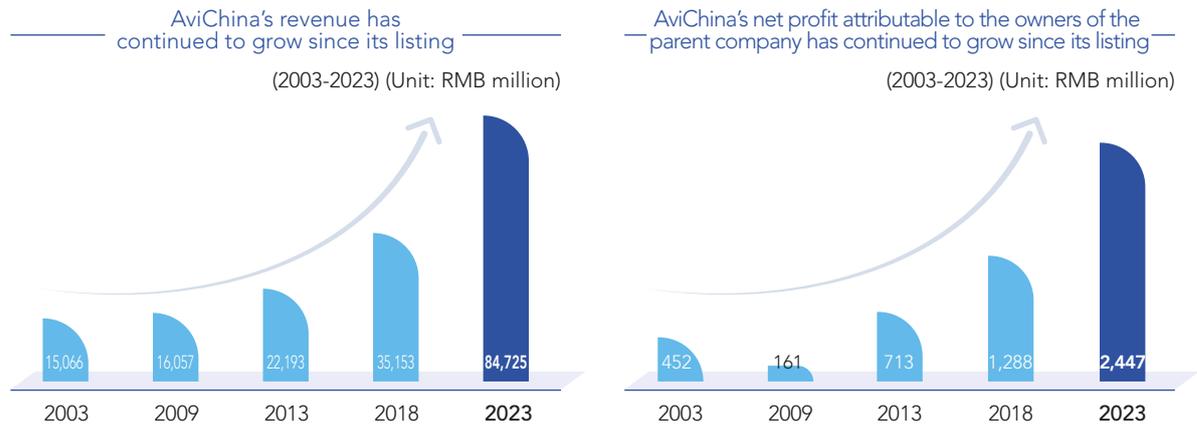


## I. AviChina at a Glance

### Progress: 20 years of perseverance, accumulated experience and endeavor

#### Continued growth in operating performance

Since the listing, the performance of the Company has experienced a steady growth, with its market capitalization continuing to rise, which has attracted leading domestic and foreign investment institutions to hold its shares. The Group has been awarded the Award for Excellent Corporate Governance in Asia, as well as the “listed company with the most investment value”, “Excellent Listed Company with High-Quality Development” and the “Annual Special Award – Outstanding Listed Company in 2023” under the China Securities Golden Bauhinia Awards, and was selected into the Hang Seng China Central SOEs Index.





## I. AviChina at a Glance

### Renovation: 20 years of opportunity grasping, vigorous practice and revolutionary innovation

#### *Continuously enhanced operating capacity*

Nowadays, through further industrial aggregation and extension, the Group's business structure has become increasingly consummate, and its comprehensive operational capabilities in the aviation industry have continued to be reinforced. Important subsidiaries of the Company include AVICOPTER, Hongdu Aviation, AVIC Airborne, JONHON Optronics, AVIC CAPDI, Tianjin Aviation, AVIC Forstar. In accordance with the requirements of high-quality development, the Group is promoting a series of reorganization, aiming to transform into a preeminent publicly listed flagship company within the aviation industry.

### 2023 | Striding forward

AVICAvionics, an A-share subsidiary of AviChina, successfully merged with AVIC Electromechanical

AviChina successfully introduced the National Industrial Investment Fund to serve as a strategic shareholder of the Company

AVICOPTER, the only leading professional listed company in the helicopter field of the PRC, undergone a material reorganization

### Steady and far-reaching practice to create greater glories

Ushering in a new stage of historical development, AviChina will persist with unwavering determination in pursuing its strategic objectives, fully converge capital strength to promote the innovation of the aviation technology, propel the high-quality development of the Group, exert utmost efforts to augment its corporate value, and strive to establish itself as a world-class high-tech aviation industry conglomerate.



## II. Deepening Responsibility – Sustainable Development Overview

### (I) SUSTAINABLE DEVELOPMENT STRATEGY

The Group has consistently taken the harmonious development of the environmental and economic society as its own responsibility, proactively responded to the Sustainable Development Goals (SDGs) of the United Nations and the *Paris Convention* and other international sustainable development guidelines, fully supported the national strategic goal known as “Carbon Peaking & Carbon Neutrality”, and continued to implement cutting-edge development concepts with a view to building an efficient, green and sustainable development pattern. In order to promote the in-depth implementation of the philosophy of sustainable development, the Group has incorporated “Carbon Peaking & Carbon Neutrality” into the Company’s overall development strategy to accelerate green and low-carbon transformation and high-quality development.

During the reporting period, the Group released the “Carbon Peaking & Carbon Neutrality” Action Plan of AviChina Industry & Technology Company Limited, adhering to the four main principles of “group coordination, conservation priority, dual drive and risk prevention”. It takes the implementation of comprehensive energy conservation and carbon reduction as the starting point to improve energy efficiency, deepen the on-site carbon reduction and low-carbon products, and explore new paths for energy conservation and carbon reduction in the aviation field through managerial innovation and technological innovation, and accelerate the low-carbon technological revolution of green aviation, gradually promote the green and low-carbon transformation of the entire industry chain, and make due contributions to the sustainable development of the industry.

- **1 overall objective:**

To implement the national strategy known as “Carbon Peaking & Carbon Neutrality”, establish ourselves as a green aviation enterprise, achieve the Carbon Peaking by 2030 and the Carbon Neutrality by 2060.

- **3 periodical objectives:**

By 2025, the green aviation construction system will be substantially established. The level of synergies in pollution and carbon reduction will be significantly improved, while our comprehensive energy consumption per RMB10,000 of industrial output value will be reduced by 15% compared with 2020; carbon dioxide emissions per RMB10,000 of industrial output value will fall by 18% compared with 2020.

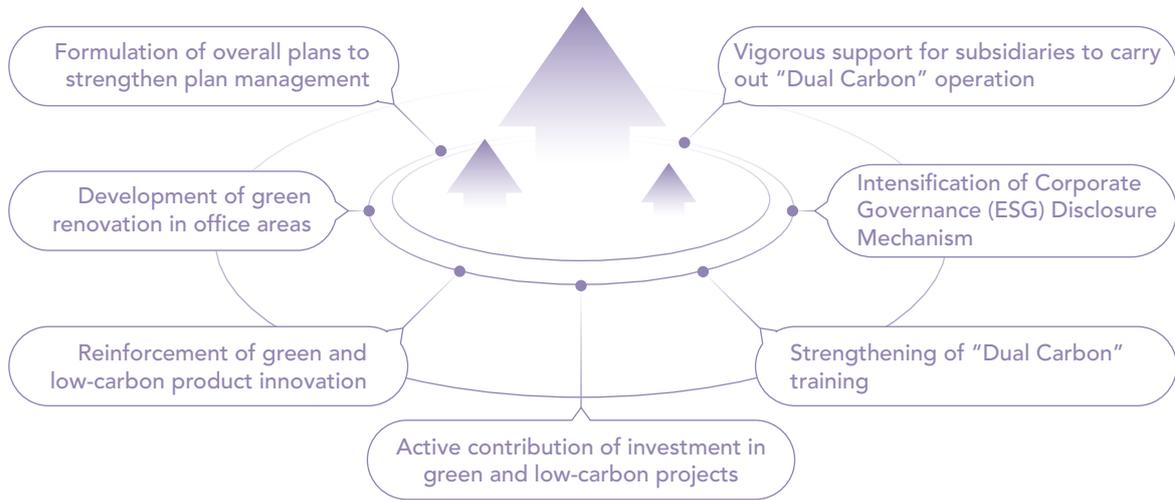
By 2030, we will benchmark against the green aviation manufacturing system of the AVIC to strengthen the operation of the energy management system and further optimize our energy efficiency. Comprehensive energy consumption per RMB10,000 of industrial output value will drop by 25% compared with 2020; carbon dioxide emissions per RMB10,000 of industrial output value will fall by at least 65% compared with 2020, with carbon dioxide emissions reaching a peak and declining steadily.

By 2060, a green and zero-carbon aviation product and service system will be fully established to achieve the goal of carbon neutrality for sites and products in all aspects.



## II. Deepening Responsibility – Sustainable Development Overview

- **7 key tasks:**



In 2023, in order to make breakthrough for cutting-edge technologies, anchor at the development needs for new energy, new configuration, high speed, green, intelligence of civil aircraft in the future, and preempt the innovative development of future civil aircraft, the Group joined forces with the Chinese Aeronautical Establishment and other related enterprises inside and outside the Group to carry out technical research and exploration centering around the scientific and technological innovation project named "High-speed Electric Vertical Takeoff and Landing Vehicle (H-eVTOL) Technology Research".

The H-eVTOL project represents a novel initiative undertaken by the Group to implement its "innovation leadership" strategy. This project aims at the development direction of aircraft in the future by implementing an emerging research and development model that integrates industry, universities and research institutes, so as to consolidate technological innovation resources, pool the advantages of all parties, accelerate technological breakthrough in related fields, lead the development of future aviation industries, and take a solid step forward expedited development of green and clean aviation. With the continuous deepening of project research, we have made advancements in key technological research, with our foundational scientific research capabilities continuously fortified and our pool of exceptional talents increasingly expanded. The Group will leverage the advantages arising from the resonance among aviation technology, aviation industry and capital market, explore and open up the "technology-industry-capital" cooperation channel, and facilitate the establishment of an emerging pattern of sustainable development toward positive cycle.



## II. Deepening Responsibility – Sustainable Development Overview

### (II) ESG GOVERNANCE

In order to further improve ESG governance, the Group formulated the *Environmental, Social and Governance (ESG) Information Management Manual of AviChina Industry & Technology Company Limited*, which clarifies the Group’s ESG information management mechanism from six dimensions, including ESG information management structure, ESG information indicator system, ESG information review, management reporting, ESG report submission and stakeholder communication, in order to persistently improve the quality of ESG information disclosure and strengthen the management of internal ESG risks.

The Board of Directors serves as the supreme decision-making body on ESG matters of the Group and comprehensively supervises the ESG issues, being responsible for making decisions on major ESG-related matters of the Company, reviewing the annual ESG work plan and its implementation and progress review thereunder, and considering and approving the ESG disclosure. The Company’s management is responsible for planning, executing, reporting on and optimizing ESG-related matters. The principals and related departments of respective subsidiaries are accountable for devising, executing, reporting on and optimizing specific ESG goals and requirements based on the management structure of the Group and the management status of each subsidiary.

Supervisory executive	The Board
Management	Senior management
Executor	Principals and related departments of respective subsidiaries

#### Case

#### The 2023 ESG work seminar for Domestic and Overseas Listed Companies and the Supervision Working for Listed Companies was successfully held

From 18 to 20 October 2023, the Group organized A-share listed companies and other subsidiaries to convene the Environmental, Social and Governance Seminar for Domestic and Overseas Listed Companies and the Supervision Working Conference for Listed Companies in Changsha. The meetings took the implementation of the higher requirements for ESG put forward by the SASAC, the CSRC and other committees as an opportunity and deemed the practice of our ESG philosophy as an important foothold in new stage of development, further boosting the integration of ESG into the Group’s development strategy and promoting the realization of the “Dual Carbon” goal.

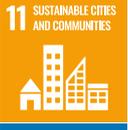
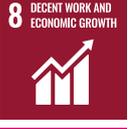


The ESG work seminar



## II. Deepening Responsibility – Sustainable Development Overview

### (III) RESPONSE TO SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS

Dimension	Response to SDGs	Goals and Initiatives
Environmental	     	<ul style="list-style-type: none"> <li>• The Group regards the governance on climate change as a core component of its corporate strategy, formulates the “Carbon Peaking &amp; Carbon Neutrality” action plan, and actively integrates the countermeasures against climate change into the Company’s risk management system and daily operations and management.</li> <li>• Each subsidiary formulates practicable carbon reduction targets and develops detailed strategies and plans regarding emission reduction.</li> <li>• Supported by the development and utilization of green technologies, the Group optimizes its energy structure, improves its production procedures, and curtails the energy consumption and carbon emissions throughout the manufacturing process to achieve the eco-friendly development along the industrial chain.</li> <li>• Each subsidiary sets corresponding targets about reducing gas emission and effluents discharge, in view of its own production and operation.</li> <li>• The Group adopts measures throughout the project design, construction and operation phases to mitigate the negative impact on land, air, water environment and biodiversity.</li> </ul>
Social	        	<ul style="list-style-type: none"> <li>• The Group respects employees’ religious beliefs, cultural background, gender, ethnicity, nationality, etc., treats overseas workers equally, and resists all forms of forced and compulsory labor.</li> <li>• The labor contract signing rate and social insurance coverage rate are both kept at 100%.</li> <li>• The Group establishes a science popularization and education base, organizes science popularization and education activities, and continues to promote aviation culture.</li> <li>• The Group cultivates tailored systems for female employees and cares for their growth and welfare.</li> <li>• R&amp;D investment of the reporting period is RMB7,573 million.</li> </ul>
Governance	 	<ul style="list-style-type: none"> <li>• The Group continues to improve its corporate governance level and continuously refines its governance structure, risk and internal control system as well as investor relations management.</li> <li>• The Group adheres to business ethics and continues to prevent and control business ethics risks such as bribery, corruption, money laundering, and unfair competition.</li> </ul>



## II. Deepening Responsibility – Sustainable Development Overview

### (IV) STAKEHOLDER COMMUNICATION

The Group attaches great importance to the needs and participation of all internal and external stakeholders. Through questionnaires, visits and seminars, it proactively understands and responds to the ESG issues of concern to stakeholders, and regards key issues therein as an important basis for the decision-making of responsibility management strategy and administrative effectiveness evaluation at the group level. During the reporting period, the Group continued to actively communicate with stakeholders such as shareholders and investors, government and regulatory authorities, customers, suppliers, employees, communities and the public, to give an insight into the needs of stakeholders and enable timely response.

Stakeholders	Expectation and Demand	Communication and Response Channels
Shareholders and Investors	Protection of shareholders' rights and interests Participation in corporate governance Investment returns Risk prevention Transparent information disclosure	General meetings Company announcements Investor conference Telephone reception Visitor reception
Government and Regulatory Authorities	Implementation of national policies, laws and regulations Conservation of ecological environment Employment promotion Tax payment according to law Promotion of industry development	Document submission Thematic reporting Advice and suggestions Meetings and communication
Customers	Compliance with the law Operation integrity Product quality and safety Customer satisfaction Customer privacy	Business communication Exchange and discussion Company website Email and phone communication Daily communication
Suppliers	Operation Integrity Win-win development Fair and equitable procurement	Project cooperation Email and phone communication Communication through supplier training Daily communication
Employees	Rights safeguard Health and safety Salary and benefits Vocational development	Staff congress Employee training Employee activity
Communities and the Public	Promotion of regional development Participation in public welfare undertakings Information publicity and transparency	Company website Company announcements Visit and exchange Public welfare volunteer activities



## II. Deepening Responsibility – Sustainable Development Overview

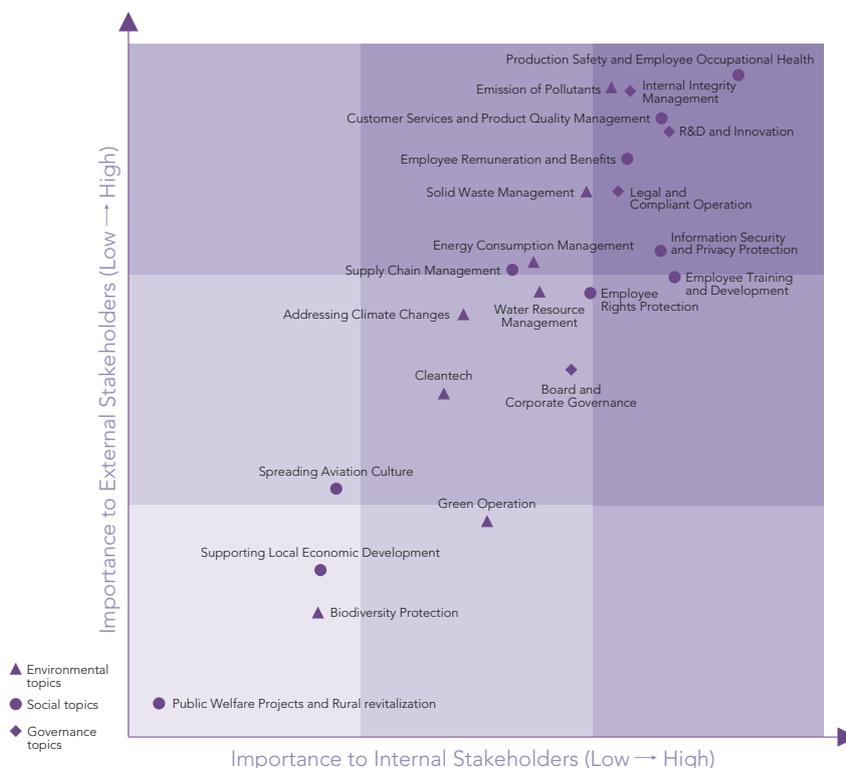
### (V) IDENTIFICATION AND ASSESSMENT OF MATERIAL ISSUES

During the reporting period, the Group continued to carry out the analysis on material topics to identify, evaluate and distinguish ESG issues, and screen out material topics that have a significant impact on the Group for the purpose of supervision and management.

Specific work is carried out according to the process of identification, sorting, evaluation and confirmation:

- 1) **Identification.** In view of the ESG standard frameworks such as the ESG Reporting Guides of the Hong Kong Stock Exchange Hong Kong, GRI Sustainability Reporting Guidelines (2021 Edition) and the Sustainable Development Goals of the United Nations, and through peer benchmarking and expert judgment, we have preliminarily identified a total of 22 environmental, social and governance topics, including 8 environmental topics, 10 social topics and 4 governance topics.
- 2) **Sorting.** We issued questionnaires to various stakeholders, including internal stakeholders (Directors, management, employees, etc.) and external stakeholders (shareholders and investors, customers, suppliers, government and regulatory authorities, social organizations, medias, etc.), and prioritized the degree of concern regarding different ESG issues among various stakeholders. After statistical analysis, a total of 817 valid questionnaires were recovered in this survey.
- 3) **Evaluation.** Through evaluation and analysis on the questionnaires, we identified 8 material topics of high importance in 2023, including 1 environmental topic, 4 social topics and 3 governance topics.
- 4) **Confirmation.** The Group has constructed a materiality analysis matrix based on the survey results, ensuring that all significant topics have been fully disclosed in this report. This matrix serves as the preferential orientation for the Group's ESG initiatives.

In 2023, the Group's materiality assessment matrix is presented as follows:





### III. Standardized Governance – A Robust Cornerstone For Progress

#### (I) CONSUMMATION OF CORPORATE GOVERNANCE

The Company strictly abides by the requirements of laws, regulations and normative documents such as the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*, and relies on the Company’s internal normative documents such as the *Articles of Association of AviChina Industry & Technology Company Limited* (hereinafter referred to as the “*Articles of Association*”), the *Rules Governing the Operation of General Meetings*, the *Rules Governing the Operation of Board Meetings*, the *Rules Governing the Operation of the Supervisory Committee*, the *Working Guidelines for the Management*, the *Terms of Reference of the Nomination Committee*, the *Terms of Reference of the Development and Strategy Committee*, the *Terms of Reference of the Audit and Risk Management Committee*, the *Terms of Reference of the Remuneration Committee* and the *Rules on Information Disclosure and Measures for Connected Transactions Management*, to continuously improve the level of corporate governance through the coordinated operation of general meetings, the Board of Directors and specialized committees thereunder, the Supervisory Committee and the management.



Governance structure chart of AviChina

- **The Board and specialized committees**

The Company has established a governance structure with the Board of Directors as the core of decision-making. The Board of Directors has four specialized committees, namely Development and Strategy Committee, Nomination Committee, Audit and Risk Management Committee and Remuneration Committee which provide scientific and professional opinions and references for the decision-making of the Board of Directors. The Company nominates and elects Directors in strict accordance with the procedures stipulated in the *Articles of Association*. The number and composition of the Board of Directors meet the requirements of normative documents and ensures openness, fairness, impartiality and independence in the selection and appointment of Directors.



### III. Standardized Governance – A Robust Cornerstone For Progress

As at the end of 2023, the Board comprises nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. During the Reporting Period, the Company convened seven Board meetings, one meeting of Development and Strategy Committee, two meetings of the Nomination Committee, two meetings of the Audit and Risk Management Committee and two meetings of Remuneration Committee.

#### Diversity of Directors



- ☞ Diversity of board members is an important element in maintaining the Company's competitive advantages. The Company selects preferred director candidates with merits based on objective criteria, taking into account comprehensive factors such as gender, age, cultural and educational background, and professional experience of board members.
- ☞ The Nomination Committee reviews and evaluates the composition of the Board of Directors annually, and makes recommendations to the Board of Directors on the appointment of new Directors of the Company.

#### Independence of Directors



- ☞ The Company strictly complies with the requirements of Articles 3.10(1), 3.10(2) and 3.10A of the Hong Kong Listing Rules, that is, at least one-third of the directors shall be independent non-executive directors, and at least one independent non-executive director shall have appropriate professional qualifications or accounting or related financial management expertise.
- ☞ At the same time, the Company supervises the performance of duties by independent non-executive Directors in accordance with the *Rules Governing the Operation of the Board Meetings* and other normative documents.

For more information about the Directors, please refer to 2023 Annual Report of the Company.



### III. Standardized Governance – A Robust Cornerstone For Progress

- **Training of Director**

The Company has consistently encouraged Directors to participate in sustainable development courses and seminars organized by professional organizations or companies, and to read materials on pertinent topics, so as to require Directors to continuously improve their abilities to perform their duties. All new Directors will receive induction training tailored to their experience and background to enrich their knowledge and understanding of the Company's culture and operations. The content of training usually includes aspects such as company structure, company business and governance practices.

- **Supervisory Committee**

The Company nominates and elects Supervisors in strict accordance with the procedures stipulated in the *Articles of Association*. The number and composition of the Supervisory Committee are in compliance with requirements of relevant documents and it consists of three Supervisors, including two Supervisors who are shareholder representatives and one employee representative Supervisor. The Supervisory Committee strictly complies with the requirements of the *Rules Governing the Operation of the Supervisory Committee* and other documents to independently exercise its powers in accordance with the law, perform its duties diligently, provide valuable advice and suggestions, effectively safeguard the legitimate rights and interests of the Company, shareholders and employees, and facilitate the high-quality development of the Company.

In 2023, the Supervisory Committee held two meetings and considered and approved eight resolutions, on which the Supervisors, on behalf of shareholders, supervised the company finances, as well as the legality and compliance of the Directors and senior management in performing their duties. The Supervisors attended the Board meetings and general meetings, to earnestly performed the duties of the Supervisory Committee.

### (II) ACTIVE DEVELOPMENT OF INVESTOR RELATIONS

The Company attaches great importance to investor relations, actively performs its duty to protect the rights and interests of shareholders, and ensures that all shareholders, especially small- and medium-sized shareholders enjoy equal status. During the reporting period, the Company strictly complied with relevant regulations such as the Hong Kong Listing Rules and held regular general meetings, including annual general meeting, and class meetings for holders of H Shares and Domestic Shares.



### III. Standardized Governance – A Robust Cornerstone For Progress

Meanwhile, the Company standardizes its daily investor relations management in accordance with the *Management Rules of Investor Relations*, strengthens communication with investors through multiple channels, platforms and methods, continuously improves the transparency of information and enhances investors' understanding and recognition of the Company. During the reporting period, the Company orchestrated a roadshow titled "The Listed Aviation Company with Strategic Technology" in Hong Kong and other locations, and conducted annual results and interim results roadshows in Hong Kong. The Company actively carried out special investor exchange activities and took the 20th anniversary for the listing as an opportunity to invite partner institutions to hold the "Promising Future at a Glance" exchange event in Beijing. The Company also collaborated with organizations to hold the activities such as the "Backbone of the Nation – Aviation Technology Investment Forum" and "Investor Exchange of AviChina & AVICOPTER".

- **General meetings**

The general meeting of shareholders plays the role of the supreme authority of the Company, which exercises its powers in accordance with the law and decides on major matters of the Company. The annual general meeting or extraordinary general meeting serve as an effective channel for direct communication between the Board of Directors and the shareholders of the Company. During the reporting period, the Company revised the provisions pertaining to general meeting of shareholders in the *Articles of Association* in accordance with the newly revised regulatory regulations, thereby fortifying the safeguarding of the core rights and interests of shareholders.

In 2023, the Company convened three general meetings, at which 26 resolutions in total were considered and approved.

- **Information disclosure**

The Company has consistently insisted on publishing annual and interim reports and relevant provisional announcements, and publicly disclosed the Company's important information and details of the progress of major events in strict accordance with the requirements of the Hong Kong Listing Rules. During the reporting period, the Company continued to consolidate the foundation for compliance management of information disclosure, and established an information disclosure mechanism that is highly interconnected between the Company and its A-share subsidiaries oriented by investors' needs, including the pre-communication mechanism, the review and disclosure mechanism and the public sentiment feedback mechanism, which further enhanced the timeliness and effectiveness of information transmission and practically improved the quality of information disclosure. Detailed information on the Company's various businesses along with interim and annual results and other announcements are available for download on the website of the Company. In addition to updating at the website of the Company in a timely and regular manner, the Company also actively opens a WeChat official account, facilitating investors to conveniently keep abreast of the recent development of the Group.



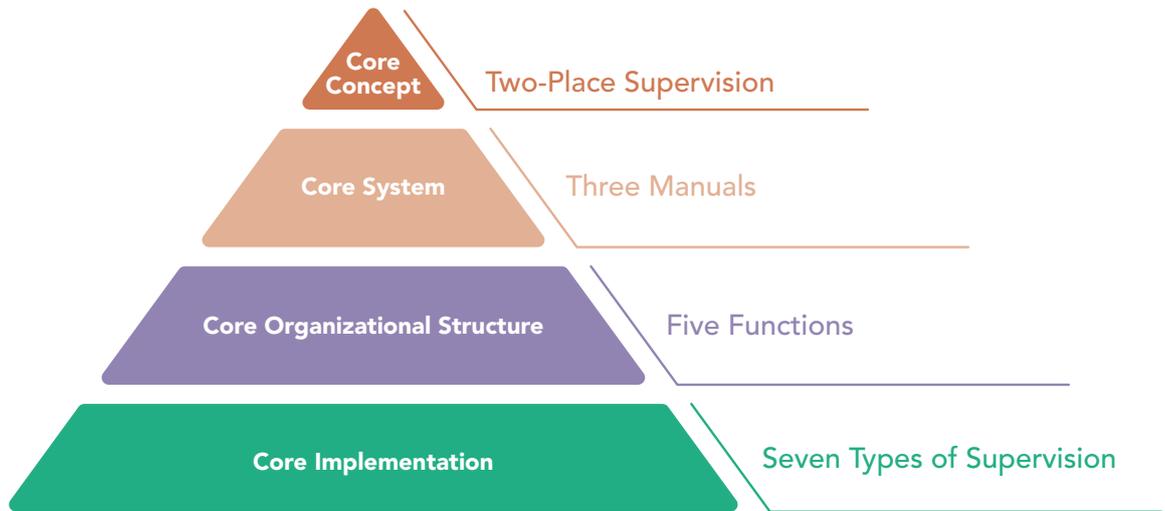
### III. Standardized Governance – A Robust Cornerstone For Progress

#### (III) OPERATING COMPLIANCE AND ROBUSTNESS

- **Compliance and risk control**

The Company has always taken improving its compliance risk management and control capabilities as its core objective, and has formulated a series of internal systems to make the Company’s governance more standardized and its operations more efficient. During the reporting period, the Company optimized and refined the *Risk Management and Internal Control Manual* and formulated the *Key Compliance Requirements in Key Procurement Areas and Compliance Review List*, which stipulated that compliance requirements shall be implemented onsite and assigned to individual, so as to resolutely guard the “first line of defense”. Meanwhile, the Company incorporated the *Compliance Commitment Letter* into the signature of labor contracts to normalize employee compliance management.

In terms of risk management, the Company continued to explore the establishment of a risk management system customized for the Company’s business development and operating model, continuously reviewed and evaluated the potential risk conditions that may affect the realization of operation objectives, in order to comprehensively improved the risk management level of the Company. During the reporting period, the Company established a comprehensive risk management system that accommodated risk control, compliance, auditing, rule of law, disciplinary inspection and business management, and impelled comprehensive risk control and management in depth by optimizing the internal control process.

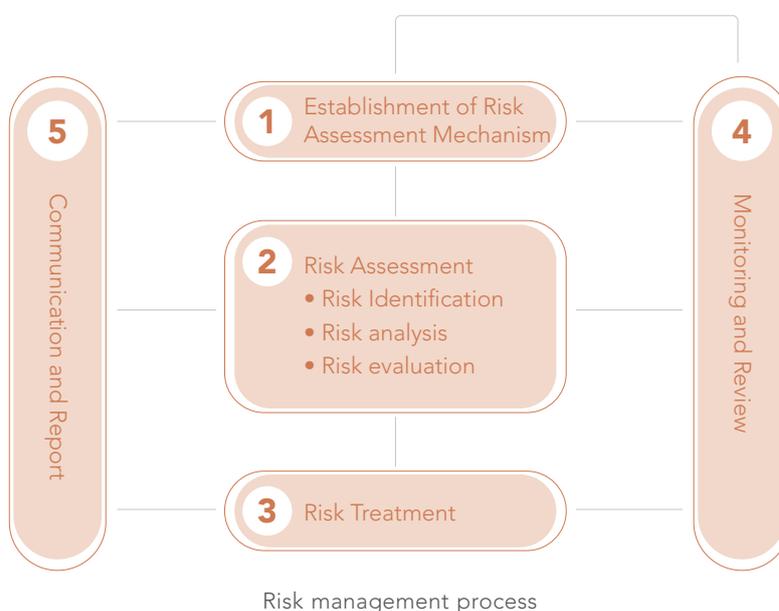


Compliance and comprehensive risk management system of AviChina



### III. Standardized Governance – A Robust Cornerstone For Progress

In addition, in daily management and control, the Group actively formulates management and control strategies. Each subsidiary establishes and refines its own risk management mechanism in accordance with the Group's overall risk management policy and in view of the external regulatory requirements and corporate business practices.



- **Internal control system**

The Group continues to improve its internal control system in accordance with its business development model and the latest requirements of laws and regulations, and maintains the Group's internal control system to be sound, appropriate and effective in order to adapt to the new situation and environment. The Group's internal supervision system has well-defined division of labor, clear responsibilities and sound systems.

The Board of Directors delegates the Audit and Risk Management Committee to supervise the Group's risk management and internal control, exert its internal audit function, and conduct review at least once a year on the effectiveness of the internal control system of the Group, including the nature and severity shift of major risks within a year, and the Company's response capabilities, the management's ability to monitor risks and internal supervision, the communication of monitoring results, the major supervisory weaknesses and their corresponding foreseeable consequences and extent, the effectiveness of the Group's financial reporting and the procedures required by the Hong Kong Listing Rules.

The Group strictly complies with the requirements of the Hong Kong Listing Rules and relevant laws and regulations on inside information management, and has established the *Management Rules of Investor Relations* and the *Management Rules of Registration of Inside Information and Insiders* to strictly supervise the dealing and publishing of inside information to keep such information in confidentiality before being disclosed, and be disclosed in an accurate and timely manner.



### III. Standardized Governance – A Robust Cornerstone For Progress

- **Tax payment according to law**

The Group strictly adheres to tax-related laws and regulations, pays taxes in accordance with the law, declares and pays taxes on time, and resolutely prohibit any form of tax evasion. For more information on taxation, please refer to the Company's 2023 Annual Report.

#### (IV) ADHERENCE TO BUSINESS ETHICS

- **Establishment of integrity system**

In strict compliance with laws and regulations including the *Criminal Law of the People's Republic of China*, the *Supervision Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and the *Interim Provisions on Banning Commercial Bribery*, the Group has established and refined its internal management mechanism for business ethics, persistently conducted anti-bribery and anti-corruption measures as well as other preventive actions related to business ethics risks, updated the negative list of positions bearing integrity risks, and monitored corruption behaviors by adopting zero-tolerance policy. The Audit and Risk Management Committee of the Company assists the Board of Directors in performing its duties in terms of risk management and internal control, to ensure the effectiveness of the risk management and internal control systems, including the review and supervision over business ethics risks. On the basis of the unified management by the Group, each subsidiary has formulated relevant systems addressing anti-bribery and anti-corruption tailored to their specific circumstances to continuously refine integrity responsibilities, working mechanisms, disciplinary measures, etc., while incorporating the evaluation of system integrity into the system release process.

During the reporting period, JONHON Optronic formulated and revised the regulations on recording management intervention in significant matters, the work regulations of anti-corruption coordinating group, the relevant trial procedures and document specifications of cases in violation of the disciplines and laws, as well as other systems. It also integrated anti-bribery and anti-corruption requirements into its regulatory system and business processes to safeguard that all work is conducted in strict adherence to regulations, disciplines and laws. Changhe Aircraft issued the *Anti-Commercial Bribery Compliance Management Working Guidelines* to standardize the classification, characteristics and consequences of commercial bribery, as well as the laws, regulations and policies, key areas and compliance management mechanisms in relation to anti-commercial bribery.

In addition, the Group places great emphasis on the integrity management of suppliers and vigorously takes preventive measures to mitigate integrity risks originating from the system source. Each subsidiary proactively signs the *Integrity Cooperation Agreement* with cooperative suppliers, implement the *Measures on Managing Supplier Blacklist*, which standardize the punishment standards and working procedures for suppliers who breach contracts or engage in deceitful conduct, and strengthened the prevention against commercial bribery.



### III. Standardized Governance – A Robust Cornerstone For Progress

- **Supervision and reporting mechanism**

The Group adheres to a zero-tolerance attitude and seriously investigates and punishes violations of business ethics, further standardizes disciplinary review procedures, continuously unblocks supervision and reporting channels, and, on the premise of ensuring safety and confidentiality, establishes reporting channels such as email, telephone, reporting boxes and visitation. In accordance with the requirements of code provision D.2.6 of the *Corporate Governance Code* of the Stock Exchange, the Group has formulated a whistle-blowing policy and system, and added the email address of the Audit and Risk Management Committee of the Board of Directors on the Company's official website for contact to encourage employees and other stakeholders to raise their concerns about any possible inappropriate matters regarding the Group. The Group adopts strict confidentiality measures for all whistle-blowers' personal information, problem clues and other sensitive information, strictly prohibits leakage of reports and accusations, and strictly implements the avoidance system to effectively protect the legitimate rights of the reporting parties. At the same time, the Group's internal supervision agency strictly supervises and reviews the daily operations throughout the year, and paid special attention to the points regarding important compliance risks and integrity prevention and control. In 2023, there were no corruption lawsuits involving the Group and its employees.

- **Integrity education and training**

The Group actively develops an anti-bribery and anti-corruption education mechanism that linked up and down, conducted in-depth "online + offline" learning through on-site learning, watching videos, lecture course, etc., and spread anti-bribery and anti-corruption knowledge and laws and regulations to all employees, and organize employees to sign the "Undertakings on Integrity", so as to continue to reinforce the cultivation of integrity culture within the Group. During the reporting period, the Group made extensive use of the Company's website, OA platform, WeChat public account, conferences and other channels to widely promote the culture of integrity, and held a series of colorful learning activities such as the Integrity Culture Month, the selection of outstanding works on integrity culture, and the study at the Integrity Education Base. Simultaneously, the Group has pioneered innovations in educational methodologies, compiled a "matrix" of integrity education, enriched the education resource library, carried out customized education at different levels for different positions, and organized knowledge quiz on integrity risks to nurture a culture of regulatory compliance, incorruptibility and self-discipline, and full involvement.



### III. Standardized Governance – A Robust Cornerstone For Progress

Indicator	Unit	2023
Anti-corruption training coverage for directors	%	100
Total hours of anti-corruption training for directors	hour	1,745.5
Anti-corruption training coverage for employees	%	95.5
Total hours of anti-corruption training for employees	hour	137,887.5

- Notes: 1. The anti-corruption training coverage for directors and for employees both refer to the average coverage rate of the Group;
2. Total hours of anti-corruption training for directors and for employees both refer to the sum of training hours of the Group.



The anti-corruption education activity with the theme of "Enhancing Integrity Awareness and Constructing Ideological Defense Lines" launched by JONHON Optronic



The integrity warning education activity for trainees of the "Training Project for Young Marxists" launched by Qing'an Company



### III. Standardized Governance – A Robust Cornerstone For Progress

- **Fair competition**

The Group has strictly observed the relevant laws and regulations on anti-monopoly and anti-unfair competition all along, to continuously improve the internal supervision mechanism, strengthen the training of legal awareness for employees and ensure prompt restraint and rectification of any potential violations of laws and regulations throughout the Company. During the reporting period, the Group was not subject to any legal proceedings against unfair competition, antitrust or antitrust practices.

- **Anti-money laundering**

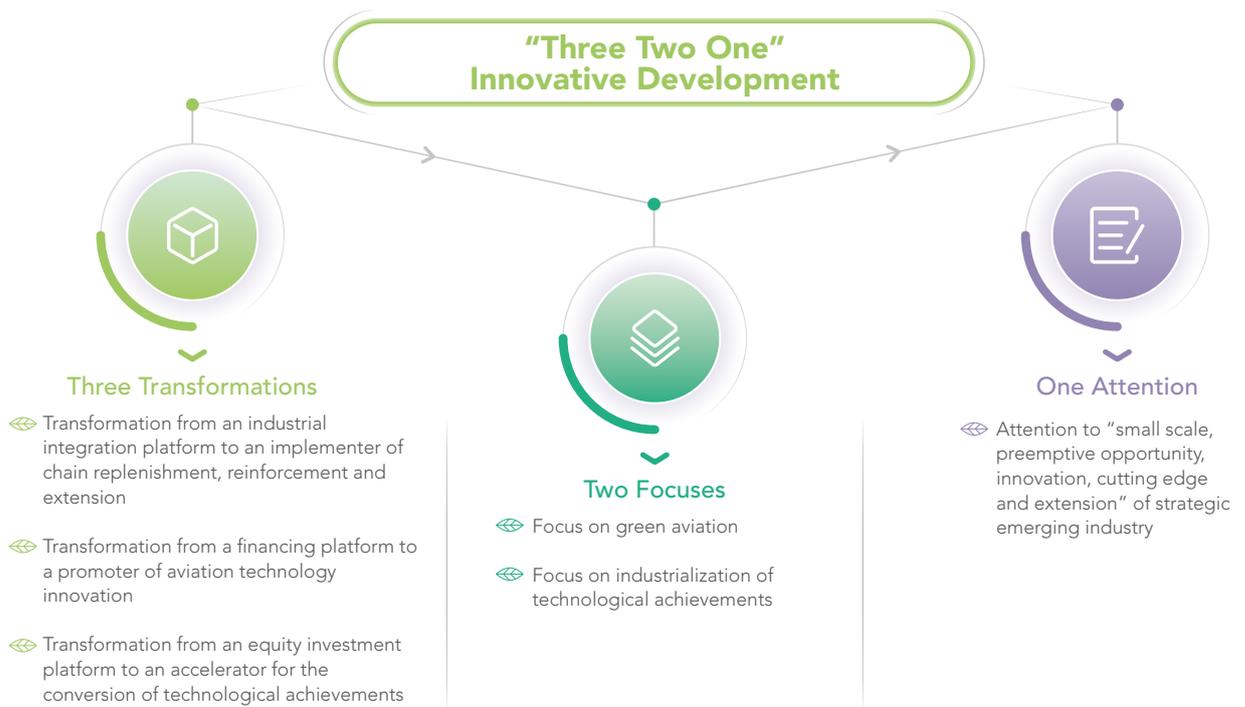
The Group strictly complied with relevant domestic and overseas anti-money laundering laws and regulations, including but not limited to the *Anti-Money Laundering Law of the People's Republic of China* and the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance of the Hong Kong Special Administrative Region*, and continued to intensify the monitoring and management of investment transactions, products and services, so as to eliminate the risks with respect to money laundering and terrorist financing as far as possible. In 2023, the Group did not identify any major violations.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### (I) DRIVEN BY TECHNOLOGICAL INNOVATION

As a leader in the PRC’s aviation industry, the Group is dedicated to promoting high-quality development of listed companies and always regards technological innovation and technological renovation as the paramount driving force for corporate development. During the reporting period, in order to persistently enhance the core competitiveness, the Group explicitly proposed the development philosophy consisting of “three transformations”, “two focuses” and “one attention”, aiming to inject strong impetus into the Group’s reform and development by integrating multiple resources from government, industry, universities and research institutes, and conducting in-depth research on cutting-edge technologies.





## IV. Industrial Support – The Power Engine to Triumph in The Sky

### 1. R&D and Innovation

The Group upholds independent research and development as its primary focus, increases investment in innovative research and development year by year, endeavors to improve the quality and quantity of its innovation platform, and empowers the technological innovation of the Company. In 2023, each subsidiary further consummated its management system for scientific research, enhanced its management efficiency, improved its level of scientific research, took scientific research projects as the starting point to optimize and refine the procedural management of scientific research projects, and revised the *Management Measures for Outsourcing and Subcontracting of Technological Innovation Projects*, the *Management Measures for Technological Achievements Appraisal* and other institutional documents, and organized training and presentations for relevant personnel. During the reporting period, the research and development expenses of the Group amounted to RMB7.573 billion, representing a year-on-year increase of 26.3%.

During the reporting period, the Group achieved remarkable results in technological innovation. Many subsidiaries obtained high-tech enterprise certificates with several provincial key laboratories approved, and won a number of technology awards at provincial/ministerial level or above.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

Part of scientific research and innovation achievements of the Group during the year

### Laboratory construction



- JONHON Optronics formulated the *Improvement Plan for National Enterprise Technology Center* and promoted its implementation, obtaining the highest score since the establishment of the technology center in 2010. Its key laboratory in Henan Province was successfully approved, constantly leading the technological advancement within the industry.
- The application of AVIC CAPDI for establishing a national key scientific research base with respect to the precautions against earthquake for cultural relics, passed the appraisal and was selected into the eighth batch of key scientific research bases under the National Cultural Heritage Administration.
- AVIC Lanfei has carried out the construction of electromagnetic compatibility laboratory with the construction plan reviewed and the infrastructure construction completed, and comprehensively carried out the construction of Gansu Provincial Key Laboratory of Aviation Electric Piezoelectric Actuators, with its design plan and sample production completed.
- Tianjin Aviation has successfully been approved to prepare an aviation fireproof system laboratory, which is a key laboratory in Tianjin with a preparation period of two years. It completed a self-assessment over the current capabilities of fireproof system laboratory this year.

### Technology awards



- AVIC CAPDI won 8 technology awards at provincial/ministerial level or above throughout the year, and coedited or edited 18 sets of new domestic and foreign industry standards.
- AVIC Lanfei won 1 first prize of 2023 Gansu Provincial Science and Technology Progress Award for GF Technology Special Projects, and 1 gold award and 1 silver award of the industrial design competition under the Gansu Provincial Innovation Cup.
- Shaanxi Huayan won 1 third prize of the Science and Technology Award of the Shaanxi Society of Aeronautics & Astronautics, and was recognized as an “innovative” small- and medium-sized enterprise in Shaanxi Province and a “specialized and new” small- and medium-sized enterprise in Shaanxi Province.
- Taiyuan Instrument won 1 special prize for Science and Technology Progress Award of Chinese Society of Aeronautics and Astronautics.
- AVIC Kaitian won 2 third prizes of the National Defense Science and Technology Progress Awards, 3 second prizes of the AVIC Science and Technology Progress Awards, and 4 third prizes of the AVIC Science and Technology Progress Awards. It coedited 2 sets of national standards and 14 sets of industry standards.
- Shanghai Aviation Electric won 1 third prize of the AVIC Science and Technology Progress Awards.
- Changfeng Avionics won 1 third prize of the Sixth Science and Technology Award of Chinese Society of Aeronautics and Astronautics and 1 third prize of the AVIC Science and Technology Awards.
- Qing’an Company won 1 first prize of the Science and Technology Award of the Chinese Society for Composite Materials.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### Case

Joint research and development of H-eVTOL was launched to implement new strategic measures of “Leading Innovation”

On 25 September 2023, AviChina, AVICOPTER and the Chinese Aeronautical Establishment held a joint R&D signing ceremony for the “High-speed Electric Vertical Takeoff and Landing Vehicle (H-eVTOL)” and signed the *Technical Agreement of Research on High-speed Electric Vertical Takeoff and Landing Vehicle Technology*.

Electric vertical takeoff and landing vehicle represents an important future development direction of the helicopter industry. It is an important opportunity for the aviation industry to develop new civil aircraft, while also serving as a hot spot for the development of low-altitude economy, as well as domestic and foreign R&D innovation currently. Subsequent to one and a half years of technical demonstration and market research, and after the working team successively visited a number of research institutions and related industrial entities, we formed a technical plan at the end of June 2023, which was reviewed and approved by both internal and external experts. This signing marked the official launch of the project.

### 2. Development of Digital Intelligence

During the reporting period, the Group revised a number of systems including the Information Equipment Management Regulations, the Management Regulations of Computer Confidentiality under Industrial Control, the Application System Development and Operation Management Measures in light of the Company’s actual circumstances, and achieved remarkable results achieved in the construction of digital intelligence platforms, digital management systems, and intelligent system optimization.

- **Digital intelligence platforms:** The Group have constructed a safe and reliable digital intelligence platform supported by big data, cloud computing, AI and other technologies as the core. During the reporting period, JONHON Optronics released the “*Digital JONHON Optronics Construction Plan*” to comprehensively carry out the construction of “*Digital JONHON Optronics*”, focusing on 24 key projects under eight themes including process governance, data governance and digital capabilities, and vigorously promoted the exploration and application of new technologies such as smart parks, process robots, 5G and AI.
- **Digital management systems:** The Group continued to optimize digital management processes and improve work efficiency. During the reporting period, Lanzhou Aviation Electric was guided by the strategic framework of “machine replaces people; digitalization replaces brains”, focused on enhancing production data connectivity and processing capabilities, promoted the intelligent transformation of the Company, and compiled the *Construction and Implementation Plan of Intelligent Manufacturing Highland amid the New Era*.



#### IV. Industrial Support – The Power Engine to Triumph in The Sky

- **Intelligent system optimization:** The Group have carried out intelligent transformation of the production and operation system to reduce manual intervention and achieve cost reduction and efficiency improvement. During the reporting period, Changhe Aviation won the title of “Benchmark Enterprise for Intelligent Manufacturing”, achieved breakthroughs in technologies such as intelligent production line control, and made significant strides towards digital intelligence in manufacturing and crafting. In terms of integrated research and development, AVIC Kaitian has completed more than 100 functional optimizations in 8 functional modules, including product design changes, process changes, process sheet modifications and physical implementation. For the pedestal processing of sensor series products, Keeven Instrument has fortified the integration among collaborative robots, AC axis turntables, automatic stock bins, and zero-point positioning systems to form a flexible manufacturing unit through automated parts processing.



Intelligent workshop of JONHON Optronic



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### 3. Industry-Academia-Research Cooperation

In 2023, the Group continued to have in-depth exchanges with scientific research institutes, top universities, and well-known enterprises. Leveraging on its own technological advantages, the Group has promoted the integration of industry, universities and research institutes through joint construction of innovation centers, cooperative projects, talent cultivation, event exchanges and other models, achieving remarkable results in multiple fields.

Key industry cooperation results of the Group during the year

JONHON Optronics	<ul style="list-style-type: none"><li>• The company jointly established the “Future Technology Innovation Center” with 8 universities including HIT, ZJU, and NUAU, and cooperated in 30 industry-academia-research projects, successfully breaking through multiple technical bottlenecks. An exchange seminar about the Future Technology Innovation Center was held;</li><li>• The company gave full play to the role of “Innovation Space Station” and carry out exchange activities such as “Knowledge-Action Unity Forum” and “Doctoral Forum”.</li></ul>
Shaanxi Huayan	<ul style="list-style-type: none"><li>• The company has carried out industry-academia-research Cooperation with Northwestern Polytechnical University to complete the “system-level calibration technique” project demonstration, overcome the impact of reduced turntable accuracy and improper installation on product accuracy, and improved the calibration efficiency of products in mass production;</li><li>• The company cooperated with the School of Mechanical and Electrical Engineering of Henan University of Science and Technology to conduct in-depth research on the failure mechanism of liquid-floating gyro motor bearings.</li></ul>
Changfeng Avionics	<ul style="list-style-type: none"><li>• The “Independent and Controllable Innovation Consortium for New Aerospace Display” project applied by the company was successfully selected as 2023 Annual Innovation Consortium in Suzhou, joining forces with scientific research institutes and leading enterprises such as CETC 55, Xiamen University, and Beijing Smart-Aero Display to form an innovation alliance along the entire industry chain from epitaxial materials, Micro-LED chip manufacturing, transfer and testing, display driver backplane, driver chips, panel packaging and complete machine and system applications, so as to break the fragmented domestic industry, promote collaboration across the new display industry chain, and realize long-chain joint development of the entire industry chain from design to application.</li></ul>



#### IV. Industrial Support – The Power Engine to Triumph in The Sky

##### Case

##### “Qing’an Company-Xi’an Jiaotong University High-Pressure and High-Speed Fluid Machinery Joint Research Center of Aviation Industry” was officially unveiled

In November 2023, an unveiling ceremony for the “Qing’an Company-Xi’an Jiaotong University High-Pressure and High-Speed Fluid Machinery Joint Research Center of Aviation Industry” jointly established by Qing’an Company and Xi’an Jiaotong University was held. Based on the development orientation of high-speed and high-pressure fluid machinery industry, and in response to the cutting-edge development of aviation technology and the considerable needs for construction in the PRC, the Joint Research Center carries out basic research and technological innovation of high-pressure and high-speed fluid machinery, cultivates high-end talents in related fields, and promotes the transformation and application of technological achievements, so as to provide overwhelming support for solving the technical shortcomings of aviation equipment. Looking forward, the Joint Research Center will serve as a stepping stone in the growth and development of Qing’an Company, perform its important mission and initiate an emerging model of technological innovation for Qing’an Company.



Qing’an Company-Xi’an Jiaotong University High-Pressure and High-Speed Fluid Machinery  
Joint Research Center of Aviation Industry



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### 4. Intellectual property management

The Group complied with laws and regulations such as the *Trademark Law of the People's Republic of China* and the *Patent Law of the People's Republic of China*, continued to deepen the construction of the intellectual property risk management system, conducted intellectual property risk identification, and strengthened the protection of the Group's trademarks, patents, copyrights and other intellectual property rights, and effectively use legal protection means to safeguard its own legitimate rights and interests. Each subsidiary of the Company has formulated intellectual property-related systems, including the *General Principles of Intellectual Property Management*, the *Management Measures for Patent Work*, the *Control Procedures for Intellectual Property Information Resources*, etc., which have effectively protected the companies' technological innovation achievements, enhanced the companies' advantages in intellectual property rights, and minimized the damage suffered by the companies due to policy risks, legal risks, human intentional or error risks. During the reporting period, the Group did not infringe or suffer from infringement of intellectual property rights.

During the reporting period, the Group had applied for 2,879 patents, being granted authorizations for 1,748 patents.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### Intellectual Property Management Measures of Some Subsidiaries

<p>Refining Intellectual Property Management System</p> 	<ul style="list-style-type: none"> <li>• GuiZhou FengLei: It obtained the dual system certificates for intellectual property management (<i>the Enterprise Intellectual Property Management Standards (GB/T29490-2013)</i>).</li> <li>• Yibin Sanjiang: A technology management plan was prepared and distributed in early March 2023, including intellectual property plans such as patents, technology reports, and trade secrets, to make the company's intellectual property management more standardized and complete.</li> </ul>
<p>Increasing Investment in Intellectual Properties</p> 	<ul style="list-style-type: none"> <li>• Shanghai Aviation Electric: Its annual investment in intellectual property funds shall not be less than 5‰ of the company's annual output value. In the first quarter of each year, inventors/designers will be rewarded based on the application, registration, and authorization of intellectual property rights in the previous year. In 2023, a total of RMB304,900 as relevant rewards was distributed.</li> <li>• AVIC Kaitian: According to the company's <i>Management Measures for Patent Work</i>, it rewards authorized patents every quarter. In 2023, the amount of patent authorization reward reached RMB714,000, and the amount of software copyright reward stood at RMB54,000.</li> </ul>
<p>Carrying out Intellectual Property Training</p> 	<ul style="list-style-type: none"> <li>• Taiyuan Instrument: In order to ensure that employees fully understand the compliance requirements for intellectual property rights, the company organized training on basic intellectual property knowledge and the <i>Enterprise Intellectual Property Management Standards</i> during the reporting period. The trainees encompassed intellectual property-related managers, technical personnel, legal counsel, etc.</li> </ul>
<p>Intellectual Property Honors</p> 	<ul style="list-style-type: none"> <li>• AVIC Precision Machinery Technology: It applied for 46 new patents in 2023, including 20 domestic invention patents, 3 international patents, and 23 utility model patents; a total of 36 patent authorizations were obtained throughout the year, including 20 domestic invention patents, 5 international patents, and 11 utility model patents.</li> <li>• Harbin Aircraft: In 2023, it applied for 4 international patents, 15 high-value invention patents, 53 general patents, 6 software copyrights, and 60 authorized patents. It carried out research on the subject of <i>AC352 Helicopter Patent Navigation</i> to provide guidance for the layout and transformation of intellectual property rights, and completed the interim implementation of the Heilongjiang Enterprise High-Value Invention Patent Cultivation Center project.</li> </ul>



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### (II) HIGH-QUALITY PRODUCTS AND SERVICES

#### 1. Product Quality Management

The Group relies on relevant laws and regulations including the *Product Quality Law of the People's Republic of China*, the *Regulations on the Administration of Production Licenses of Industrial Products of the People's Republic of China*, and the *Civil Aviation Law of the People's Republic of China*, to continue to strengthen the management and control of product quality. Each subsidiary has formulated the Quality Management System Requirements, the Process for Determination and Review of Product Requirements, the Special Process Management Regulations, the Product Batch Management Measures and the User Technical Training Management Regulations, and established a quality management process covering the whole life cycle of the products by following the working principles of combining strict control with active prevention and dedicated inspection with operator self-inspection and mutual inspection. The subsidiaries have also clarified the product recall process and the functions of each department in their system documents. For example, JONHON Optronic has clearly stipulated the process of product recall and the requirements to be carried out by the personnel of each link in the *Internal Quality Problem Handling Norms* and *External Quality Information Handling Procedures*. During the reporting period, multiple subsidiaries have successfully obtained certifications for both ISO 9001:2015 and Industrial Special Management Systems.

In terms of the audit of the product quality management system, each subsidiary of the Company regularly conduct third-party audits, internal audits, special audits, and annual quality management system reviews in accordance with the requirements of industrial and AS 9100D (ISO 9001). Based on the issues identified in previous audits, we optimize the structure and processes of the quality management system.

#### 2. Improvement of Service Quality

The Group adheres to the customer service philosophy of “focusing on customers and decision-making based on customer satisfaction”. Each subsidiary has formulated a series of regulations and systems, including the *After-sale Service Process*, the *Depot Repair Process of Aviation Products*, the *After-sale Service Control Procedures*, and the *Customer Service Management Measures* which clarify the management of service needs, the management of field service support tasks, the handling and control procedures for returned products, and the management process of service support information. This institutional framework has facilitated the continuous improvement of the level and quality of various service support work.

Based on the institutional framework, each subsidiary has further promoted the establishment of regional customer liaison offices through surveys, customer visits, and customer training, in order to quickly respond to customer needs and provide comprehensive pre-sale, in-sale, and after-sale services. At the same time, subsidiaries continuously conduct job skills training to enhance the professional capabilities of their customer service teams. During the reporting period, JONHON Optronic organized quality engineers to sort out the necessary knowledge and skills, compiled training materials from the aspects of professional knowledge, product knowledge, and work skills, and continuously conducted activities such as quality case sharing to systematically train the quality engineer team and improve their personal skills.



#### IV. Industrial Support – The Power Engine to Triumph in The Sky

- Customer complaint processing mechanism*

The Group has established the handling procedures of customer complaints, linking customer complaints with the evaluation of departments and responsible personnel. It clearly defines the complaint issues, reasons, solutions, and time nodes in terms of delivery, quality, and service. Through continuous improvement in problem analysis, handling, and feedback, the Group aims to enhance customer satisfaction. For example, after receiving a product complaint, Changfeng Avionics' maintenance industry division issues a *Processing Form of Quality Information Transfer*, which was transmitted to the Quality Department according to relevant procedures. The quality engineer then determines the responsible department and assigns tasks, and the responsible department analyzes the same and provides feedback to the customer. Nanjing Hangjian has also established a relevant procedural document, *QI-019 Field Fault Handling Process*, to address complaints related to products and services.
- Customer satisfaction survey*

The Group requires all its subsidiaries to conduct customer satisfaction surveys. Each subsidiary has formulated its own *Customer Satisfaction Evaluation and Analysis Management Measures* and regularly distributes the *Customer Satisfaction Questionnaire* to users for the purpose of satisfaction evaluation. Based on the evaluation results, we analyze and form customer satisfaction survey reports, assign relevant responsibilities to the responsible departments, and require the departments to formulate measures item by item to create corrective action tables or special reports. In 2023, the average customer satisfaction rate of the subsidiaries of the Group was 93.07%.



Initiatives to improve customer satisfaction

- Customer training*

The products of our Group include aviation entire aircraft, aviation auxiliary systems and related devices. Due to the technical requirements for product usage, each subsidiary provides customers with after-sale technical services such as customer training and follow-up guarantee to ensure that our products maximize their value to customers. For example, AVIC Lanfei has established a user training mechanism, clarifying the requirements for training materials, and conducting non-scheduled training and theoretical courses for users on usage and maintenance.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### (III) INFORMATION SECURITY GUARANTEE

#### 1. Customer Information and Privacy Management

The Group strictly complies with the relevant laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*. It requires employees to sign confidentiality agreements, and clear distinctions are made in terms of authorization levels to ensure the standardization of customer information management processes. Through continuously improving technical means, the Group ensures the encryption of confidential business information carriers to protect the security and privacy of customer information. In 2023, no information leakage incidents occurred within the Group.

- **Institutional constraint:**The Company requires its subsidiaries to establish relevant systems such as the *Management Measures of the Company's Commercial Secrets*, the *Confidentiality Agreement for Business Secret Personnel*, the *Confidentiality Undertaking*, and the *Management Measures of Customer Information* to clarify the processes and responsible personnel for managing customer privacy. For example, Shaanxi Huayan revised its *Customer Management Measures* and other systems in 2023, explicitly stating in the systems the prevention of illegal use, leakage, and sale of customer information, and adding clauses to protect the security and privacy of customer information.
- **Customer information management process:**The Group has established the standards for customer classification management and a database for collaborating customers to refine the management of customer information. The Group classifies and determines the confidentiality level of customer-related information, and implements layered security measures to safeguard customer information security through various control methods, such as confidentiality determination strategies, authorization strategies, information security policies, risk management and legal validity.
- **Information facility confidentiality management:**The Group implements life cycle management and control on customers' business secrets in terms of knowledge scope, paper carriers, electronic document carriers, physical carriers, news and propaganda, etc. For example, JONHON Optronic stipulates that the electronic documents of customers' business secrets are subject to centralized authorization and management by an information system to avoid information crossover among different customers. At the same time, the scope of internal knowledge is restricted. When necessary, design files in the PDM system are established with independent repositories or folders based on customers, projects and models, for the purpose of encryption and authorization controls.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### 2. Data Security Protection

The Group has established a comprehensive information security system and protective measures. Each subsidiary has formulated institutional documents such as the *Management Measures of the Company's Commercial Secrets*, and the *Confidentiality Management Measures for System Interconnection*. Employees are trained to cultivate their awareness of confidentiality, and strict control is exercised over terminal data. Regular maintenance of network information security is conducted to eliminate any leakage of the company's business secrets and information. Additionally, various files are regularly backed up in incremental mode to ensure the integrity of production data and improve the resilience of the system against risks.

- **Employee confidentiality management:** The Group strengthens data control to eliminate any possibility of information leakage or disclosure, by signing relevant documents with employees, including the *Labor Contract* and the *Confidentiality Commitments* with legal pursuit serving as the baseline. Employees of different levels are granted different permissions, and the confidentiality level of documents is set based on their nature. Strict control is exercised over the scope of access to specific documents. Additionally, confidentiality reminders and promotional functions are also established.
- **Terminal data control:** Each internet terminal of our Group is remotely monitored to strictly prohibit the disclosure of sensitive and confidential information. Each internet terminal is equipped with an audit system that conducts monthly security audits to identify any information transmission that fail to meet security and confidentiality requirements. Such cases will be reported and handled in accordance with the company's security and confidentiality measures.
- **Network security maintenance:** The Company requires its subsidiaries to regularly conduct routine vulnerability scans and penetration tests, and occasionally carry out cybersecurity attack and defense drills to continuously enhance their cyber information security defense capabilities and ensure network security. During the reporting period, Precision Machinery Technology has successfully conducted routine vulnerability scans and penetration tests, and successfully passed the second-level security protection evaluation through its OA and ERP systems, which has improved the Company's cybersecurity infrastructure and system construction as a whole.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### (IV) SUSTAINABLE SUPPLY CHAIN

#### 1. Supply Chain Management System

The Group continuously improves and standardizes its supplier management system by compiling and revising a series of regulations in areas such as introduction management, audit management, and performance management, thus forming a comprehensive supply chain management mechanism. Each subsidiary has formulated the *Regulations on Supplier Admittance Management* (《供應商准入管理規定》), the *Regulations on Supplier Exit Management*, the *Supplier Access Process Documents*, the *Supplier Introduction Control System*, and the *Supply Chain Risk Management System* to optimize supplier audits and access. In terms of supply chain management, Zhengzhou Aircraft has established a supplier management system consisting of “one procedural document” (supplier management procedures) and “seven standard operational documents” (supplier access and selection, audit and evaluation, process supervision and control, relationship management, risk management, exit, and evaluation) to strengthen supplier management capabilities.

At the same time, all subsidiaries of the Company have strengthened their considerations of environmental, social, and governance factors during the supplier access process. When selecting suppliers, the subsidiaries give priority to those with capabilities in occupational health, safety management, and environmental management, as well as those who have obtained certification credentials such as ISO 14001 and OHSAS 18000. Additionally, they have established control red lines for suppliers in terms of environmental protection and social performance, and suppliers who touch these red lines shall be disqualified from supplying.

Number of Suppliers

Regional distribution	Quantity	Proportion (%)
Suppliers in Mainland China	11,521	97.95
Suppliers in overseas and Hong Kong, Macao, and Taiwan	241	2.05
Total	11,762	100

#### Case Fengyang Hydraulic launched the supplier management system project

In 2023, Fengyang Hydraulic initiated a project to establish a new outsourced supplier management system and established a project team accordingly. The company formulated detailed implementation rules for supplier performance evaluation and notified suppliers of the same, incorporating the one-time pass rate of subcontracting reports into the evaluation indicators to stimulate suppliers' subjective initiative in improving quality. The company also established a problem notification mechanism, where the issues identified during inspections are communicated to suppliers in the form of a *Quality Letter*. Additionally, responsible individuals for rectifying and verifying these issues are designated to continuously improve the one-time pass rate of subcontracting reports, and ultimately decrease personnel and time costs.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### 2. ESG risk management of supply chain

To prevent and respond to ESG risks faced by the supply chain, our Group has established meticulous inspection and evaluation processes during the development, selection, and access stages of suppliers, so as to fully understand the suppliers' production capabilities, environmental management systems, and social responsibility systems, and evaluate their capabilities in various aspects accordingly.

Each subsidiary gives priority to selecting suppliers who produce eco-friendly products and have obtained relevant certifications of environmental protection systems. For suppliers in industries such as surface treatment, casting, and rubber that involve special process, it is mandatory for them to provide valid qualifications such as the *Environmental Management System Certification*, the *Sewage Discharge License*, and the *Environmental Impact Assessment and Approval Form* when included in the supplier database.

#### Control measures for Supply Chain ESG Risk of Some Subsidiaries

JONHON Optronics	A comprehensive assessment of fulfillment of social responsibilities by a supplier is conducted based on the <i>Supplier Introduction and Evaluation Form</i> in the <i>Supplier Inspection and Evaluation Management System</i> .
Shanghai Aviation Electric	For products provided by suppliers of comprehensive guarantee, the satisfaction of the environmental protection requirements of the country and the industry is determined as the primary condition.
AVIC Kaitian	It regards the occurrence of environmental protection issues as a red line for supplier control, and suppliers who violate this red line will be disqualified.
Zhengzhou Aircraft	According to Q/4DL447.1-2023 <i>Supplier Management Access and Selection</i> , the procurement business department is responsible for collecting the qualifications of suppliers, including their Quality System Certificates, Environmental System Certificates, Radiation Safety Permits, and Sewage Discharge License. Suppliers are required to provide relevant qualification documents and evidence of their capabilities. The Quality Management Department organizes the verification and on-site evaluation.



## IV. Industrial Support – The Power Engine to Triumph in The Sky

### 3. Supplier Training

The Group focuses on friendly communication and exchange with various groups in the supply chain. Each subsidiary conducts on-site inspections and training for suppliers, covering risk control, technical standards and specifications, etc. While effectively improving the quality of service provided by suppliers and ensuring the safety and stability of the supply chain, we also raise suppliers' awareness of environmental protection.

#### Case Nanjing Hangjian conducted on-site inspection and training for suppliers

In the fourth quarter of 2023, Nanjing Hangjian conducted an on-site inspection at a supplier company, carrying out checks and training on risks related to sustainable development, including environmental protection, safety, and labor rights. The training was structured around three key dimensions: environmental, social, and corporate governance, laying a solid foundation for the supplier to efficiently provide product services in the future.

#### Case Hafei Aviation delivered technical standards to suppliers and promoted their implementation

During the reporting period, Hafei Aviation organized the delivery of technical standards to suppliers and conducted relevant training sessions. Through training, on-site guidance, audit supervision, and effect evaluation, the company identified suppliers' risk issues, optimized the supervision and guidance programs for suppliers, and jointly conducted a series of specialized training sessions with relevant units to address specific weaknesses and improve suppliers' overall capabilities in a targeted manner. This effectively safeguarded the safety and stability of the supply chain.



Supplier training site



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### (I) RESPONSE TO CLIMATE CHANGE

The Group deeply implements the “Carbon Peaking and Carbon Neutrality” goals, adhering to the concepts of Green Aviation and Zero-carbon Aviation. We persist in taking innovation as the driving force and green development as the direction, actively adopting international management frameworks for addressing climate change, and proactively carrying out the identification, analysis, and response to climate risks. Through a series of initiatives such as energy conservation and emission reduction, green production and process innovation, and resource recycling, we strengthen climate change response and management, striving to achieve the unity of economic, social, and environmental benefits.

#### 1. Climate Risk Governance

The Group attaches great importance to the impact of climate change risks on business operations, considering climate change governance as a core component of our corporate strategy. We actively integrate response measures against climate change into our risk management system and daily operations. The Board of Directors, as the top decision-making body responsible for the ESG and climate governance of the Group, is tasked with developing and periodically reviewing the implementation of climate change-related matters. The Group management assists subsidiaries in actively identifying climate change risks, developing strategies, and promoting information disclosure efforts.

Drawing on the framework and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), our Group identifies and analyzes various types of risks related to our product business, implements response measures, reduces the impact of climate risks on the Group, and enhances the Group’s adaptability to climate change. By identifying climate change risks, the Group adopts prospective risk management mechanisms and normalized risk monitoring methods to promote the full implementation of climate change risk management across all departments and subsidiaries in the entire operational process. In addition, various subsidiaries of the Company actively respond to local policies, implement emergency management measures under different weather events, so as to strengthen their ability to respond to extreme climate conditions.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### Climate Change Risk Identification and Countermeasures

Risk type	Specific risk	Risk description	Risk response
Transformation risk	Policy and legal risks	<ul style="list-style-type: none"><li>As the PRC has put forward the “3060 Carbon Peaking and Carbon Neutrality” goals, namely achieving carbon emission peaking by 2030 and carbon neutrality by 2060, the relevant departments of PRC have issued administrative measures and action plans in succession, including the <i>Opinions on the Complete and Accurate Implementation of the New Development Concept and Carbon Peaking and Carbon Neutrality Work</i>, and the <i>Action Plan to Achieve Carbon Peaking by 2030</i>, which indicates that the PRC will further strengthen the dual control of energy consumption intensity and total amount and also may improve energy conservation monitoring and enforcement, while the Group’s high carbon-emissions and high energy-consuming equipment may be subject to restrictions.</li><li>The PRC is strengthening the management of the carbon market and has issued the <i>Trading Management Measures for Carbon Emissions Permits (Trial)</i>. According to the plan, eight key emission industries including petrochemicals, chemicals, building materials, steel, nonferrous metals, papermaking, electricity, and aviation will be successively included in the national carbon market. It means that if the Group is included in the carbon trading system in the future with carbon emissions failing to meet the target, it may need to pay additional costs.</li><li>On 29 June 2020, the Ministry of Ecology and Environment of the PRC issued the <i>Technical Guidelines for the Development of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather</i>, which imposes higher requirements on emission reduction measures and related indicators for enterprises. Subsidiaries with lower environmental performance ratings may face constraints such as production restrictions and production suspensions.</li></ul>	<ul style="list-style-type: none"><li>The Group formulates its own “Carbon Peaking and Carbon Neutrality” target and adjust the energy structure by developing clean production technologies, improving production processes and use green energy to gradually reduce carbon emission while continuously strengthening the awareness of environmental risks of management and staff, to mitigate compliance risks.</li><li>The Group will continue to pay attention to changes in carbon market policies, strengthen the construction of its own carbon emission data monitoring platform and data analysis work and make response plans for possible inclusion in carbon market transactions in the future.</li><li>The Group will require each subsidiary to formulate emission reduction plans and emission reduction management measures and to regularly check the effectiveness of the emission reduction in accordance with its Industrial structure characteristics and locations to meet the requirements of the <i>Technical Guidelines for the Development of Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather</i>.</li></ul>



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

Risk type	Specific risk	Risk description	Risk response
	Technology risk	<ul style="list-style-type: none"> <li>As the national 14th Five-Year Plan has clearly proposed to implement green manufacturing projects, strengthen the upgrading of key industries and improve the green manufacturing system, the lagging industrial chains that fail to carry out green industry upgrades will be confronted with the risk of obsolescence.</li> </ul>	<ul style="list-style-type: none"> <li>The Group increases the use of new energy and the input of development for clean energy power products, actively conducts relevant research in accordance with national policy requirements, and emphasizes the construction of R&amp;D platforms and the development of talents in technology and innovation in order to cope with technological risks.</li> <li>The Group proactively deploys strategic emerging industries and promotes the deep integration of emerging technologies such as 5G communications, data centers and new energy vehicles with green and low-carbon industries, realizing an intelligent, efficient and green development.</li> </ul>
	Reputation risk	<ul style="list-style-type: none"> <li>The industry to which the Group belongs is a high carbon emission industry and its carbon emissions become the focus of attention of various stakeholders. In the context of the global low carbon transition, any failure of contract performance or over-emission by the Group will not only relate to the sustainable growth of the Group, but also directly relate to its brand image and reputation in the market.</li> </ul>	<ul style="list-style-type: none"> <li>The Group strengthens energy use management by formulating energy management regulations and systems, closely monitors its own carbon emissions, follows national and industry laws and regulations related to carbon emissions and communicates with the stakeholders by multiple channels to cope with their needs.</li> </ul>
Physical risk	Acute risk	<ul style="list-style-type: none"> <li>The extreme weather such as typhoons, extreme rainfall and floods may affect the operation of production equipment which is vulnerable to the extreme weather and even endanger the lives of employees if the Group fails to cope with it.</li> </ul>	<ul style="list-style-type: none"> <li>The Group has formulated comprehensive and stringent emergency response plans for extreme weather to improve the resiliency in face of extreme weather events. At the same time, the Group continues to carry out daily emergency drills to improve the safety awareness and resiliency of all staff to minimize the negative impact on the Group's operation and personnel safety caused by the extreme weather.</li> </ul>
	Chronic risk	<ul style="list-style-type: none"> <li>Continued average temperature increases may lead to drought and water shortages, increasing water costs. High temperature will also affect the outdoor working environment of employees and pose a threat to employees' health.</li> </ul>	<ul style="list-style-type: none"> <li>The Group increases water recycling rate, carries out water-saving technology improvement of equipment and upholds the recycling rate of water resources so as to reduce water waste in production processes and office scenes.</li> </ul>



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### 2. Carbon Emission Management

In response to the national initiative for carbon peaking and neutrality, the Group is committed to achieving low-carbon transformation and sustainable development goals. We are deeply exploring methods to measure and reduce the absolute carbon emissions across all areas, and promoting collaborative development and low-carbon transformation of the industrial chain. The Company encourages its high-carbon emitting manufacturing subsidiaries to set practical carbon reduction targets based on their specific production and operation characteristics, and formulate detailed emission reduction strategies and plans to achieve eco-friendly production and operation.

#### GHG Emissions Targets of Some Subsidiaries

JONHON Optronics	To reduce GHG emissions by <b>15%</b> by 2025 compared to 2021
Shanghai Aviation Electric	To reduce GHG emissions by <b>18%</b> per RMB10,000 of industrial output value by 2025 compared to 2020
AVIC Kaitian	<ul style="list-style-type: none"><li>By 2025, to reduce carbon dioxide emissions by <b>18%</b> per RMB10,000 of industrial output value compared to 2020</li><li>By 2030, to reduce carbon dioxide emissions per RMB10,000 of industrial output value by more than <b>25%</b></li></ul>
AVIC Lanfei	To reduce GHG emissions by <b>10%</b> by 2025 compared to 2020
Keeven Instrument	To reduce GHG emissions to <b>18%</b> by 2023 compared to 2020
Changfeng Avionics	To reduce GHG emissions by <b>3.6%</b> by 2023 compared to 2022
Qing'an Company	To reduce carbon dioxide emissions by <b>18%</b> per RMB10,000 of industrial output value by 2025 compared to 2020
SAEC	Basing on 2020, to reduce GHG emissions (carbon dioxide emissions per RMB10,000 of industrial output value) by <b>18%</b> by 2025 compared to 2020
Sichuan Hydraulic	By 2025, to reduce carbon dioxide emissions per RMB10,000 of industrial output value by <b>18%</b> compared to 2020
GuiZhou FengLei	To reduce GHG emissions (carbon dioxide emissions per RMB10,000 of industrial output value) by <b>3.6%</b> by 2024 compared to 2023
Nanjing Hangjian	By 2025, to reduce carbon dioxide emissions per RMB10,000 of industrial output value by <b>10%</b> compared to 2020
Changhe Aircraft	To reduce GHG emissions by <b>18%</b> by tons of equivalent CO <sub>2</sub> emissions per RMB10,000 of industrial output value by 2025 compared to 2020



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### Case

#### Zhengzhou Aircraft implemented carbon reduction campaign and actively promoted the carbon neutrality goal

During the reporting period, following the Group's guidelines, Zhengzhou Aircraft formulated and implemented action plans for carbon reduction such as the *Implementation Plan for Promoting the Company's the Carbon Peaking and Carbon Neutrality Tasks and the 2023 Carbon Peaking Work Plan*, which clearly defined the objectives and key tasks in 2023, making key arrangements for the construction of green aviation industry system, the promotion of energy-saving renovation and improvement plans, and the improvement of the construction of the "three major systems". Zhengzhou Aircraft has achieved the objective of reducing GHG emissions by at least 3.6% per RMB10,000 of industrial output value by 2023 compared to 2022, which shows the company's determination and remarkable results on low-carbon actions.

In terms of specific measures, the company mainly reduces carbon emissions by taking measures in the production process and trading market:

- The upgrading and renovation of the heating system have been completed, by replacing traditional boilers with gas steam generator. The acceptance of the second phase of the project has also been completed, with two new 1-ton gas steam generators put into operation. While ensuring the steam supply for production, the natural gas consumption has decreased by more than half compared to the same period of the previous year, saving 440,000 cubic meters of natural gas annually and reducing carbon emissions by 950 tons;
- Actively participating in the green power market transactions in Henan Province, the company purchased 2 million kWh of green power throughout the year, reducing carbon emissions by 1,430.8 tons.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### 3. Green and Clean Production

Focusing on medium- and long-term development plan and in view of the requirements of green and low-carbon development, the Group is committed to guiding and promoting the implementation of cleaner production by subsidiaries, optimizing energy structure and improving production processes through the development and use of green technology, and reducing energy consumption and carbon emissions in the production process, to realize the green development of the industrial chain.

#### Case 1 AVIC Xinxiang Aviation Group built heat treatment production line of bottom-mounted and multi-purpose combined furnace to improve energy efficiency

In 2023, AVIC Xinxiang Aviation Group built a heat treatment production line with bottom-mounted and multi-purpose combined furnace to improve automation efficiency. The company's newly established quenching furnace, chamber furnace, roaster and other equipment to replace the original equipment, leading to the automation in seven working steps such as cleaning and quenching are automatic, where the effective heating area of the equipment and the furnace charging capacity are increased. Unified production scheduling increases the furnace closing rate, reduces the heating losses, and improves the equipment energy efficiency..

#### Case 2 Shaanxi Huayan actively applied a variety of cleaner production models to promote green production

Shaanxi Huayan gradually increased the proportion of the company low-carbon and clean energy through the active application of clean modes such as air source heat pump, water source heat pump, electricity storage heating, roof-top distributed photovoltaic power generation. The solar + air energy hot water system invested and constructed saved 96,400 cubic meters of natural gas annually, reduced energy consumption by 117.06 tons of standard coal and carbon dioxide emissions by 171.59 tons, and curtailed the company's cost by RMB603,200.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### 4. Ecological Environment and Biodiversity

The Group attaches great importance to the impact of production and business activities on the environment and strives to minimize the impact on the ecological environment. In view of all construction projects, the Group strictly complies with the relevant requirements to carry out environmental impact assessment, implements the three simultaneous systems of environmental assessment and construction projects, and complies with the project environmental impact assessment procedures in accordance with the law to prepare environmental impact reports and submit the same for approval, and finally implements in accordance with the approval of the territorial environmental management department.

During the design, construction and operation stages, the Group takes measures to mitigate the impact on land, air, water environment and biodiversity, such as implementing environmental governance measures for exhaust gas, dust, noise, wastewater. Prior to the commencement of the project, the Group consulted the territorial biological management department and fully adopted the regulatory advice of the department. During and after the completion of the project, the Group takes measures such as the construction of rain garden to restore soil to minimize the impact on biodiversity.

Aware of the high importance of biodiversity conservation and biological habitat restoration, the Group strictly monitors the full cycle of production and operation. For projects involving land development and utilization, the Group conducts soil environmental address exploration to determine whether it can be used for industrial land and avoids the development of soil with rich biodiversity. At the same time, each subsidiary takes the initiative to maintain and protect the ecological balance, in which Nanjing Hangjian responded to the call of Nanjing by organizing employees to screen the alien invasive specie called "Solidago Canadensis" in and around the factory to ensure ecological balance.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### (II) EFFICIENT ENVIRONMENTAL GOVERNANCE

#### 1. Environmental Management System

The Group complies with the *Environmental Protection Law of the People's Republic of China*, the *Regulations on Environmental Protection Management of Construction Projects of the People's Republic of China* and other relevant laws and regulations. In accordance with GB/T24001-2016 (*Environmental Management System-Requirements and Use Guidelines* issued by the State Council in 2017) and other relevant standards, and has established a multi-dimensional environmental management system covering production operations, project construction and routine office work.

Each subsidiary has established an effective environmental management system around the Group's management policy, such as the *Environmental and Occupational Health and Safety Management System Manual*, the *Environmental Factor Identification, Evaluation, Updating and Control Procedures*, the *Environmental Position Responsibilities and Authority Management Procedures*, which specify the environmental protection requirements in the operation and production activities of each unit of the company, as well as the daily environmental protection-related management methods and supervision processes. In addition, a number of subsidiaries have passed environmental management system certification standards such as GB/T24001-2016 and ISO 14001.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### Environmental Management System and Responsibility of Some Subsidiaries

Subsidiaries	Environmental Management System	Environmental Management Responsibilities
Shaanxi Huayan	The company formulated the <i>Environmental Protection Equipment and Facilities Management System</i> , the <i>Environmental Statistics Management System</i> , the <i>Environmental Pollution Dispute and Investigation System</i> , and the <i>Hazardous Waste Management Policy</i> .	The company has established an Environmental Protection and Management Committee (hereinafter referred to as "Environmental Committee"). The Environmental Committee has an office, which is located in the Technical Safety and Environmental Protection Room of the Quality and Safety Department. The company is equipped with 2 full-time environmental management staff and 26 part-time environmental management staff.
Fengyang Hydraulic	According to the actual situation of the company, the company formulated 15 environmental protection management systems, such as the <i>Environmental Protection Management System for Construction Project</i> , the <i>Environmental Protection Equipment and Facilities Management System</i> , the <i>Environmental Protection Management and Responsibility System</i> , to ensure that all kinds of pollutants and environmental risks in the production process are effectively controlled.	The company has established an Environmental Protection and Management Committee, with the chairman and general manager of the company as the directors, the deputy chief engineer in charge of environmental protection management as the deputy director, and the vice president in charge of other work and the relevant responsible persons of each unit as the members of the Environmental Protection and Management Committee, responsible for the formulation and supervision of the overall goal and direction of the company's environmental protection work.
Huiyang Company	The company formulated environmental management systems, such as the <i>Construction Project "Three Simultaneous" Management Procedures</i> , the <i>Environmental Responsibility Reward and Punishment Procedures</i> , the <i>Accident, Incident and Environmental Dispute Management Procedures</i> , the <i>Environmental Factor Identification, Evaluation, Updating and Control Procedures</i> , the <i>Pollutant Prevention and Control Procedures</i> , and the <i>Environmental Position, Responsibilities and Authority Management Procedures</i> .	The company has set up an environmental protection management department dominated by the Safety and Security Department, with a full-time environmental protection staff and 22 part-time energy-saving and environmental protection staff; and also set up an energy-saving and environmental protection leading group composed of senior and middle managers, under which energy-saving and environmental protection offices are established.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### 2. Environmental Risk Management

The Group actively addresses various environmental risks in the production and operation process as well as during the construction process. The subsidiaries continuously conduct environmental risk assessment, combining regular environmental inspections with irregular environmental spot checks, establish a list of pollution sources and pollution factors by comprehensively identifying pollution factors such as wastewater, exhaust gas, solid waste, noise and soil pollution sources, and conduct regular environmental data monitoring of pollution factors. At the same time, the subsidiaries have established a mechanism to investigate the hidden dangers of environmental risks, assess the hidden dangers of environmental risks identified, determine the level of hidden dangers, and actively take measures to prevent and control hidden dangers of environmental risks and to effectively curb the occurrence of environmental pollution incidents.

#### Environmental Risk Management Measures of Some Subsidiaries

Environmental Risk Monitoring 	Changfeng Avionics	The company strictly implemented the environmental monitoring work, installs the on-line wastewater monitor, outsources the wastewater quality monitoring once a quarter, and the exhaust gas monitoring, the environment radiation monitoring once a year. The company carried out the soil and groundwater monitoring in 2023. Through monitoring the discharge of waste gas and effluent, the indexes of soil and groundwater were not abnormal, and the discharge met the standard.
	Nanjing Hangjian	Regular environmental monitoring was conducted during the operation process, and annual monitoring was carried out on wastewater (COD, NH-N, TN, TP, etc.), exhaust gas (particulate matter, nitrogen oxides, sulfides, toluene, and etc.), and noise indicators. Environmental impact assessment reports and monitoring reports were also kept.
Environmental Hazards Inspections 	Shaanxi Huayan	The environmental factors in two regions were re-identified, and the investigation of environmental risks and hidden dangers monthly and in major holidays and key periods were carried out. A total of 480 safety and environmental risks were identified and rectified in a timely manner, with a rectification rate of 100%.
	Chuanxi Machinery	Environmental management staff went to the site from time to time (including daily inspection once a day, special inspection for 12 times in the whole year) to inspect key environmental protection points and facilities as well as important places. The company accepted inspection by the local ecological environment bureau at all levels for 6 times respectively, and no environmental pollution incidents and environmental pollution complaints were found in 2023, and no accidents happened that damage the natural environment and natural resources.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### 3. Environmental Risk Emergency Response Capacity Building and Environmental Protection Training

The Group focuses on the construction of ability to cope with environmental risk emergency and the promotion of environmental protection concepts. In 2023, each subsidiary organized emergency drills and training based on the emergency plan for environmental emergencies at company level, improving its ability to cope with environmental risks. The Company conducted corresponding evaluations of the drills conducted by the subsidiaries, and relevant units have revised their emergency plans or response plans based on the deficiencies identified during the drills. At the same time, the Group continues to strengthen the construction of its environmental protection team, implement environmental education, training, and publicity activities layer by layer according to the actual production and operation needs, promote the continuous deepening of green environmental protection concepts within the Group, continuously improve the awareness of all employees about environmental protection and green production related work, and enhance the construction of environmental protection quality.

#### Environmental Risk Emergency Plans and Drills of Some Subsidiaries

JONHON Optronic	The company-level response plans for environmental emergencies were formulated, and a total of 17 environmental emergency drills were conducted in 2023, involving various environmental emergency accidents such as oil spills, toxic substance leakage, X-ray leakage, and hazardous waste warehouse fires, covering all types of environmental emergency accidents in the company, with more than 300 participants.
Taiyuan Instrument	<i>The Response Plans for Environmental Emergencies of AVIC Taiyuan Aviation Instrument Co., Ltd.</i> was formulated, and the emergency rescue command center was established to identify, investigate, and rectify five major environmental risks of the company, including fire and explosion, electroplating liquid leakage, hazardous chemical leakage in the warehouse, sewage treatment station leakage, and hazardous waste temporary storage room leakage. In June and October, drills were conducted for environmental emergencies such as hazardous waste temporary storage room leaks and waste acid and alkali leaks. Improvements were made to the shortcomings in the drill process, emergency drill training was strengthened, and emergency supplies were supplemented and improved.
AVIC Xinxiang Aviation Group	The environmental risk identification work was carried out to identify environmental risks such as hazardous chemical leakage and excessive discharge of wastewater. The <i>Emergency Preparedness and Response Management Procedures</i> and the <i>Response Plans for Environmental Emergencies</i> were formulated. In June and December, relevant departments were organized to conduct emergency drills to ensure responsiveness.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight



Environmental protection knowledge training in JONHON Optronics

### (III) COMPLIANT EMISSION MANAGEMENT

The Group strictly complies with the *Environmental Protection Law of the People's Republic of China*, other laws and regulations and local emission standards, to require each subsidiary to develop relevant management systems and monitoring plans for wastewater, exhaust gas, solid waste, environmental noise, and soil environment based on their actual production and operation situations and continue to strengthen emission management from the aspects of "three wastes" (wastewater, exhaust gas, waste materials) management, pollution prevention and control construction, and environmental factor identification. In 2023, the Group achieved compliant emissions without any emission violations.

#### 1. Wastewater and Exhaust Gas Management

According to the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China* and the *Water Pollution Prevention and Control Law of the People's Republic of China*, the Group strictly manages the waste gas and wastewater pollutants generated in the production and operation process, entrusts qualified companies to monitor waste water and gas, and strengthens the overall management of the ledger of waste water and gas treatment facilities. Each subsidiary, according to the actual situation of their production and operation, has set corresponding emission reduction targets for wastewater and exhaust gas. At the same time, through the research and development of new materials and technologies, it has reduced wastewater and waste gas emissions.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### Wastewater and Exhaust Gas Emission Reduction Targets of Some Subsidiaries

Shaanxi Huayan	To reduce exhaust gas emissions by <b>400,000</b> cubic meters by 2023 compared to 2022
Shanghai Aviation Electric	To reduce exhaust gas emissions by <b>5%</b> by 2025 compared to 2020
Qing'an Company	To reduce total COD and NH-N emissions by <b>8%</b> respectively, total nitrogen oxides and volatile organic compounds emissions by <b>10%</b> respectively and key heavy metal pollution such as hexavalent chromium and cadmium emissions by <b>5%</b> by 2025 compared to 2020
GuiZhou FengLei	To reduce NH <sub>3</sub> -N and nitrogen oxides emissions by <b>1%</b> by 2023 compared to 2022
Zhengzhou Aircraft	To reduce NO <sub>x</sub> and VOC <sub>s</sub> emissions by <b>0.055</b> ton and <b>0.097</b> ton by 2024 compared to 2022 respectively
Sichuan Fanhua	To reduce nitrogen oxides emissions by <b>1%</b> by 2023 compared to 2022
Changhe Aircraft	To reduce nitrogen oxides emissions by <b>2%</b> by 2023 compared to 2022
Changhe Aviation	To reduce nitrogen oxides emissions by <b>2%</b> by 2023 compared to 2022
Xinghua Huayi	To reduce particulate matter emissions by <b>0.01</b> ton by 2025 compared to 2022
Qianshan Avionics	To reduce VOCs emissions by <b>0.5</b> ton by 2025 compared to 2022
Shanghai Aviation Electric	To reduce exhaust gas emissions by <b>5%</b> by 2025 compared to 2020



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### Case of wastewater treatment

#### Case 1 Taiyuan Instrument reclaimed water system improves the wastewater utilization rate

The company's sewage treatment station is equipped with a reclaimed water system and installed with reverse osmosis plant. After the recycled water reaches 40% concentration, it will undergo secondary treatment to ensure that the water quality meets the discharge standards before being discharged. The treated recycled water will be transported to the designated location in the electroplating workshop. In order to improve the efficiency of wastewater treatment, the wastewater treatment station continuously optimizes the electroplating wastewater treatment process and standardizes the operating procedures, thereby achieving the reclaimed usage of wastewater from electroplating. After strict treatment, the electroplating wastewater has qualified water quality and can be used as a substitute for tap water for pre-treatment and cleaning of electroplating production lines, supplementary water for electroplating waste gas purification towers, and reagent solution configuration in electroplating wastewater treatment station.

#### Case 2 Keeven Instrument takes multiple measures to strengthen wastewater treatment and utilization

The company replaced the sponge iron deaerator equipment in the heating system to improve the deaeration effect, reduce the number of water cycles and waste water volume, used microorganisms and MBR membranes to treat wastewater in the park, strengthened the construction of the sewage treatment system, and utilized the treated reclaimed water to irrigate the park's greenery, achieving the rational utilization of water resources.

### Case of exhaust gas treatment

#### Case 1 Zhengzhou Aircraft upgraded its exhaust emission treatment facilities to enhance the effectiveness of exhaust gas treatment

During the reporting period, the company upgraded and renovated its coating waste gas treatment facilities, and after the renovation, adopted a "concentration adsorption catalytic combustion purification device" to treat spray painting and drying waste gas. According to the monitoring report for the fourth quarter of 2023, the exhaust gases from paint mixing, painting, and drying in relevant factories have all achieved standard emissions, and the exhaust gas emission concentration has decreased compared to before the technical renovation.

#### Case 2 JONHON Optronic strengthened the renovation and informatization of waste gas management equipment

On the one hand, the company is intensifying the upgrading and application of exhaust gas treatment facilities. In 2023, a total of 7 sets of VOCs exhaust gas purification facilities were installed. By adding exhaust gas purification facilities, the unorganized exhaust gas within the factory area was collected and disposed of, greatly reducing the emission of unorganized exhaust gas and mitigating environmental pollution. At the same time, the company continued to improve its information management and control capabilities for exhaust gas treatment equipment, completing the transformation of monitoring the operation status and abnormal alarms of waste gas treatment facilities in the thermal meter branch, and realizing the full-process informatization of inspection, maintenance, operation, and failure of electroplating exhaust gas treatment facilities.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### 2. General and Hazardous Waste Management

The Group adheres to the reduction, resource utilization and harmlessness of waste disposal and requires its subsidiaries to develop relevant management systems such as the *Solid Waste Treatment Management Procedure* and the *Hazardous Waste Management Regulations*. For general solid waste, the Group insists on strengthening the inspection and supervision of general solid waste in the production process, requires its subsidiaries to develop reasonable reduction plans, cooperates with qualified third parties, improves the treatment efficiency of solid waste, deepens the exploration of innovative technologies and processes application, and commits to minimizing environmental impact and maximizing economic benefit. For hazardous waste, the Company requires each subsidiary to develop a hazardous waste management plan and move it to qualified disposal units for disposal in accordance with national laws and regulations, ensuring 100% legal and compliant disposal of hazardous waste, and encouraging workshops to reduce the generation of hazardous waste from the production source.

#### Hazardous and non-hazardous solid waste reduction targets of some subsidiaries

Shaanxi Huayan	To reduce hazardous waste emissions by <b>1</b> ton by 2023 compared to 2022.
Shanghai Aviation Electric	To reduce hazardous waste emissions by <b>1</b> ton by 2025 compared to 2020.
SAEC	To reduce hazardous waste generations by <b>5%</b> by 2023 compared to 2022.
Nanjing Hangjian	To reduce hazardous and non-hazardous solid waste emissions by <b>10%</b> per RMB10,000 of industrial output value by 2025 compared to 2020.
Xinghua Huayi	To reduce hazardous waste emissions by <b>0.1</b> ton by 2025 compared to 2022.
AVIC Forstar	To reduce hazardous waste emissions to less than <b>3</b> tons by 2025 compared to 2022.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### Waste Recycling Measures and Effectiveness of Some Subsidiaries

Name of Company	Type of Waste	Specific Measures
JONHON Optronic	General Industrial Solid Waste	The company built three new general industrial solid waste warehouses and established standardized management evaluation standards for solid waste to standardize the management requirements for solid waste collection, storage, register, transfer, and disposal. In 2023, a total of 4,406 tons of general industrial solid waste were recovered.
Huiyang Company	Hazardous Waste	The company developed hazardous waste management plans and signed hazardous waste disposal contracts with qualified units. Its security department has carried out full process management of hazardous waste, including registration and accounting, classification and storage, packaging and transportation, and form filling.
Changhe Aircraft	Hazardous Waste	The company further standardized the management of hazardous waste, and produced 34 labels for hazardous waste storage facility, 25 partition labels for hazardous waste storage, and 49 collection bucket labels for oil containing cloth in accordance with new requirements.

### 3. Construction of Pollution Prevention and Control Facilities

The Group attaches great importance to the construction of pollution prevention and control facilities. In response to the key links of pollutant emissions in the production process, the Group requires all subsidiaries to upgrade their equipment, eliminate outdated production capacity, reduce emission of pollutants, gradually transform into green and low-carbon producer, and improve the “three wastes” treatment facilities to further enhance pollutant treatment capacity and ensure emissions meet standards.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### Construction of Pollution Prevention and Control Facilities in Some Subsidiaries

Name of Company	Construction of Pollution Prevention and Control Facilities	Effect
JONHON Optronic	The company has laid up 15 sets of exhaust gas purification facilities, including 12 sets of VOCs exhaust gas treatment facilities, 1 set of electroplating exhaust gas treatment facilities, and 2 sets of dust particle purification and treatment facilities.	Reduction in the disordered exhaust gas emissions and environmental pollution
Shenyang Xinghua	The company used chemical reactions to eliminate the exhaust gas generated from electroplating equipment, invested more than RMB1.70 million to install additional purification and filtration devices to treat paint spraying exhaust gas, and installed adsorption devices for the exhaust gas produced by the ovens.	Up-to-standard discharge of exhaust gas
Harbin Aircraft	The company built 3 new gas boilers to renovate steam heating, and deactivated coal-fired boilers.	Decrease in boiler exhaust gas emissions by about 50% compared to 2021
AVIC Forstar	The company organized the installation of 107 sets of mobile welding fume collection equipment, 96 sets of oil fume purification facilities, and environmental protection equipment in the oil dipping room and the sanding machine room in the foam cutting room.	Effective reduction in air pollution and exhaust gas emissions
Hafei Aviation	The company replaced COD online automatic monitoring equipment in 2023.	Enhancement of the accuracy of COD monitoring data
Shaanxi Huayan	The company invested RMB49,500 to purchase advanced, safe and eco-friendly solvent recovery machines in 2023.	Effective reduction of the discharge of wastewater and sewage
Taiyuan Instrument	The company purchased advanced equipment and used a vacuum hydrocarbon cleaning machine to replace the original gasoline and alcohol cleaning.	Reduction in the production of waste alcohol and gasoline
GuiZhou FengLei	The company used eco-friendly hydrocarbon cleaning agents to replace gasoline cleaning.	Reduction in emissions of unorganized volatile organic compounds



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### (IV) USE OF GREEN RESOURCES

#### 1. Management and Use of Energy

The Group attaches importance to the upgrading of the energy structure and the promotion and application of clean energy, and requires its subsidiaries to carry out special rectification for energy saving and consumption reduction, comprehensively comply with the requirements of the “14th Five Year Plan”, actively promote the tasks of carbon neutrality and carbon peaking, strictly implement the requirements of national energy conservation and environmental protection, continuously improve the Group’s energy conservation and environmental protection rules and regulations, and actively promote the construction of the energy management system. During the reporting period, the energy consumption management of the Company and subsidiaries achieved fruitful results. For example, Shaanxi Huayan’s comprehensive energy consumption per RMB10,000 of output value in 2023 decreased by 6.3% compared with that in 2022. Taiyuan Instrument’s comprehensive energy consumption per RMB10,000 of output value in 2023 decreased by 3.5% compared with that in 2022.

#### Energy Management Measures of Some Subsidiaries

##### Construction of Energy Management Systems

- **Taiyuan Instrument:** The company actively promoted the construction of energy management system, completed the first supervision and audit of energy management system, and obtained the *Certificate of Energy Management System Certification* issued by Beijing Aviation Association Certification Center.
- **AVIC Kaitian:** The company strengthened the basic work of energy management, comprehensively sorted out the current situation of energy instrument measurement, supplemented and improved the equipment of energy measuring instruments, inspected, validated and verified 171 electric energy measuring instruments, supplemented and installed 15 electric energy measuring instruments. It achieved quantitative management and assessment of energy consumption for various scientific research and production units, and strengthened the responsibility of energy conservation and emission reduction work for grassroots units. The company also improved the classification and hierarchical control of key energy consuming equipment, and laid the foundation for the construction of an energy management system.
- **Hafei Aviation:** According to the overall deployment of energy management system construction, the company has completed the construction of the energy management system, conducted annual internal audit and management review under the system, and passed the first certification audit of the energy management system in September 2023.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

<p>Construction of Energy Management Platform</p>	<ul style="list-style-type: none"> <li>• <b>Taiyuan Instrument:</b> The company realized data collection, data storage, and data display through the energy management platform, and remote control of energy-saving equipment (actuators, controllers, etc.), automatically or manually, in the management center through on-site installation of energy-saving control equipment, so that real-time or historical energy consumption data and indicators as well as alarm data can be displayed in the form of data lists, distribution charts, curves, etc. The company also provided timely feedback on on-site information, analyzed energy consumption situations, enabled managers to understand the composition of energy consumption, and helped identify loopholes and irrational situations in energy usage.</li> <li>• <b>SAEC:</b> The company has built an information-based energy management platform integrating electricity, water and compressed air and an equipment utilization platform for controlling high-energy-consuming equipment, realizing informationized management of energy supply system. Through the energy management platform, monitor and alarm various types of energy consumption data in real-time, push real-time information, realize multi-dimensional comparative analysis of energy data, ensuring that the production time, downtime, peak, off-peak and normal periods of electricity consumption, unit consumption, indicators and other energy management and consumption process are under control.</li> </ul>
<p>Measures for Energy Saving and Consumption Reduction</p>	<ul style="list-style-type: none"> <li>• <b>Shanghai Aviation Electric:</b> The company invested RMB40,000 in the lighting renovation project within the factory, and replaced the lighting with LED energy-saving lamps which were estimated to reduce the annual electricity cost by about RMB9,000. The company also eliminated and updated 12 old energy-consuming equipment, which was estimated to save RMB30,000 in electricity costs throughout the year.</li> <li>• <b>AVIC Kaitian:</b> In 2023, the company renovated and replaced more than 800 LED energy-saving lightings, continuously eliminated outdated production capacity and high-energy-consuming processes and equipment, and phased out 5 outdated C616 machine tools as well as 154 sets of other mechanical and power equipment. Combined with the company's technological transformation, the company also cleaned and dismantled excess pipelines, used and maintained the cooling circulating water system and central air conditioning terminal in the entire plant, strengthened the operation and management of air conditioning (central air conditioning, split-type air conditioning), strictly implemented air conditioning temperature control standards, etc., and achieved certain energy-saving and emission reduction effects.</li> <li>• <b>GuiZhou FengLei:</b> The company's new park has currently introduced two variable frequency air compressors, which adjust the air volume and flow rate by changing the output power of the motors to achieve on-demand supply and avoid unnecessary energy waste. The company also promoted the use of clean energy and the green construction of production and operation areas through the construction of rooftop distributed photovoltaic generation projects.</li> </ul>



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### 2. Soil and Water Resources Management

In terms of soil resource management, the Company requires its subsidiaries to regularly monitor soil and groundwater, conduct inspections of hidden danger of soil, and adopt anti-leakage measures such as pallets for the production and storage of various chemicals and hazardous waste to prevent soil pollution accidents. In terms of water resource management, the Company attaches great importance to the continuous optimization of water resource structure, and requires its subsidiaries to maximize the use and recycling of water resources and reduce the waste of water resources through the innovation of water supply equipment and processes, the application of water-saving technologies, the construction of a comprehensive drainage system, and the optimization of water metering methods.

#### Water Resource Management Measures

Lanzhou Aviation Electric	The heat treatment equipment for original cooling water in the thermal meter treatment plant has no water circulation system, which adopts a direct discharge method to directly discharge the water into the sewage network, causing a large amount of water resource waste and a certain degree of environmental pollution. By adding a water circulation system, the cooling process greatly reduces the generation of wastewater, achieving a dual optimization in reducing water resource waste and improving environmental protection.
AVIC Lanfei	The company kept records of water extraction from pumping stations, regularly inspected water supply equipment and facilities to prevent leakage, overflow, and breakage and repair leaks in a timely manner. All metering equipment was replaced. The company's water pumps and the pumps of Beishan Forestry were replaced with variable frequency pumps. The company carried out micro-jet irrigation renovation for the watering method of green maintenance in the plant area, which achieved the effect of water saving and beautification of the plant area.
Keeven Instrument	The company replaced the sponge iron deaerator equipment in the heating system to improve the deaeration effect, reducing the number of water cycles and waste water volume, to curtail water consumption. The company uses microorganisms + MBR membranes to treat wastewater in the park, strengthening the construction of the sewage system, and uses the treated reclaimed water to irrigate the greenery in the park, achieving the rational utilization of water resources.
SAEC	The company's water metering system has undergone information-based transformation. 83 remote transmit water meters and 5 remote transmit circulating water meters have been installed in the entire water supply network system of the factory. Water metering data is connected to the energy management platform system, and the system automatically statistically analyzes the water consumption data, realizing the informatization of water consumption data management.
Nanjing Hangjian	The company's cooling system of the air starter performance test bench has been renovated by adding a cooling water tower device, replacing tap water cooling with circulating water cooling, which is expected to save 790 tons of water annually.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### 3. Packaging Materials Management

The Group mainly involves packaging materials including plastic, paper, metal and composite materials. In order to minimize environmental pollution, the Group requires its subsidiaries to strictly control product packaging and strive to avoid redundant packaging. When purchasing materials, it is advisable to choose items without packaging or with simple packaging to ensure that the purchased packaging materials meet environmental requirements and reduce unnecessary use of packaging materials. In addition, the Group also requires its subsidiaries to strengthen the recycling of packaging materials and increase the recycling rate, which further reduces the impact on the environment.

### 4. Green Office

The Group is committed to implementing the concept of green office at the staff level, advocating and encouraging its subsidiaries to carry out green office publicity and education, formulating and improving the green office management system, and accelerating the construction of energy conservation and emission reduction infrastructures, so as to further enhancing the green efficiency of various office scenarios and promote green development.



## V. Low-Carbon Operation – A Beautiful Environment for Free Flight

### Green Office Initiatives of Subsidiaries

Institutional  
Level

- **Shanghai Aviation Electric:** The company has formulated a series of management systems, such as the *Management System for Saving Electricity*, the *Management System for Saving Water*, the *Management System for Saving Gas*, and etc., in order to standardize and strengthen the green office mode of resource saving.

Energy  
Conservation  
Publicity

- **GuiZhou FengLei:** The company organized and carried out the company's Energy Conservation Publicity Week, the World Environment Day publicity work, and strengthened the employees' awareness of energy conservation and carbon reduction through online quizzes, posting energy conservation promotional posters, and distributing energy conservation brochures.



Energy  
Conservation  
Initiatives

- **Shaanxi Huayan:** The urban new energy online ride-hailing system has been fully implemented for office travel in Xi'an and Hanzhong parks, reducing cumulative carbon emissions by 1 ton and lowering office travel costs of the company.
- **Taiyuan Instrument:** The company uniformly replaced the original office fluorescent tubes with energy-saving tubes, and posted warm tips such as turn off the lights when leaving, and also made full use of electronic document, security management system and the OA system for online office, adopted online documents to reduce the consumption of paper.
- **AVIC Lanfei:** The company strengthened the maintenance of electric equipment, and also strengthened the maintenance of circuit to eliminate heating and electric leakage caused by poor wire joints, and ensure power supply safety. Through the transformation of units and office lighting, the light source was changed to a more energy-saving LED lamps. The company's daily consumption of water, electricity, and gas was recorded, so as to promptly identify the cause of any abnormalities.



## VI. Talent Management – Vigorous Brilliants

### (I) CREATING A FAIR AND HEALTHY WORKPLACE

Talent is an important cornerstone and core driving force for the sustainable development of an enterprise. The Group always abides by the bottom-line requirement of compliant employment, resolutely protect the legitimate rights and interests of employees, and commits to improving the remuneration and benefit system to create a fair and healthy workplace environment for employees. At the same time, the Group comprehensively promotes its talent development strategy, provides employees with all-round and multi-dimensional training opportunities, and ensures a smooth career path for employees, so as to enhance their sense of contentment, happiness and belonging. In addition, the Group has always adhered to the concept of “people-oriented approach”, and has continuously strengthened the management of work safety and the governance of risks and potential hazards, and has made full efforts to safeguard the occupational safety and health of its employees.

#### 1. Protection of Employees’ Rights and Interests

**Compliant employment and human rights protection** The Group strictly abides by the *Labor Law of the People’s Republic of China* (《中華人民共和國勞動法》), the *Labor Contract Law of the People’s Republic of China* (《中華人民共和國勞動合同法》), *Law of the People’s Republic of China on Protection of Minors* (《中華人民共和國未成年人保護法》) and other employment-related laws and regulations, adheres to the bottom line of compliant employment, adopts a zero-tolerance policy towards illegal acts such as the employment of child laborer or forced labor, and implements labor contract management in accordance with the laws and regulations. At the same time, the Group attaches importance to the protection of the rights and interests of labor dispatch staff and signs labor agreements with talent dispatch companies in accordance with the laws and regulations. Based on its own business needs and existing institutional situation, each subsidiary improved internal systems related to labor dispatch personnel. For example, subsidiary Keeven Instrument has formulated the *Management Measures for Corporate Labor Dispatch Personnel* (《公司勞務派遣人員管理辦法》), which clearly stipulates the organizational structure and responsibilities, recruitment procedures, remuneration and benefits, performance evaluation, and other contents of labor dispatch personnel, and helps to protect the rights and interests of labor dispatch personnel from a top-level design perspective. In 2023, the Group’s employment contract signing rate was 100%, and there were 0 case of major labor disputes.

**Fair recruitment and employment** The Group adheres to a fair and just employment policy, opposes all workplace discrimination based on gender, region, religious beliefs, cultural background and other factors, and resolutely resists any form of workplace harassment and bullying. Each subsidiary adheres to the employment philosophy of determining positions basing on capabilities of employees, and clarifies the recruitment requirements for various positions in accordance with its internal management systems such as the *Employee Recruitment Management Measures* (《員工招聘管理辦法》), *Apprenticeship and Internship Management Measures* (《見習期、實習期管理辦法》), and *Employee Recruitment and Position Management System* (《員工聘用及崗位管理制度》), completes the recruitment process through multiple channels such as campus recruitment, social recruitment, and internal recruitment, and standardizes the daily management and assessment of all types of employees.



## VI. Talent Management – Vigorous Brilliants

**Protection of basic rights and interests** The Group strictly abides by the *PRC Social Insurance Law* (《中華人民共和國社會保險法》), *Regulations on Paid Annual Leave for Employees* (《職工帶薪年休假條例》), the *Regulations of Insurance for Employment Injury* (《工傷保險條例》) and other laws and regulations, makes timely and full contribution to social insurance and housing fund, strictly implements the “eight-hour” working system, and makes payment or arranges rest for overtime working of employees. Employees enjoy various rights and interests such as paid leaves, maternity leave, and statutory holidays in accordance with laws. At the same time, in accordance with relevant national regulations, each subsidiary has negotiated and signed *Collective Contract* (《集體合同書》) with representatives of employees, which clarified the rights and obligations of both parties and effectively protected the rights and interests of laborers.

**Strengthen democratic management** The Company and each subsidiary implement the congress system of workers and staff, which could promote the orderly building of Labor Union. Congress of workers and staff and election of new Labor Union are regularly organized, on which opinions and suggestions of employees are properly heard, thus solidly promoted the people’s democracy in the whole process. At the same time, based on its own actual situation, each subsidiary has formulated internal systems such as *Regulations on the Management of Proposals of the Company’s Congress of Workers and Staff* (《公司職工代表大會提案工作管理規定》), *Implement Measures for the Company’s Collective Contract by Equal Consultation* (《公司平等協商集體合同實施辦法》), *System for the Disclosure of Factory Affairs* (《廠務公開制度》), *Measures for the Management of Rationalized Suggestions* (《合理化建議管理辦法》), disclosed information through channels and methods such as the open bar, OA network, Voice of the People Channel, Mailbox of the Chairman, properly handled and timely responded to the above opinions and suggestions, which effectively guaranteed that the employees have the rights to know, participation rights, expression rights and supervision rights of employees. In 2023, the Group’s average employee satisfaction rate was 94.05%.

### Case Zhengzhou Aircraft regularly conducts employee satisfaction surveys

Zhengzhou Aircraft carried out democratic evaluation work, conducting employee satisfaction evaluations from five aspects: overall evaluation of work, promotion of company development, fulfillment of rights protection responsibilities, serving employees, and strengthening self-construction. From the survey results, employees are relatively satisfied with the work of Labor Union.





## VI. Talent Management – Vigorous Brilliants

### 2. Employee Remuneration and Benefits

**Optimize remuneration management system.** The Group insists on building a mechanism linking value creation and total salary, and further standardized the management of remuneration for job grades and included it within the Group's remuneration management system. Each subsidiary has formulated relevant internal systems such as *Remuneration Management Measures* (《薪酬管理辦法》), *Total Wage Management* (《工資總額管理》) and *Employee Performance Management* (《員工績效管理》), based on their own actual situation, in accordance with the requirements of the group management. Such regulations make clear provisions on the remuneration structure, remuneration standards, remuneration issuance management and remuneration appeals, etc., refined the wage for seniority, subsidies and allowances, special prizes and salary treatment of special personnel, thus provided competitive remuneration for employees.

**Improve the remuneration incentive mechanism.** The Group is actively exploring a remuneration incentive regime that is more in line with the actual business development of the Company, and has implemented an all-employee points evaluation assessment. In 2023, all subsidiaries regularly conducted diversified performance evaluation for all employees, and performance pay was oriented towards emphasizing on results and contribution, so as to fully ensure the remuneration incentive. At the same time, some subsidiaries explored the establishment of diversified medium and long-term incentive mechanisms based on their own business operations. Hafei Aviation, a subsidiary of the Company, issued the *Interim Measures for the Administration of Medium and Long-term Incentives* (《中長期激勵管理暫行辦法》) during the reporting period to further strengthen the effect of remuneration incentives and initiated employees' enthusiasm. Taiyuan Instrument, a subsidiary of the Company, formulated the *Medium and Long-term Incentive Management Measures* (《中長期激勵管理辦法》), scientifically set the conditions for the implementation of the medium and long-term incentive programs and job bonus incentives, and clarified the management requirements related to the program management, implementation and supervision, etc., so as to further stimulate employees' enthusiasm, initiative and creativity, and to realize the endeavor contribution of core and key talents to the company's operation.

**Strengthen employee supplementary benefits.** On the basis of the implementation of the statutory benefits of basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund, the Company and each subsidiary formulated its own internal systems based on its actual situation, such as the *Procedures for the Administration of Employee Housing Allowances and Settlement Fees* (《員工住房補貼和安家費管理程序》), *Implementing Rules for Corporate Annuity* (《企業年金實施細則》), *Administrative Measures for Employee Recuperation* (《職工療休養管理辦法》), *Management Measures for Employee Joining Anniversaries* (《員工入職紀念日管理辦法》), *Management Measures for the Employee Retirement* (《員工光榮退休管理辦法》), and so on, to provide various kinds of supplemental benefits for our employees.



## VI. Talent Management – Vigorous Brilliants

- ✎ The subsidiaries carried out grass-roots employee condolence activities and distributing condolence payments or condolence goods, focused on major festivals such as Dragon Boat Festival, Mid-Autumn Festival, National Day, etc., and catering to important nodes such as employees’ birthdays, weddings, illnesses and hospitalizations, parents’ deaths, retirements, overtime work and other important occasions, and distributed birthday cake vouchers, condolences for retirement, and gifts for weddings and so on.
- ✎ In concern of the health condition of employees, the subsidiaries relied on their own business to apply for supplementary medical insurance for employees, participated in group accident insurance, and organized annual medical check-ups for employees. For example, Hafei Aviation added stomach checking and “two cancers screening” for female employees in to its health checkup.
- ✎ In addition, the subsidiaries attached great importance to the protection of employees’ needs for food, clothing, housing and transportation, and took measures including, but not limited to, promoting the renovation of single apartments, providing accommodation subsidies, transportation subsidies and winter heating subsidies, as well as upgrading the quality of the staff cafeteria. For example, AVIC Lanfei improved the environment of the staff restaurant, renovated single apartments and standardized and managed the allocation of welfare housing to effectively improve the production and living conditions of the staff; Sichuan Hydraulic organized and planned the “Warm Residence Project” to promote the renovation of single apartments and create a comfortable living environment for new employees Changhe Aviation opened a summer care class, involving 8 interest classes such as calligraphy and dance, in which more than 200 employees’ children participated, effectively alleviating the difficulty in children caring of employees in summer holiday.

## VI. Talent Management – Vigorous Brilliants

### Case Deepen employee care, organize and carry out sanatorium activities

Qing'an Company revised the *Management Measures for Employee Recuperation* (《職工療休養管理辦法》) to effectively care for model workers (advanced workers), advanced personnel and personnel working with occupational disease hazards. During the reporting period, the company organized more than 140 advanced workers to go to Lushan, Qingdao and Hanzhong sanatoriums in five batches to carry out sanatorium activities, 120 personnel with occupational disease hazards for short-term convalescence, and 14 model workers for participating in sanatoriums and training carried out by the higher-level labor union.



Qing'an Company employee sanatorium activity

### 3. Employee Care Communication

During the reporting period, the Company and each subsidiary, based on their own circumstances, organized various kinds of condolence visits, cared for front-line staffs and staffs in difficulties, and carried out the work of "sending coolness in summer and warmth in winter" on a regular basis, as well as strengthened the mutual assistance protection for employees, improved the support system, increased the efforts to help, maximized the efforts to help staffs in difficulties, and did its best to help the staffs to tide over the difficult times.



## VI. Talent Management – Vigorous Brilliants

### Case Care for grassroots employees, convey warmth and kindness

During the reporting period, Huiyang Company carried out the activity of “sending coolness in summer and warmth in winter” for seven times, provided financial support to grassroots staffs and delivered goods to relieve summer heat.



Huiyang Company's  
“sending coolness in summer” activity

### Case Improve the supporting mechanism, gather the staff's sincerity

Zhengzhou Aircraft set up a RMB1 million help aid fund, to carry out Major Disease Relief, Golden Autumn Scholarship, Double Festival Warmth activities, etc. In 2023, Zhengzhou Aircraft donated RMB226,600 to express condolences to 12 employees in difficulty, to help 52 people in the project of “Golden Autumn Scholarship”, which solved the difficulties of the employees to the greatest extent. At the same time, the company actively carried out employee mutual assistance protection program, construction and improvement of the large-scale assistance system, the number of employees insured reached over 2,000, which improved the staff's ability to cope with difficulties and risks.



Zhengzhou Aircraft Golden Autumn Scholarship activity



## VI. Talent Management – Vigorous Brilliants

With regard to the care of female employees, the Group strictly complies with the laws and regulations such as the *Law of the People's Republic of China on the Protection of Rights and Interests of Women* (《中華人民共和國婦女權益保障法》) and the *Special Provisions on Labor Protection for Female Workers* (《女職工勞動保護特別規定》), effectively safeguarding the rights and interests of female employees and supporting their employment. The subsidiaries diversify and organize special activities for female employees according to their own actual situation, and provide targeted project medical checkups and health insurance benefits to enrich the spiritual world of female employees and care for their health.

During the reporting period, the progress and effectiveness of the key work in caring for female employees of some subsidiaries are set out below:

Improvement of the employment system for female workers

- In 2023, Hafei Aviation revised the *Special Chapter on the Protection of the Rights and Interests of Female Workers* in accordance with the relevant laws, regulations and internal systems such as the *Regulations on Labor Protection of Female Workers in Heilongjiang Province* and the *Detailed Rules for the Implementation of Labor Protection of Female Workers*, to protect the five special rights and interests of female workers during menstruation, pregnancy, childbirth, lactation and menopause. At the same time, the *Measures for Commending and Rewarding 'Female Workers for Meritorious Service' Competition* was issued to set up models of outstanding female workers and support the employment and career development of female employees.



## VI. Talent Management – Vigorous Brilliants

Set up a nursing room for female workers

- Keeven Instrument promoted the improvement of maternal and infant supporting facilities and set up special nursing rooms for female workers with complete configuration and comfortable environment, which could effectively resolve the inconvenience of female workers breastfeeding in public places and safeguard the special rights of female workers.



Keeven Instrument lactation room for female workers

- AVIC Kaitian built a “love cabin” to provide a private, hygienic, safe and comfortable place for breast-feeding female workers to collect and store breast milk, to solve the difficulties of female workers in a specific period.



AVIC Kaitian “Love Cabin”

## VI. Talent Management – Vigorous Brilliants

Diversified organization of characteristic activities of female workers

- In 2023, Zhengzhou Aircraft implemented the internal *Special Collective Contract for the Protection of Female Workers' Special Rights and Interests* and the "1241" full-cycle career care system for employees, and implemented the concept of "providing indeed help to employees", carried out activities such as "send blessings and warmth on Mother's Day", organized special lectures on the protection of female workers' rights and interests, and carried out voluntary clinics in alliance with The Third Affiliated Hospital of Zhengzhou University. At the same time, the company provided sanitary products to all female workers, which enhanced female workers' sense of happiness and gain.



Commendation and Art Performance Activities on Women's Day of Zhengzhou Aircraft



Female Workers' Health Knowledge Lecture and Voluntary Clinic Activities of Zhengzhou Aircraft



## VI. Talent Management – Vigorous Brilliants

- AVIC Kaitian carried out activities such as flower arrangement and tea art in the theme of “charming women” for female workers to enhance their artistic accomplishment and promote communication among female workers.



Female Employees Tea Culture Knowledge Lecture of AVIC Kaitian on Women’s Day

Targeted physical examination and health insurance benefits for female workers

- In 2023, Changhe Aviation provided targeted physical examination for female workers, covering 1,370 people for comprehensive physical examination and 1,140 for the special physical examination of married women. At the same time, it provided women’s health insurance benefits, purchased happiness insurance for more than 1,600 female workers, handled compensation for gynecological cancer for one female worker, and offered condolences for 4 female workers for serious illness.
- AVIC Kaitian included HPV and TCT examination into the gynecological special physical examination of female workers in 2023, to improve the accuracy and sensitivity of screening for gynecological precancerous lesions and specific gynecological common virus infection, and play the role of early detection, early diagnosis and early treatment.



## VI. Talent Management – Vigorous Brilliants

In addition, the Group attaches great importance to the physical and mental health of its employees. While focusing on the development of their abilities, the Group also pays attention to the humanistic care of its employees. During the reporting period, on the one hand, based on the actual situation, the Company and each subsidiary improved the employee health service system, actively promoted the widespread coverage of supporting facilities such as “Caring Stations”, “Love Free Clinic”, and “Medical Kits”. At the same time, subsidiaries continued to pay attention to the mental health of employees, establish and improve psychological service platforms and systems, including but not limited to organizing psychological assessments for all employees, conducting periodic psychological health lectures, providing all-weather psychological counseling hotline services, and issuing happiness monthly magazines, to enhance the awareness and status of mental health among employees. On the other hand, based on the actual situation of scientific research and production, the Company and each subsidiary organized various cultural and sports activities in their spare time, such as employee fun sports meeting, book sharing activities, employee singing competition, offline parent-child carnival, photography, calligraphy and painting works evaluation, etc., encouraging employees to invest in the construction of the PRC’s aviation industry with a healthier physique, more enthusiastic, more optimistic attitude, and more enterprising spirit.

### Case

#### AVIC CAPDI was awarded the “Outstanding Organizational Unit for Employee Psychological Care Mentor Training”

In 2023, AVIC CAPDI continued to promote its employee care program and successfully complete the relocation of its “energy refueling station” by adding two treadmills, one reverse pedal machine, and two AEDs (automatic external defibrillators). The company held two offline psychological carnivals, gave lectures on first aid knowledge, and held four employee competency lectures on topics such as “Healthy Life with You and Me” and “Cardiopulmonary Resuscitation (CPR)+Automatic External Defibrillator (AED) First Aid Training”. In 2023, AVIC CAPDI was awarded the Outstanding Organizational Unit for Employee Psychological Care Mentor Training.

### Case

#### Keeven Instrument conducted the research of “happiness index” of employees

Keeven Instrument attached great importance to the humanistic care and psychological counseling of employees. In 2023, the company conducted the research of “happiness index” of employees relied on a professional psychological consulting company, with a total of 1,101 people participated in, and the employee coverage rate reached 87%. By analyzing the survey data, the company’s labor union conducts targeted activities on employees’ mental health. During the reporting period, Keeven Instrument carried out staff psychological stress lectures, “managing emotional stress, embracing happy life” female care training activities, etc., which were widely praised by the company’s employees.



## VI. Talent Management – Vigorous Brilliants



Riddle Activity on Lantern Festival organized by Zhengzhou Aircraft



The Get-together Performance of Taiyuan Instrument



Employees Outward-bound Activities of Huiyang Company



Sichuan Fanhua participated in the Group's micro marathon competition



The Basketball Match organized by Shaanxi Huayan



"A Journey to the Heart" Youth Social Activities organized by Lanzhou Aviation Electric



## VI. Talent Management – Vigorous Brilliants

### (II) THE TALENT DEVELOPMENT STRATEGY

#### 1. Employee Overview

The Group adheres to the concept of “people-oriented”, solidly promotes the talent development strategy, attaches importance to human resource development, pays attention to talent team construction, creates a “family culture” corporate culture, and creates a good situation of “one family, one heart, one goal working together”. As of the end of 2023, the Group has a total of 74,584 employees who have demonstrated their strengths in different business areas and are doing their best.

Key Indicators of Employee Situation	Type	Number (Person)	Proportion (%)
Number of Employees by Gender	Male employees	52,065	69.81
	Female employees	22,519	30.19
Number of Employees by Age	30 and below	21,308	28.57
	31-50	43,848	58.79
	51 and above	9,428	12.64
Number of Employees by Grade	Senior management	279	0.37
	Middle management	2,466	3.31
	General employees	71,839	96.32
Number of Employees by Region	Chinese Mainland employees	74,507	99.90
	Overseas and Hong Kong, Macau and Taiwan employees	77	0.10



## VI. Talent Management – Vigorous Brilliants

### 2. Employee Development and Training

The self-growth of employees is a good foundation for the Group's business development. The Group incorporates employee training into regular management and continuously strengthens the construction of talent team around the strategic development and human resources planning. In 2023, each subsidiary implemented the *Regulations on Staff Training Management*, formulated relevant internal documents based on the actual production and operation situation and was committed to the cultivation of talents and inheritance of corporate culture by improving the training course system, optimizing the management ladder training program, promoting the construction of training supporting resources, improving the training effectiveness evaluation mechanism, strengthening the assessment of the training management work and recognizing the vocational skill level.

Among them, Hafei Aviation launched a full cycle talent training program. The company built an overall training framework with the human resources department, training center, and business supervisory department as the main body, launched a systematic and phased talent training plan, and developed an internal system called *Management Measures for the Full Cycle of Employee Career*, dividing employee career into six stages, including career introduction period and onboarding adaptation period, targeting the three major talent teams of management, technology, and skills, classifies and refines the training objectives and measures for each stage, providing support for the establishment of a long-term talent training mechanism, and achieving common growth between the company and employees.

#### Case

#### Building a “three-level” responsibility matrix for education and training, and constructing a new era aviation industry education and training system

Tianjin Aviation focused on the management requirements of the Group, implemented internal systems such as the *Training Management Procedure*, and carried out employee training work in an orderly manner. The company clarified training principles and management responsibilities at the company-level, business departments, and employment departments to “meet the needs of the company's development, job positions, and employee growth”, and built a comprehensive three-level training management system. The company designed forward training demand collection templates, collected and organized eight major aspects such as strategic planning, key tasks, and unfinished projects as training references. The training content covered ten modules, and was continuously adjusted every year based on the needs of key tasks to provide intellectual support for the development of the enterprise to construct an education and training system that met the needs of the aviation industry development, company reform and innovation, and talent growth in the new era.



## VI. Talent Management – Vigorous Brilliants

### Case AVIC Kaitian certificate program for internal trainers

In 2023, AVIC Kaitian implemented the first phase of certificate program for internal trainers, with a total of 21 people obtaining the company's junior certified lecturer qualification, and developed 22 high-quality courses covering professional fields such as process technology, production management, quality management, and human resource management, effectively supporting the construction of qualification systems and the implementation of key projects such as IPD incremental performance management, and improving internal knowledge inheritance and replication capabilities.

The Group strives for full coverage of training content, multi-dimensional, flexible and diversified training forms. In 2023, each subsidiary ensured that the training resources kept up with the times and keep pace with the times based on their actual production and operation conditions, and the training content covered business skills, energy conservation and environmental protection, confidentiality education, quality improvement and other aspects; At the same time, these companies continued to innovate and enrich training forms, such as online learning platform, vocational skills competition training, on-the-job certification assessment, industry-academia-research joint training, qualification examination, etc., to enable employees to grow and become talented. In 2023, the total expenditure of the Group on employee training was RMB97,063,900.

### Case Construction of online learning platforms of AVIC CAPDI

In 2023, AVIC CAPDI built a learning design and operation platform that deeply integrated online and offline learning, fully utilizing the company's online learning platform, cloud learning, commercial network cloud platform, state-owned enterprise e-learning and other external platforms, further explores the effectiveness of online learning, actively promoted internal course development, enriched learning courseware resources and forms, met the diverse learning and growth needs of employees, and supported training effectiveness tracking and evaluation. During the reporting period, the company's online learning platform added or updates 9 special training courses, uploaded 90 internal courses, and had a 100% participation rate in internal course learning, with a total of 28,804.9 hours of training. At the same time, AVIC CAPDI allied with technology development center, and continued to carry out BIM technology capability training and certification. As of the end of the reporting period, a total of 436 personnel from the company's headquarters obtained the basic certification qualification for BIM technology capabilities, accounting for 40.6% of the total number of technical personnel (1,074 personnel).



## VI. Talent Management – Vigorous Brilliants

### Case The vocational skill competition of AVIC Lanfei

In 2023, AVIC Lanfei held a provincial-level skills competition for large enterprises, with 55 employees from the company's CNC lathe workers, CNC milling workers, and electricians participating. 2 employees won provincial-level honors, and 5 were promoted one technical level. Carrying out the collection, evaluation, and reporting of employee technical achievements, a total of 69 technical achievements were collected, and 2 were recommended to participate in provincial evaluations. One of them was awarded Gansu Province Employee Technological Progress Second Prize. Each production unit organized "the Cup of Safety and Health" (安康杯) knowledge competition, with over 700 employees participating.



The Vocational Skill Competition of AVIC Lanfei



VI. Talent Management – Vigorous Brilliants

**Case** The Professional Skills Competition of Nanjing Hangjian

In December 2023, Nanjing Hangjian organized the 7th Employee Skills Competition, which set up 25 projects, including 11 basic project skills, 12 professional product skills, 1 team skills project, and 1 specific project. A total of 385 participants participated in the competition. The company took the skill competition as an opportunity to strengthen the training of skilled talents.



The Professional Skills Competition organized by Nanjing Hangjian



## VI. Talent Management – Vigorous Brilliants

### Snapshots of employee training activities



The financial concept training of scientific and technological production system of AVIC Precision Machinery Technology



The training course "6 Sigma" system methods of Taiyuan Instrument



The special salon activity for enhancing innovation ability of technical backbones of JONHON Optronics



VI. Talent Management – Vigorous Brilliants



The induction training for new employees of Sichuan Fanhua



The special training on organization and management of production of Zhengzhou Aircraft



## VI. Talent Management – Vigorous Brilliants

### 3. Strategic Planning in Allocation of Human Resources

The Group is well aware that talent is the key to enterprise development, attaches great importance to human resource management, introduces talents through social recruitment, campus recruitment, and independent training, standardizes the promotion of management personnel, and continuously strengthens the construction of talent echelons. In 2023, each subsidiary actively explored models such as industry university research joint training, “Dissemination, Assisting and Mentoring”, and established innovation studios according to the talent development strategy and situation of their business, continued to expand internal promotion channels, built a talent reservoir, and created a good situation where leading talents emerged endlessly and young innovative talents continued to flow.

During the reporting period, the talent team construction measures and achievements carried out by the Group are as follows:

#### The Company

- The internal selection and recommendation mechanism. The Company adheres to the selection of management employees who are willing to take responsibility, have the courage to take on responsibilities, are good at acting, and have outstanding performance. In 2023, the Company promoted intermediate management through the selection process.
- The “business collaboration” and employee communication platform. The Company implemented business collaboration work groups to strengthen the transformation and application of research results in various groups. In 2023, the Company conducted special surveys, large-scale special exchange activities, and various exchange and learning activities. The Company continuously improved the professional level of the talent team through learning and exchange.



## VI. Talent Management – Vigorous Brilliants

### Tianjin Aviation

- The star of craftsman selection mechanism. Tianjin Aviation carried out quarterly and annual selection of Star of craftsman. During the reporting period, a total of 14 corresponding learning sessions were conducted, and 31 Star of craftsman were commended to motivate all employees to fulfill the mission of serving the country through aviation.
- Joint training of industry, university and research. Tianjin Aviation cooperated with Tianjin University to develop a joint training plan for internal employees, including 2 engineering doctors and 36 master's degrees of the same degree, effectively expanding the path of further study; The company also promoted the construction of the company's postdoctoral research workstation, actively connected with the Human Resources and Social Security Bureau of the Free Trade Zone and Tianjin University, completed the approval process of the company's first postdoctoral personnel, and carried out joint training work with the postdoctoral research mobile station of Tianjin University.
- The association of talents with professional skills. Tianjin Aviation established Tianjin Electric Technician Association to fully leverage the role of the highly-skilled talents of Tianjin Electric Technician Association in skill research, technological renovation and transformation, technical inheritance and the cultivation of talents.



## VI. Talent Management – Vigorous Brilliants

Keeven Instrument

- Empowered team building. In 2023, Keeven Instrument strengthened the quality and ability of the Company’s management and young backbone, carried out empowering organizational execution rotation training, continuously improved organizational execution, and promoted team collaboration ability.



The empowering organizational execution rotation training of Keeven Instrument

- “Dissemination, Assisting and Mentoring” mechanism. Keeven Instrument made full use of the role of the company’s expert team to do a great “Dissemination, Assisting and Mentoring” work, applied the model of senior employees teaching new employees who in return spark changes in senior employees, and stimulated the enthusiasm and creativity of young grassroots cadres.



“Dissemination, Assisting and Mentoring” mechanism of Keeven Instrument

## VI. Talent Management – Vigorous Brilliants

## Zhengzhou Aircraft

- Established staff innovation studios. Zhengzhou Aircraft held 2023 Innovation Studios Promotion Meeting and successively created 8 innovation studios listed by the Provincial Defense and Post & Telecommunication Trade Union, including 3 Model Innovation Studio by Zhengzhou City, 1 Model Innovation Studio by Henan Province, 1 Labor Model Studios by AVIC, 1 Labor Model Studios by group and company-level and the PRC, organized lectures by labor models to promote the spirit of craftsmanship in a great nation and provide talent support for building a new era aviation power.



The promotion meeting of Innovation Studios of Zhengzhou Aircraft



The lecture of model workers and craftsmen of Zhengzhou Aircraft



## VI. Talent Management – Vigorous Brilliants

### AVIC Kaitian

- **Built a project breakthrough platform.** AVIC Kaitian established a project responsibility mechanism, carried out the “selecting the best candidates via open competition mechanism” action, issued 16 lists and motivated young technical backbones with innovative potential to take the initiative to become responsible for new models, new projects, and new tasks to grow their talents and achieve success in their careers through practical work in advance research, process innovation, and key technology breakthroughs.
- **Provided a platform for educational advancement.** AVIC Kaitian launched the “Favorite Program” for the training of young backbone talents, expanding their innovative perspectives and enhancing their professional abilities. In 2023, a total of 40 people were sent to study for master’s and doctoral degrees in key universities, including 23 young technical backbones and above experts, as well as technical middle cadres, accounting for 57.5%. 7 people were jointly trained for engineering master’s/doctoral degrees, and 1 person was sent abroad for training and learning.



## VI. Talent Management – Vigorous Brilliants

### (III) GUARD HEALTH AND SAFETY

#### 1. Production Safety

The Group strictly abides with national laws and regulations of the *Safety Production Law of the People's Republic of China* and *Fire Control Law of the People's Republic of China*, with safety production responsibility system strengthened, the concept of safe development implemented, the safety production investment expanded, the safety education training emphasized, and insists on the creation of a safe, healthy and positive production and work environment.

- **Construction of Safety Production Management System**

In 2023, the Company and each subsidiary revised and improved the rules and regulations related to occupational health and safety based on the actual conditions of their respective production and business operation, fully consolidated the prime responsibility of safety production, organized regular safety production meetings and implemented work safety in a timely manner, so that the safety production management system operated in a standardized and efficient manner.

- (1) **Development of safety production responsibility system.** AVIC CAPDI newly revised its internal policies such as the *All-Employee Safety Production Responsibility System* and *Notice on Adjusting the Division of Work Safety of Company Leaders in the "Area Manager System"* and following the unification of "responsibility, rights and interests" and the principle "top-to-bottom and left-to-right", formed a safety production responsibility system covering leaders at all levels, organizations, and employees in various positions. AVIC Kaitian revised and issued the *Post Safety Production Responsibility List*, formulating a total of 411 post safety production responsibility lists and 28 *Responsibility Letters for Production Safety, Environmental Protection, Occupational Health, Security, and Fire Management* for 2023 jointly signed by the company's chairman and general manager together with the leaders of various departments, on the basis of which every employee, including the deputy general manager, signed a *Position Safety Production Responsibility Letter* with his or her supervisor.
- (2) **Standardized project and personnel management.** AVIC CAPDI added the *Safety Production Management Measures for Project Stakeholders* to standardize the safety production management of construction general contracting projects, engineering general contracting project, etc.. AVIC Lanfei revised the *Safety Management Regulations for Special Operations Staff of Lanfei Company* to strengthen the safety management of special operations staff and the safety awareness of special operations staff, preventing production safety accidents. Hafei Aviation added new internal documents such as the *Safety Management System for Production Scientific Research Planning* and *Safety Management System for Offsite Field Operation* to refine and clarify the production safety requirements in each business area.



## VI. Talent Management – Vigorous Brilliants

- (3) **Additional special assessment on production safety.** Keeven Instrument newly added internal management policies such as the *Special Assessment Methods for Rewards and Punishments for Production Safety/Energy Saving and Environmental Protection* and *Interim Management Regulations on Strictly Controlling “Three Violations”*, formulating assessment principles, listing a list of typical “three violations”, and clarifying the relationship between rewards and punishments mechanism.
  - (4) **Promotion of safety production investment guarantee construction.** Huiyang Company newly revised the internal system of *Management Procedures for the Extraction and Use of Production Safety Expenses* to ensure that the enterprise’s production safety expenses were raised according to regulations, spent based on evidence, managed well and monitored effectively; AVIC Precision Machinery Technology formulated the *Implementation Rules for Safety Production Expenses Management*, clarifying the management requirements for the extraction, approval, use, supervision, and expense collection of production safety expenses and the responsibilities of relevant departments. In accordance with the internal management system of the *Safety Insurance Mechanisms*, Fengyang Hydraulic ensured that office and production workplace safety equipment and facilities renovation, emergency rescue equipment, ergonomic office facilities were put in place, and formulated standardized plans for the testing and inspection of occupational hazards and the usage of occupational health physical examination fees.
- **Promotion of the Construction of Standard System Certifications**

The Company and its subsidiaries continued to promote the construction of standard system certifications to reduce production risks and improved management efficiency and effectiveness. Changhe Aviation issued the *Implementation Plan for the Reevaluation and Compliance of the Standardization of Safe Production System First-Class Units*, conducted training on the standardization of safe production system and dual system standards, promoted self-inspection and self-correction, and internal audit work and passed the pre-evaluation and environmental/occupational health and safety management system audit of the standardization of safe production system first-class units. Huiyang Company established internal systems including the *Environmental and Occupational Health Management System Management Review and Control Procedure* and passed the supervision and audit of relevant departments and maintains the ISO 45001 Occupational Health and Safety Management System Certificate in 2023.

## VI. Talent Management – Vigorous Brilliants

## Case Continuously strengthened the standardization of safe production

During the reporting period, the Company and each subsidiary continued to promote the standardization of safe production, actively carried out standard system certification and audit work, and effectively improved the intrinsic safety level of the enterprise. In July 2023, the subsidiary Fengyang Hydraulic passed the supervision and audit of the Guizhou Center for Evaluation of China Quality Certification Center (CQC) and obtained the GB/T 45001-2020/ISO 45001:2018 “Occupational Health and Safety Management System Certification Certificate”



The Occupational Health and Safety Management System Certification Certificate of Fengyang Hydraulic

- *Improvement of the Rules of Safety Operation*

The Company and each subsidiary revised and improved the rules of safety operation to enhance the professionalism and standardization of safety management. GuiZhou FengLei comprehensively sorted out safety technology operations and released them for implementation in conjunction with the overall relocation of the new area and revised and improved a total of 165 rules of safety operation throughout the year, including the development of safety technology operating procedures for new equipment and processes, such as cleaning agent safety technology operating procedures; AVIC Precision Machinery Technology revised the *Safety Operation Procedures Management System* to establish clear management requirements for the preparation, review, publication and implementation, revision, and numbering of safety operation regulations for all equipment and operations on the production site.

- *Production Safety Education and Training*

In 2023, the Company and each subsidiary regularly organized special safety production training and special operation certification training for all employees in accordance with the actual internal situation. By irregularly carrying out diversified activities, including “Safe Production Month”, “11.9 Fire Control Publicity”, “Promotion Week of the Prevention and Treatment of Occupational Disease” and safety knowledge quizzes, the Group continuously improved the safety literacy and skills of all employees and created a strong safety production atmosphere.



## VI. Talent Management – Vigorous Brilliants

### Case AVIC Lanfei conducted safety education and training

During the reporting period, its subsidiary, AVIC Lanfei, carried out various safety education and training for 18 times, with a total of 1,151 people trained. The company organized the training of the main person in charge and full-time security management personnel, and all 6 relevant personnel passed the training, and the certification rate was 100%; In addition, the company carried out “three-level” safety education and training for new employees, and a total of 27 new members participate in the training, also organized 1,000 employees to participate in online safety education and training, and 690 of them passed the training exam, then organized online health education and training for 237 people, training for special equipment operators for 14 people, and training for toxic and harmful operators and managers for 93 people.



The Fire Safety Training of AVIC Lanfei



The Production Safety Training of AVIC Lanfei



## VI. Talent Management – Vigorous Brilliants

### Case JONHON Optronic held first-aid special training

In 2023, JONHON Optronic entered into *Emergency Rescue Mutual Assistance Agreement* with the Aviation Industry Optronic, invited medical experts to conduct first-aid special training to help employees master basic first aid skills, such as cardiopulmonary resuscitation and hemostasis, to buy time for rescue and reduce accident losses.



The First-aid Special Training Site of JONHON Optronic



## VI. Talent Management – Vigorous Brilliants

### Case Changfeng Avionics organized safety publicity activities

In 2023, the subsidiary Changfeng Avionics actively organized a series of safety publicity activities, including but not limited to the “Three-Year Action for Special Rectification of Work Safety” review, safety consultation day, safety month knowledge publicity, and “give a good safety lesson” lecture, focused on learning the decision-making and directive spirit of higher authorities on safety production, safety production policies, laws and regulations, and key work requirements of the group, and effectively enhanced the safety awareness and ability of company employees.



The Safety Month Knowledge Publicity Activities of Changfeng Avionics



The Safety Consultation Day of Changfeng Avionics

## VI. Talent Management – Vigorous Brilliants

### Case

#### Fengyang Hydraulic carried safety publicity activities

In October 2023, the subsidiary Fengyang Hydraulic, prepared and released the *Employee EHS Culture Manual*, which is a handbook for every employee, strengthened the safety knowledge promotion and created a safety culture where “everyone understands safety”.



The Employee EHS Culture Manual of Fengyang Hydraulic



Fengyang Hydraulic delivering the safety culture manual

## 2. Safety Risk Management and Control

- *Hidden Danger Investigation and Risk Management*

The Company and its subsidiaries continuously carried out hidden danger investigation and risk management by formulating internal systems such as the *Measures for the Management of Construction Safety Risk Classification and Control* (《施工安全風險分級管控管理辦法》), *Measures for the Identification and Risk Evaluation of Dangerous Sources* (《危險源辨識和風險評價辦法》) and *Measures for the Investigation and Management of Hidden Dangers in Production Safety Accidents* (《生產安全事故隱患排查治理辦法》), to specify the frequency, scope, methodology and requirements for the investigation of hidden dangers, and at the same time, to establish and improve the system of responsibility for the investigation of hidden dangers and ensure that there is a person in charge of each and every aspect of the process. On this basis, the Company and its subsidiaries conduct risk assessment of identified hidden safety dangers, determine the risk level and formulate corresponding rectification measures. At the same time, the Company and its subsidiaries have established a risk warning mechanism to provide advance warning of potential safety issues and ensure timely response to ensure the safety and reliability of the production process.



## VI. Talent Management – Vigorous Brilliants

- *Safety Supervision and Inspection and Potential Risk Prevention*

In 2023, the Company and its subsidiaries, taking into account their own operating conditions and business characteristics, solidly carried out various types of comprehensive production safety inspections and special inspections, intensified safety supervision and inspection, implemented hidden danger investigation and remediation work in respect of major risk areas, strengthened the prevention and control of risks sources and the control of processes, and constructed an intrinsically production-safety-oriented enterprise.

During the reporting period, some of the subsidiaries' highlight initiatives and results of safety investigation and hidden danger remediation are set out below:

Keeven Instrument

- Comprehensively sorted out the distribution of safety risks and risk levels, combined with the distribution of risks and the judgments of risk levels, drafted planar risk maps of the plant and the distribution of key floor risk grading maps, hanging in a conspicuous place at the work site.

AVIC Lanfei

- According to the internal system of the newly revised *Safety Management System of Related Parties* (《相關方安全管理制度》) of the Company, the related parties' ledger was established and the hierarchical classification management is implemented. The company strictly examined the safety qualifications of related parties when introducing them, signed production safety agreements when signing contracts, strictly examines the qualifications of related personnel when they entered the plant, and carried out supervision and inspection on a regular basis. 13 supervision and inspections of related parties were carried out in the whole year of 2023, and all the problems found by the inspectors have been completely rectified.



AVIC Lanfei Safety Investigation

## VI. Talent Management – Vigorous Brilliants

### Changhe Aviation

- The company promoted the action of special investigation and rectification of major hidden danger in 2023, covering 11 aspects such as hazardous chemicals, gas, dangerous operations, three violations management, effectively implemented the responsibility for rectification and measures for 12 general hidden dangers. The company also conducted 64 comprehensive inspections of production safety for the year with more than 600 persons were inspected, utilized video surveillance spot checks and on-site inspections to strictly control on 45 violations, and supervised the rectification of more than 600 hidden dangers.
- The company has established a “dual prevention” mechanism of risk classification and control and hidden danger investigation and management, relying on the production safety information system to realize the dynamic control of the data of more than 16,000 equipment and facilities, the risk classification of equipment and facilities, and the online query of standards and norms, so as to independently carry out the risk investigation and hidden danger management by means of an information-based process drive.

### Shaanxi Huayan

- Throughout the year 2023, the company carried out 17 hidden danger investigations, including special inspections on hazardous chemicals, hazardous waste, gas, and housing safety, and supervised the rectification of 480 hidden dangers, and investigated and dealt with 10 people for “three violations”.



Shaanxi Huayan Safety Production  
Inspection Site



## VI. Talent Management – Vigorous Brilliants

- *Production Processes and Workplaces Improvement*

During the reporting period, the Company and each subsidiary insisted on preventing and controlling safety risks at source, fundamentally eliminating potential accidents, and safeguarded the life, health and safety of employees in all aspects by taking various measures such as improving the workplaces and ancillary facilities, upgrading the production line processes and automation levels.

### Upgrading of Workplaces

- In 2023, Zhengzhou Aircraft upgraded and renovated coating workshop of heat meter plant and electroplating workshop by installing new air extraction and air intake devices and two sets of acid mist purification towers. According to the occupational health monitoring report, the concentration of toxic and harmful gases in the working area was significantly reduced, and the employees' working environment was improved.
- During the reporting period, AVIC Precision Machinery Technology set up a soundproof room for the slide rail stamping line, with a total investment of RMB450,000, which significantly reduced the health impact of press noise on the operators.
- Shaanxi Huayan added 4 sets of outdoor hazardous chemical storage cabinets, with a total investment of RMB660,000, effectively solving the problem of the impact of waste gas from hazardous chemical storage areas on the health of site operators.

### Early Warning and Emergency Facilities

- In order to strengthen the monitoring and management of highly toxic, flammable and explosive areas, AVCI Lanfei installed toxic and combustible gas overconcentration monitoring and alarm systems in highly toxic warehouse, chemicals warehouse, oil warehouse, temporary storeroom of chemicals and other places in May 2023, and the alarm signal can be transmitted to the 24-hour duty room. At the same time, AVCI Lanfei replaced the ammonia cylinder storage cabinet, installed monitoring alarm and spraying system, and implemented the relevant emergency facilities.
- During the reporting period, Sichuan Hydraulic completed the reconstruction project of combustible gas alarm system, carried out the construction of AI "three violations" intelligent identification system, and improved the effectiveness of monitoring measures for flammable and explosive places and "three violations" behaviors.



## VI. Talent Management – Vigorous Brilliants

### Automation Construction of Production Line

- In 2023, Hafei Aviation established an automatic painting production line to replace the traditional manual spraying construction method, and cooperated to use the AGV transfer system to achieving blade painting from receipt to delivery of the whole-process automation, effectively reducing the operator's contact with the solvent in the spraying environment, and the risk of occupational diseases to the operator caused by the spraying environment.

### Improvement of Production Process

- Hafei Aviation actively carried out trichloroethylene de-oiling substitution work, and after full investigation, selected non-toxic PRIME202 n-alkanes hydrocarbon solvent, using 4-trough fully automatic closed cleaning dryer to remove oil from metal parts. The new process equipment has a whole-process visual observation window, and the solvent can be recycled by distillation in the closed equipment, which can not only reduce the production cost, but also thoroughly eliminate the occupational hazards and fundamentally eliminate the hidden danger of safety.

- *Emergency Drills and Team Construction*

The Company strictly complies with the requirements of national standards such as *Measures for the Administration of Contingency Plans for Work Safety Incidents* (《生產安全事故應急預案管理辦法》), and requires all subsidiaries to formulate comprehensive plans and special plans in accordance with their own business characteristics, to effectively deal with all kinds of extreme weather, fire safety, production and safety accidents and other emergencies. At the same time, the subsidiaries organized emergency drills regularly, using various forms such as on-site combat exercises, table-top emergency drills and competitions, including but not limited to fire fighting and evacuation, flood control at sewage treatment stations, leakage of hazardous materials, resumption, the control of public opinion and other drills to ensure that emergency supplies, equipment and personnel are in place, and to improve the ability of employees to deal with emergencies.



## VI. Talent Management – Vigorous Brilliants

### Snapshots of emergency drills



Fire Accident Emergency Evacuation Drill of AVIC Lanfei



Emergency Drill of Production and Safety for All Staff of Nanjing Hangjian

## VI. Talent Management – Vigorous Brilliants



Sichuan Hydraulic "Multi-scene Fusion" Comprehensive Emergency Plan Drill



Taiyuan Instrument Hazardous Chemical Special Emergency Drill

### 3. Occupational Health Protection

The Company strictly abides by laws, regulations, and work requirements, including the *Code of Occupational Disease Prevention of People's Republic of China* and the *National Plan for the Prevention and Control of Occupational Diseases (2021-2025)*. The Company has formulated rules and regulations, including the *Occupational Health Management System* and the *Interim Measures for the Management of Occupational Disease Hazard Post Allowance*. Each subsidiary, based on the Company's management requirements, has established personnel management files for occupational hazard posts, organizes occupational health checks, strictly enforces the warning and notification system for occupational hazard areas, and provides corresponding labor protection equipment for workers engaged in different types of operations to safeguard their occupational health rights and interests.



## VI. Talent Management – Vigorous Brilliants

During the reporting period, the Company and each subsidiary commissioned qualified institutions to conduct testing on various occupational hazard sites, including toxic substances, noise, dust, high temperature, ultraviolet radiation, and power frequency electric fields. Based on professional reports, targeted measures were implemented. For example, in establishing an early warning mechanism for occupational noise-induced deafness, Changhe Aviation developed the *Occupational Noise-Induced Deafness Early Warning Management Plan* in accordance with the Company's relevant requirements. It established a hearing database for personnel exposed to noise, organized physical examinations for all 928 personnel with noise-induced hearing loss, implemented a three-level early warning and categorized management system, tracked and implemented health monitoring and management measures, achieving early detection and prevention for personnel exposed to noise.

Meanwhile, based on continuously improving the occupational health management system, the Group constantly strengthened occupational health education and promotion, leading a positive and healthy lifestyle. The Group helped employees acquire knowledge about the prevention and control of occupational diseases, effectively promoting the concept of healthy work and life among all employees.

Among them, certain subsidiaries have carried out excellent work as follows:

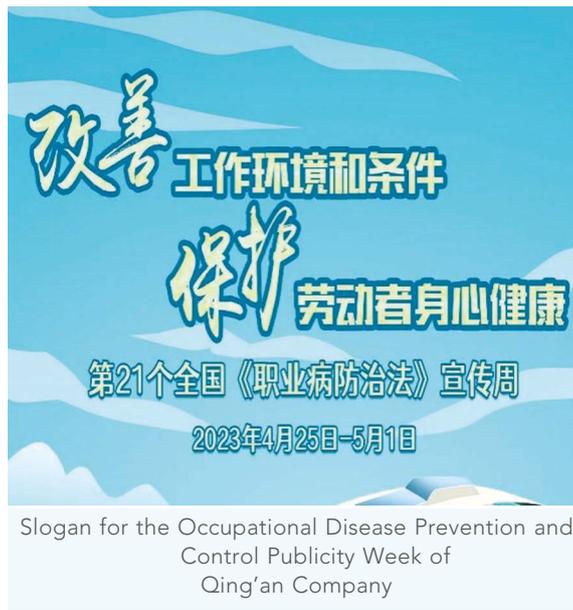
AVIC Lanfei	<ul style="list-style-type: none"><li>• The company invited experts on occupational disease prevention and control from the Gansu Provincial Center for Disease Control and Prevention to deliver lectures on "basic knowledge of noise", "occupational hazards and their control" and "prevention and control of occupational diseases". Employees engaged in toxic and harmful work, and full-time and part-time occupational health administrators, were organized to participate in these activities, aiming to increase their knowledge of occupational disease prevention and control and enhance their self-protection capabilities.</li><li>• To enhance the health quality of its staff, AVIC Lanfei conducted corresponding training sessions on sudden accidents, emergency first aid measures and self-rescue knowledge of high temperature and heat prevention, control and prevention of cerebrovascular diseases, improvement of employees' mental health literacy, as well as the healthy lifestyle of "Three Reductions &amp; Three Kinds of Health(三減三健)".</li></ul>
Keeven Instrument	<ul style="list-style-type: none"><li>• Keeven Instrument organized the "Occupational Health Talent Event" in 2023, aiming to establish role models through the selection process and leverage their exemplary and leading roles to encourage more employees to participate in the construction of a healthy enterprise, thereby creating a favorable working atmosphere that focuses on health.</li></ul>



## VI. Talent Management – Vigorous Brilliants

Qing'an  
Company

- Qing'an Company conducted nine rounds of lectures on occupational health and safety knowledge, with over 300 participants. Additionally, the company has promoted occupational health knowledge through various forms such as campus networks, promotional banners, posters, broadcasts, and written materials, aiming to enhance employees' awareness and management level of occupational health protection.



Slogan for the Occupational Disease Prevention and Control Publicity Week of Qing'an Company

- In April 2023, the Office of the Healthy Xi'an Construction Working Committee awarded the company with a medal of "Municipal Demonstration Unit" for healthy enterprise construction, marking a new phase of the company's efforts in the construction of healthy enterprises.



## VI. Talent Management – Vigorous Brilliants

Changfeng Avionics

- Changfeng Avionics organized a knowledge competition in the theme of “My journey with green and healthy enterprise”, and selected outstanding organization employees to participate in the 2023 Occupational Disease Prevention and Work-related Injury Prevention Skills Competition at the two levels of High-Tech Zone and Suzhou City, obtained the second and third group awards respectively.

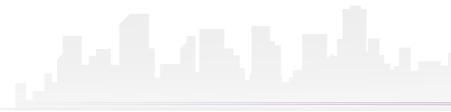


Changfeng Avionics Knowledge Competition in the theme of “My Journey with Green and Healthy Enterprise”

- Participated in the “Demonstration Enterprise” selection activity for occupational disease prevention in Suzhou and successfully won the title of “Winner Enterprise”.



2023 Suzhou City Occupational Disease Prevention and Work-related Injury Prevention Skills Competition



## VII. Community Development – A Beautiful Blueprint of Unity

Adhering to the original aspiration of “serving the country through aviation and strengthening the nation through aerospace”, the Group has been giving back to society in various ways. In 2023, the Group actively practiced social responsibility and commitment in the form of rural revitalization, support for local economic development, voluntary services, emergency rescue, public welfare and charitable donations, striving to be an excellent corporate citizen.

### (I) SUPPORT RURAL REVITALIZATION

Actively responding to the national strategy of rural revitalization and the concept of common prosperity, the Group combined its own industrial and resource advantages to carry out industrial, employment, education and other related assistance activities and targeted assistance in Guanling County and Ziyun County in Guizhou Province. The Group relied on the characteristic resources of rural areas to enhance driving force of internal development, boost the rural economic development, and continuously explore sustainable new models for rural revitalization.

#### 1. Public Welfare Assistance

Our Group is committed to improving the rural living environment and building beautiful and livable villages. During the reporting period, subsidiaries actively advanced the construction of rural medical and health care, education and other infrastructure facilities, strengthened environmental remediation and improved the appearance of villages, which effectively improved the quality of life of rural population.

#### Case 1 Cooperation in medical assistance to help improve medical service capacity

In 2023, GuiZhou FengLei actively collaborated with the Aviation General Hospital and Guihang Guiyang Hospital to promote the two hospitals to build a cross-regional medical alliance cooperation and assistance mechanism with Puding County People’s Hospital, so as to help establish oncology department and general medicine departments in Puding County People’s Hospital, thereby enhancing the Puding County’s medical and healthcare service capacity.

#### Case 2 Helping to upgrade roads in Yangzhuang Village, Mangling Town

In 2023, JONHON Optronic sponsored the road upgrading project in Yangzhuang Village, Mangling Town, Yanshi District, donating RMB240,000 for road repair to solve the problem of mass travelling safety.



## VII. Community Development – A Beautiful Blueprint of Unity

### 2. Industrial Assistance

The Group vigorously carried out consumption-based assistance and supported the development of featured agricultural and sideline products in designated assistance areas. During the reporting period, the subsidiaries purchased rural revitalization consumer goods such as zongzi and mooncakes from designated assistance counties and districts based on their actual situation, and distributed them as daily or traditional festival benefits to employees, such as during the Dragon Boat Festival. Meanwhile, the subsidiaries actively communicated and coordinated with external enterprises to expand sales channels for agricultural and sideline products, and explored new models such as e-commerce, group purchases and live broadcasting to help the sales of featured agricultural and sideline products in designated assistance villages.

- AVIC Kaitian purchased a total of RMB861,300 of products of consumption-based assistance for the year, including tea, Ziyun zongzi and rapeseed oil, representing a year-on-year increase of 7.5% in expenses compared to the previous year.



AVIC Kaitian purchasing agricultural and sideline products from designated assistance counties

## VII. Community Development – A Beautiful Blueprint of Unity

- Qing'an Company adopted the approach of "assisting through consumption" and "supporting through purchasing" to procure 55,600 kilograms of Fuji apples from Zhifei Village, which were distributed as gifts to all employees, with a total value of RMB590,000. Additionally, the company helped sell apples for RMB200,000.



Qing'an Company conducting consumption-based assistance to purchase apples from Zhifei Village

- AVIC Lanfei established a "Caring Supermarket" in the staff canteen to sell agricultural products from Gangu County, Tianshui City, Gansu Province, encouraging employees and their families to participate in assistance work through consumption. Also, AVIC Lanfei made a cooperation intention with two e-commerce companies to help create a "live broadcast + industry" model which helps the external development of Gangu County's agricultural products.
- Focusing on industrial assistance, Lanzhou Aviation Electric strongly supported the assisted villages in expanding the planting of mulberry, chili, soybeans, sorghum and other crops, and sericulture, providing 500 kilograms of soybean seeds and 730 kilograms of wheat seeds to farmers, while guiding and supporting the development of the Sanhuang chicken breeding industry. Furthermore, the company helped carry forward the excellent farming culture, encouraged the confidence of farmers to start their own businesses. It supported the assisted villages in creating a WeChat video account named "Gansu Yaming" to participate in the "Spirit of the 20th National Congress in the Countryside", a collection activity of short video on rural revitalization organized by the Ministry of Agriculture, promoting the excellent farming culture in a targeted manner.



## VII. Community Development – A Beautiful Blueprint of Unity

### 3. Cultural Assistance

The Group continued to strengthen its efforts in cultural assistance. The subsidiaries carried out diversified education publicity and donation activities closely focusing on the theme of “Love of Country, Love of Aviation” put forward by the AVIC. During the reporting period, GuiZhou FengLei organized six units in Guizhou Province, along with Shenfei Aircraft Industry, to visit Shuimu Primary School in Huachu Town, Puding County, a school designated for support. The company delivered over a thousand care packages containing teaching supplies, sporting equipment, school things, and science and technology equipment to children, and carried out dozens of aviation science and technology teaching classes in various forms with rich contents, as well as splendid model flight performances on the spot. Young volunteer lecturers from Changfeng Avionics and GuiZhou FengLei successfully set up an aviation science classroom in Shuimu Primary School in Puding County, which was awarded the title of “National Aviation Characteristic School” by the Chinese Society of Aeronautics and Astronautics.



Changfeng Avionics participated in cultural assistance activities in Guizhou



Shuimu Primary School in Puding County obtained the title of “National Aviation Characteristic School”



## VII. Community Development – A Beautiful Blueprint of Unity

In addition, the Group organized diversified cultural promotion activities, including but not limited to common medical knowledge popularization, law education and cultural performances. During the reporting period, GuiZhou FengLei, relying on the project of combining agriculture and tourism with rural revitalisation in Puding County, organized dance rehearsals and cultural performances for the opening ceremonies of Peach Blossom Festival in Longcai Village in spring and the Seventh Lotus Festival in Shuijing Village in summer, which were positively praised by the general public in the assisting counties.



Changhe Aviation's "Eighth Five-Year Plan"  
Law Education in Rural Areas

### (II) EMERGENCY RESCUE OPERATIONS

The Group has always interpreted its corporate mission and responsibility, leveraging its industry position and product development advantages to strengthen and expand the emergency rescue market and strive to be a pioneer in social rescue. At the same time, the Group actively explores the rescue needs of local governments and enterprises, and expands emergency rescue equipment and mechanisms to police aviation, government public services, medical rescue and other scenarios through various channels.

During the reporting period, Changhe Aviation continued to improve its emergency rescue mechanisms and personnel allocation, assisted local governments in emergency rescue construction, and carried out a wide range of emergency rescue activities, and successfully completed multiple emergency rescue tasks to safeguard the safety of the public.



## VII. Community Development – A Beautiful Blueprint of Unity

### The highlights of the regional emergency rescue capability enhancement by Changhe Aviation

- ☞ Completed the research on aviation emergency relay communication and the integrated scenario applications of air communication and rescue based on the AC311A aircraft, coordinated with the municipal general aviation office to complete the pilot programme of air-ground integrated emergency medical rescue in Jingdezhen City, and participated in the medical transfer exercise activities at the 2023 Jingdezhen Aviation Industry Conference.
- ☞ Cooperated with the municipal fire brigade to complete the training for aerial emergency rescue rappelling, supported the development of the professional fire aviation team of the Jingdezhen Fire Brigade, and jointly compiled training materials for rappelling rescue.
- ☞ Established Jiangxi Operation Center for General Aviation Jingdezhen Sub-Center and the air-ground coordination mechanism for “110” (police), “119” (fire), and “120” (medical emergency) in Jingdezhen City, and drafted the construction and operation plan for “Air 120” in Jiangxi Province. At present, the Jingdezhen General Aviation Office has issued documents to relevant departments.
- ☞ Assisted Jiangxi Province in establishing over 300 helicopter landing sites, built the aviation emergency rescue system in Jiangxi Province, contributed to the construction of the pilot province for the emergency rescue aviation system, participated in the construction of the Jiangxi General Aviation Flight Coordination and Service Center, and supported the construction of a pilot province for the expansion of the management and reform of low-altitude airspace.

### Case Changhe Aviation AC311A helped emergency rescue

At 13:30 p.m. on 21 September 2023, a critically ill patient in Hunchun City, Jilin Province, who had suffered severe organ damage in a serious car accident, needed to be urgently transferred to the Third Hospital of Jilin University, which is more than 500 kilometers away. The AC311A helicopter successfully established an “airborne life-saving channel” for the patient in acute and critical conditions, winning time to rescue the patient’s life.



AC311A Emergency Rescue Site

## VII. Community Development – A Beautiful Blueprint of Unity

### (III) DEDICATION TO CHARITY

The Group attaches great importance to local economic development and community service, and actively engages in public welfare and charitable endeavors to convey warmth to the society. During the reporting period, the Company and each subsidiary, based on their experience in carrying out public welfare activities and own models, have defined and regulated the work procedures, organization and implementation, duration statistics, and annual appraisal of excellence for volunteer services. Meanwhile, the Group has strengthened the construction of volunteer teams such as the “Wu Dagan Volunteer Service Team” and actively organized and participated in various volunteer activities including education assistance, caring for special groups, community convenient services, and community environment beautification. In 2023, the Group invested a total of RMB1.928 million in public welfare volunteer activities, with a cumulative volunteer service duration of 52,598.53 hours.

#### Case Inheriting the spirit of aviation culture and building a brand of volunteer service

In 2023, we formed the “AVIC Wu Dagan Volunteer Service Team”, named after Mr. Wu Dagan, the “father of the PRC’s aero-engines”. For a long time, the Group has continuously strengthened the team construction, and successfully established a mature volunteer service team with standardized management, comprehensive services, strong members, and sound mechanisms, which has formed multiple volunteer service brands, such as the “Blue Chalk” rural teacher training charity programme and “Chinese Dream Aviation Dream” aviation science popularization in schools.

During the reporting period, the Wu Dagan Volunteer Service Team of certain subsidiaries carried out the following works:

- ✦ Shaanxi Huayan has newly revised the *Regulations on the Establishment and Management of the Wu Dagan Volunteer Service Team of the Company* and formulated requirements for accounts and records such as the *Register of Wu Dagan Volunteers (Service Projects)*, *Volunteer Service Management Account of Wu Dagan Volunteers*, and *Application Form of “Outstanding Youth Volunteers”*, so as to enhance the standardization and professionalism of the volunteer team building.



The activity site of Shaanxi Huayan Wu Dagan Volunteer Service Team



## VII. Community Development – A Beautiful Blueprint of Unity

✦ The Keeven Instrument Wu Daguan Volunteer Service Team orderly carries out various activities such as the Learning from Lei Feng Volunteer Service Month, Volunteer Welcome Activity, and Aviation Knowledge into the Campus. The volunteering service is about 100 hours for the whole year.



The logo of Keeven Instrument Wu Daguan Volunteer Service Team

✦ The Hafei Aviation Wu Daguan Volunteer Service Team currently has 252 young volunteers and 25 sub-teams. The volunteer service team is equipped with a unified logo, flag and uniforms, and conducts nearly a hundred volunteer activities on average every year, actively playing the role of young pioneers.



The activity sites of Hafei Aviation Wu Daguan Volunteer Service Team



## VII. Community Development – A Beautiful Blueprint of Unity

### Case 1 Lanzhou Aviation Electric’s emergency support for earthquake-stricken areas in Gansu Province

On 18 December 2023, an earthquake occurred in Jishishan County, Linxia Prefecture, Gansu Province. Lanzhou Aviation Electric actively initiated public welfare donation activities, in which the company donated RMB100,000 and management above the middle level donated RMB141,000. At the same time, after learning that the people in the disaster area were short of beds, the company organized overnight procurement of 500 folding beds, with a total value of more than RMB100,000, and arranged personnel for urgent delivery to Chenjia village, the most seriously affected by the disaster.



Lanzhou Aviation Electric delivered relief supplies to Jishishan County

### Case 2 Changfeng Avionics actively conducted voluntary blood donation

In 2023, Changfeng Avionics organized a blood donation to support its employees’ dedication of love and warmth. A total of 51 employees participated in the voluntary blood donation, with a cumulative donation of nearly 17,500 millilitres of blood.



Voluntary blood donation activity of Changfeng Avionics



## VII. Community Development – A Beautiful Blueprint of Unity

### Case 3 Zhengzhou Aircraft conducted “Caring the Elderly on the Double Ninth Festival” a public welfare activity

In October 2023, Zhengzhou Aircraft cooperated with Zhengfei Hospital and Renhe Road Police Station to organize a “Caring the Elderly on the Double Ninth Festival” public welfare activity in Zhengfei Community. Through various activities such as free medical consultation, anti-fraud awareness publicity, and Double Ninth Festival sachets handcrafting, the company expressed its festival greetings and caring to the elderly, fostering a societal atmosphere that respects and loves the elderly.



“Caring the Elderly on the Double Ninth Festival ” public welfare activity of Zhengzhou Aircraft

### Case 4 Hafei Aviation carried out “Aviation · Great Love” (航空·大爱) school sponsorship activity

In 2023, Hafei Aviation continued to carry out volunteer activities to help students with love. Under the theme of “Aviation·Great Love”, it donated over 100 pieces of blind boxes of stationery to more than 80 students, and provided eye protection lamps for 12 excellent students at the Liutuan Town Primary School in Yanshou County, Harbin City. In addition, the company also wrote love greeting cards, demonstrating their dedication and care for the healthy growth of children.



The site of Hafei Aviation’s volunteer school sponsorship activity

## VII. Community Development – A Beautiful Blueprint of Unity

### (IV) DISSEMINATION OF AVIATION CULTURE

Over the years, the Group has continuously increased its investment in the field of education, aiming to popularize aviation knowledge and disseminate aviation culture to the youth, public welfare organizations and the general public. During the reporting period, the subsidiaries actively organized various aviation science popularization activities in kindergartens, primary and secondary schools, institutions of higher education and other places. In addition, the subsidiaries continued to make use of the project facilities in various places to build science popularization education bases and organize public open activities, so as to promote aviation culture and cultivate national aviation awareness.

#### Case 1 Changfeng Avionics has supported the “Suzhou Summer Care Program” by organizing a series of aviation science popularization activities for two consecutive years

Changfeng Avionics actively participated in the “Suzhou Summer Care Program” activities and has made its contribution for two consecutive years. In 2023, the company organized 12 courses such as “Illustrated Aviation History” (漫說航空史), “Principles of Aircraft Explained by Youth” (青述飛機基本原理), and “100 Questions About Aviation” (航空百問) in 12 subdistrict communities, including Rainbow Community in Wuzhong District, Weile Community in Luzhi Town, and Chengnan Community in Jinji Lake Street of the Industrial Park, with a total course duration of 48 hours.



Changfeng Avionics organized and participated in a series of “Suzhou Summer Care Program” activities



## VII. Community Development – A Beautiful Blueprint of Unity

### Case 2

Zhengzhou Aircraft conducted “Chinese Dream Aviation Dream” aviation science popularization in a school

On 14 September 2023, Zhengzhou Aircraft visited Xinghua Primary School to carry out the aviation science popularization activity of “Chinese Dream Aviation Dream”, disseminating aviation knowledge to over 100 primary school students, which planted a feeling of “strengthening the nation through aerospace” in young generation’s minds.



The “Chinese Dream Aviation Dream” activities of Zhengzhou Aircraft in school



# Appendix I: Summary of ESG Performance Data

## ENVIRONMENTAL<sup>1</sup>

Index	Unit	2021	2022	2023
<b>Greenhouse Gas Emissions</b>				
Greenhouse gas emissions (Scope 1)	Ten thousand tons of equivalent CO <sub>2</sub> emissions	–	5.7	4.26
Greenhouse gas emissions (Scope 2)	Ten thousand tons of equivalent CO <sub>2</sub> emissions	–	30.7	44.95
Total greenhouse gas emissions (Scope 1+Scope 2)	Ten thousand tons of equivalent CO <sub>2</sub> emissions	45.2	36.4	49.21
GHG Emissions Intensity	Tons of equivalent CO <sub>2</sub> emissions per RMB10,000 revenue	0.07	0.06	0.058
<b>Wastewater and Exhaust Gas Emission</b>				
Total emission of exhaust gas	0'000 standard cubic meters	939,393.4	794,645.4	1,739,809.0
Emission of SO <sub>2</sub>	Tons	86	18	2.95
Emission of NO <sub>x</sub>	Tons	290	47	20.41
Total emission of soot	Tons	16	8	15.84
Total emission of wastewater	Tons	3,015,648	2,830,084	4,177,152
Emission of COD	Tons	173	143	275
<b>Amount of Hazardous Waste Emission</b>				
Total hazardous waste produced	Tons	11,029	3,636	5,327
Total hazardous waste produced intensity	Kg per RMB10,000 revenue	1.83	0.57	0.63
<b>Amount of General Waste Emission</b>				
Total non-hazardous waste produced	Tons	82,265	14,979	24,793
Total non-hazardous waste produced intensity	Kg per RMB10,000 revenue	14.14	2.35	2.93
<b>Packaging Material Use</b>				
Use of packaging materials	Tons	2,967	5,937	4,934.12
Intensity of use of packaging materials	Kg per RMB10,000 revenue	0.49	0.93	0.58
<b>Energy Consumption</b>				
Coal consumption	Tons	21,939	3,140	2
Gasoline consumption	Tons	913	707	1,038
Kerosene consumption	Tons	5,348	5,823	4,045
Diesel consumption	Tons	90	100	265
Natural gas consumption	Ten thousand standard cubic meters	1,579	1,379	1,221
Electricity consumption	Ten thousand kWh	48,326	43,572	59,305
Outsourcing thermal power	Million kJ	419,441	529,671	1,011,961
Comprehensive energy consumption	Ten thousand tons of standard coal	10.4	10.2	13.3
Intensity of comprehensive energy consumption	Tons of standard coal per RMB10,000 revenue	0.02	0.02	0.016
<b>Water Consumption</b>				
Total water consumption	Tons	5,476,591	3,785,023	5,533,570
Water consumption intensity	Tons per RMB10,000 revenue	0.9	0.6	0.65

<sup>1</sup> ① Subsidiary JONHON Optronics conducted strict control over unorganized exhaust gas in 2023 resulting in an increase in the total amount of exhaust gas emissions, and a number of projects such as the AVIC JONHON Optronics Technology Industrial Base (Phase II) were put into operation resulting in an increase in the total amount of gas emissions, and the new exhaust gases were volatile organic exhaust gases, which had a relatively small impact on sulphur dioxide, nitrogen oxides and smoke and dust. ② During the reporting period, the subsidiaries of the Company used gas-fired boilers instead of coal-fired boilers in accordance with the strategy related to low-carbon transition to reduce coal consumption; the winter heating of plants and office buildings was changed from being supplied by its own coal-fired boilers to being supplied by outsourced heat. ③ In 2023, AVIC Airborne added 12 new subsidiaries, which has resulted in an increase in the total amount of exhaust gas, the total amount of wastewater discharged, the total amount of COD discharged, the total amount of hazardous waste discharged and the total amount of general solid waste discharged.



## Appendix I: Summary of ESG Performance Data

### • SOCIAL

Index	Unit	2021	2022	2023
<b>Employment</b>				
Total number of employees	person	46,428	47,475	74,584
<b>By gender</b>				
Male employees	person	31,964	32,897	52,065
Female employees	person	14,464	14,578	22,519
<b>By age</b>				
30 and below	person	15,580	15,378	21,308
31-50	person	25,987	27,110	43,848
50 and above	person	4,861	4,987	9,428
<b>By grade</b>				
Senior management	person	224	223	279
Middle management	person	1,806	1,949	2,466
General employees	person	44,398	45,303	71,839
<b>By region</b>				
Chinese Mainland employees	person	46,428	47,403	74,507
Overseas and Hong Kong, Macau and Taiwan employees	person	0	72	77
<b>Employee Turnover</b>				
Employee turnover	person	–	–	2,958
Total turnover rate	%	–	–	3.97
<b>By gender</b>				
Male employees	%	6.2	5.9	3.91
Female employees	%	6.2	6.3	4.09
<b>By age</b>				
30 and below	%	14.0	13.8	8.49
31-50	%	2.4	2.6	2.15
50 and above	%	0.8	0.9	2.17
<b>By region</b>				
Chinese Mainland employees	%	6.2	6.0	3.97
Overseas and Hong Kong, Macau and Taiwan employees	%	0	54.2	0
<b>Employee Health and Safety</b>				
Work-related fatalities	person	0	0	0
Lost hours due to work injury	hour	20,588	5,840	14,332



## Appendix I: Summary of ESG Performance Data

Index	Unit	2021	2022	2023
<b>Employee Development and Training</b>				
Percentage of trained employees	%	–	–	87.55
<b>By grade</b>				
Senior management	%	92	93	94.88
Middle management	%	98	98	93.40
General employees	%	93	95	87.32
<b>By gender</b>				
Male employees	%	93	96	87.13
Female employees	%	94	95	88.51
Average training hours of employees <sup>2</sup>	hour	–	–	215.06
<b>By grade</b>				
Senior management	hour	65	58	121.58
Middle management	hour	51	46	101.52
General employees	hour	30	31	219.32
<b>By gender</b>				
Male employees	hour	31	32	203.13
Female employees	hour	32	30	242.64
<b>Supplier Information</b>				
Number of suppliers in Mainland China	/	7,523	9,076	11,521
Number of suppliers from overseas and Hong Kong, Macau and Taiwan	/	64	193	241
<b>Product Quality</b>				
Percentage of products to be recycled	%	–	–	1.25
Number of complaints on products and services	/	–	374	68
Number of complaints resolved on products and services	/	–	–	66
<b>Technology Innovation</b>				
Patent applications	/	1,772	1,923	2,879
Patents granted	/	1,288	1,174	1,748
<b>Community Investment</b>				
Number of service hours for volunteer activities	hour	17,350	55,436	52,598.53
Total investment in service for volunteer activities	RMB10,000	–	82.47	192.80

<sup>2</sup> The number of hours of employee training is calculated by adding up the number of hours of employee training at the Group.



## Appendix I: Summary of ESG Performance Data

### • GOVERNANCE

Index	Unit	2021	2022	2023
<b>Composition of Board of Directors</b>				
Number of Directors	person	9	9	9
Executive Directors	person	2	2	2
Non-executive Directors	person	4	4	4
Independent non-executive Directors	person	2	3	3
Proportion of independent non-executive Directors	%	33.33	33.33	33.33
<b>Anti-corruption</b>				
Total hours of anti-corruption training	hour	–	–	139,633
Total hours of anti-corruption training for directors	hour	–	–	1,745.5
Total hours of anti-corruption training for employees	hour	–	28,047.5	137,887.5
Anti-corruption training coverage for directors	%	–	–	100
Anti-corruption training coverage for employees	%	–	93	95.5
Number of anti-corruption related litigations concluded	/	–	–	0



## Appendix II: Index Table

### CONTENT INDEX OF THE ENVIRONMENT, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

Content		Corresponding Disclosure Index
<b>Mandatory Disclosure Requirements</b>		
<b>Governance Structure</b>	A statement from the board containing the following elements: <ul style="list-style-type: none"> <li>(i) a disclosure of the board’s oversight of ESG issues;</li> <li>(ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and</li> <li>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses.</li> </ul>	P11
<b>Reporting Principles</b>	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: <p><b>Materiality:</b> The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p> <p><b>Quantitative:</b> Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p><b>Consistency:</b> The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	P9-10
<b>Reporting Boundary</b>	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	P9-10





## Appendix II: Index Table

Content		Corresponding Disclosure Index
<b>Aspect A2:</b> <b>Use of Resources</b>	<b>General Disclosure</b> Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, storage, transportation, buildings, electronic equipment, etc.	P67-70
	<b>KPI A2.1</b> Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P124
	<b>KPI A2.2</b> Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P124
	<b>KPI A2.3</b> Description of energy use efficiency target(s) set and steps taken to achieve them.	P67-68
	<b>KPI A2.4</b> Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P69
	<b>KPI A2.5</b> Total packaging material used for finished products (in tonnes) and if applicable, with reference to per unit produced.	P124
<b>Aspect A3:</b> <b>The Environment and Natural Resources</b>	<b>General Disclosure</b> Policies on minimising the issuer's significant impacts on the environment and natural resources.	P57-66
	<b>KPI A3.1</b> Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P57-66
<b>Aspect A4:</b> <b>Climate Change</b>	<b>General Disclosure</b> Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P50-52
	<b>KPI A4.1</b> Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P50-52



## Appendix II: Index Table

Content		Corresponding Disclosure Index
<b>B. Social</b>		
<b>Aspect B1:</b> <b>Employment</b>	<b>General Disclosure</b> Information relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.  <b>KPI B1.1</b> Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.  <b>KPI B1.2</b> Employee turnover rate by gender, age group and geographical region.	P72-74       P125  P125
<b>Aspect B2:</b> <b>Health and Safety</b>	<b>General Disclosure</b> Information relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.  <b>KPI B2.1</b> Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.  <b>KPI B2.2</b> Lost days due to work injury.  <b>KPI B2.3</b> Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P96-98       P125  P125 P108-111
<b>Aspect B3:</b> <b>Development and Training</b>	<b>General Disclosure</b> Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.  <b>KPI B3.1</b> The percentage of employees trained by gender and employee category (e.g. senior management, middle management).  <b>KPI B3.2</b> The average training hours completed per employee by gender and employee category.	P85-90       P126  P126



## Appendix II: Index Table

Content		Corresponding Disclosure Index
<b>Aspect B4: Labor Standards</b>	<b>General Disclosure</b> Information relating to preventing child and forced labor: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	P72
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labor.	P72
	KPI B4.2 Description of steps taken to eliminate such violations when discovered.	P72-73
<b>Aspect B5: Supply Chain Management</b>	<b>General Disclosure</b> Policies on managing environmental and social risks of the supply chain.	P47
	KPI B5.1 Number of suppliers by geographical region.	P47
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P47-49
	KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P48
	KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P47-49
<b>Aspect B6: Product Responsibility</b>	<b>General Disclosure</b> Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	P43
	KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P126
	KPI B6.2 Number of products and service related complaints received and how they are dealt with.	P126.44
	KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	P41
	KPI B6.4 Description of quality assurance process and recall procedures.	P43
	KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P45



## Appendix II: Index Table

Content		Corresponding Disclosure Index
<b>Aspect B7: Anti-corruption</b>	<b>General Disclosure</b>	P30-31
	Information relating to preventing bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	
	<b>KPI B7.1</b> Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P30-31
	<b>KPI B7.2</b> Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P30-31
	<b>KPI B7.3</b> Description of anti-corruption training provided to directors and employees.	P31-32
<b>Aspect B8: Community Investment</b>	<b>General Disclosure</b>	P112-123
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	
	<b>KPI B8.1</b> Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	P112-123
	<b>KPI B8.2</b> Resources contributed (e.g. money or time) to the focus area.	P126



## Appendix II: Index Table

### CONTENT INDEX OF GRI SUSTAINABILITY REPORTING STANDARDS (VERSION 2021)

No.	Contents	Section of disclosure
<b>GRI 2: 2021 General Disclosures</b>		
<b>The Organization and its Reporting Practices</b>		
2-1	Organizational details	P12
2-2	Entities included in the organization’s sustainability reporting	P9
2-3	Reporting period, frequency and contact point	P9
2-4	Restatements of information	N/A
2-5	External assurance	N/A
<b>Activities and Workers</b>		
2-6	Activities, value chain and other business relationships	P47-49
2-7	Employees	P72-111
2-8	Workers who are not employees	N/A
<b>Governance</b>		
2-9	Governance structure and composition	P24
2-10	Nomination and selection of the highest governance body	P24-25
2-11	Chair of the highest governance body	P24-25
2-12	Role of the highest governance body in overseeing the management of impacts	P24-25
2-13	Delegation of responsibility for managing impacts	P24-25
2-14	Role of the highest governance body in sustainability reporting	P11
2-15	Conflicts of interest	P22
2-16	Communication of critical concerns	P22.26
2-17	Collective knowledge of the highest governance body	P24-25
2-18	Evaluation of the performance of the highest governance body	P24-25
2-19	Remuneration policies	P74
2-20	Process to determine remuneration	P74
2-21	Annual total compensation ratio	P74
<b>Strategy, Policies and Practices</b>		
2-22	Statement on sustainable development strategy	P18-19
2-23	Policy commitments	P18-21
2-24	Embedding policy commitments	P18-21
2-25	Processes to remediate negative impacts	P18-21
2-26	Mechanisms for seeking advice and raising concerns	P18-21
2-27	Compliance with laws and regulations	At the beginning of each chapter
2-28	Membership associations	P12-15
<b>Stakeholder Engagement</b>		
2-29	Approach to stakeholder engagement	P22
2-30	Collective bargaining agreements	N/A



## Appendix II: Index Table

No.	Contents	Section of disclosure
<b>GRI 3: 2021 Material Topics</b>		
3-1	Process to determine material topics	P23
3-2	List of material topics	P23
3-3	Management of material topics	P23
<b>• GRI 201: 2016 Economic Performance</b>		
G201-1	Direct economic value generated and distributed	P2
G201-2	Financial implications and other risks and opportunities due to climate change	P50-52
G201-3	Defined benefit plan obligations and other retirement plans	P74-75
G201-4	Financial assistance received from government	N/A
<b>• GRI 202: 2016 Market Presence</b>		
G202-1	Ratios of standard entry level wage by gender compared to local minimum wage	/
G202-2	Proportion of senior management hired from the local community	/
<b>• GRI 203: 2016 Indirect Economic Impacts</b>		
G203-1	Infrastructure investments and services supported	P16
G203-2	Significant indirect economic impacts	P16
<b>• GRI 204: 2016 Procurement Practices</b>		
G204-1	Proportion of spending on local suppliers	P47
<b>• GRI 205: 2016 Anti-corruption</b>		
G205-1	Operations assessed for risks related to corruption	P30-33
G205-2	Communication and training about anti-corruption policies and procedures	P30-33
G205-3	Confirmed incidents of corruption and actions taken	P30-33
<b>• GRI 206: 2016 Anti-competitive Behavior</b>		
G206-1	Legal actions for anti-competitive behavior, anti-trust, and anti-monopoly practices	P30-32
<b>• GRI 207: 2019 Tax</b>		
G207-1	Approach to tax	See the annual report of the Group
G207-2	Tax governance, control, and risk management	See the annual report of the Group
G207-3	Stakeholder engagement and management of concerns related to tax	See the annual report of the Group
G207-4	Country-by-country reporting	N/A
<b>• GRI 301: 2016 Materials</b>		
G301-1	Materials used by weight or volume	P124
G301-2	Recycled input materials used	P70
G301-3	Reclaimed products and their packaging materials	P70



## Appendix II: Index Table

No.	Contents	Section of disclosure
<b>• GRI 302: 2016 Energy</b>		
G302-1	Energy consumption within the organization	P124
G302-2	Energy consumption outside the organization	P124
G302-3	Energy intensity	P124
G302-4	Reduction of energy consumption	P124
G302-5	Reductions in energy requirements of products and services	P67-68
<b>• GRI 303: 2018 Water and Effluents</b>		
G303-1	Interactions with water as a shared resource	P61-63.69
G303-2	Management of water discharge-related impacts	P61-63.69
G303-3	Water withdrawal	P61-63.69
G303-4	Water discharge	P61-63.69
G303-5	Water consumption	P61-63.69
<b>• GRI 304: 2016 Biodiversity</b>		
G304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P56
G304-2	Significant impacts of activities, products, and services on biodiversity	P56
G304-3	Habitats protected or restored	P56
G304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	P56
<b>• GRI 305: 2016 Emissions</b>		
G305-1	Direct (Scope 1) GHG emissions	P124
G305-2	Energy indirect (Scope 2) GHG emissions	P124
G305-3	Other indirect (Scope 3) GHG emissions	/
G305-4	GHG emissions intensity	P124
G305-5	Reduction of GHG emissions	P124
G305-6	Emissions of ozone-depleting substances (ODS)	N/A
G305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	P124
<b>• GRI 306: 2020 Wastes</b>		
G306-1	Waste generation and significant waste-related impacts	P64-65
G306-2	Management of significant waste-related impacts	P64-65
G306-3	Waste generated	P124
G306-4	Waste diverted from disposal	P64-65
G306-5	Waste directed to disposal	P64-65
<b>• GRI 308: 2016 Supplier Environmental Assessment</b>		
G308-1	New suppliers that were screened using environmental criteria	P47-49
G308-2	Negative environmental impacts in the supply chain and actions taken	P47-49



## Appendix II: Index Table

No.	Contents	Section of disclosure
<b>• GRI 401: 2016 Employment</b>		
G401-1	New employee hires and employee turnover	P124
G401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	P72-83
G401-3	Parental leave	P78-79
<b>• GRI 402: 2016 Labor/Management Relations</b>		
G402-1	Minimum notice periods regarding operational changes	P72
<b>• GRI 403: 2018 Occupational Health and Safety</b>		
G403-1	Occupational health and safety management system	P96-111
G403-2	Hazard identification, risk assessment, and incident investigation	P96-111
G403-3	Occupational health services	P96-111
G403-4	Worker participation, consultation, and communication on occupational health and safety	P96-111
G403-5	Worker training on occupational health and safety	P96-111
G403-6	Promotion of worker health	P96-111
G403-7	Prevention and mitigation of occupational health and safety impacts directly related to business relationships	P96-111
G403-8	Workers covered by an occupational health and safety management system	P96-111
G403-9	Work-related injuries	P125
G403-10	Work-related ill health	P96-111
<b>• GRI 404: 2016 Training and Education</b>		
G404-1	Average hours of training per year per employee	P126
G404-2	Programs for upgrading employee skills and transition assistance programs	P86-90
G404-3	Percentage of employees receiving regular performance and career development reviews	P86-95
<b>• GRI 405: 2016 Diversity and Equal Opportunity</b>		
G405-1	Diversity of governance bodies and employees	P25
G405-2	Ratio of basic salary and remuneration of women to men	P74
<b>• GRI 406: 2016 Non-discrimination</b>		
G406-1	Incidents of discrimination and corrective actions taken	P72
<b>• GRI 407: 2016 Freedom of Association and Collective Bargaining</b>		
G407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P48
<b>• GRI 408: 2016 Child Labor</b>		
G408-1	Operations and suppliers at significant risk for incidents of child	P72
<b>• GRI 409: 2016 Forced or Compulsory Labor</b>		
G409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A



## Appendix II: Index Table

No.	Contents	Section of disclosure
• <b>GRI 410: 2016 Security Practices</b>		
G410-1	Security personnel trained in human rights policies or procedures	N/A
• <b>GRI 411: 2016 Rights of Indigenous Peoples</b>		
G411-1	Incidents of violations involving rights of indigenous peoples	N/A
• <b>GRI 413: 2016 Local Communities</b>		
G413-1	Operations with local community engagement, impact assessments, and development programs	P112-123
G413-2	Operations with significant actual and potential negative impacts on local communities	N/A
• <b>GRI 414: 2016 Supplier Social Assessment</b>		
G414-1	New suppliers that were screened using social criteria	P47
G414-2	Negative social impacts in the supply chain and actions taken	P47-49
• <b>GRI 415: 2016 Public Policy</b>		
G415-1	Political contributions	N/A
• <b>GRI 416: 2016 Customer Health and Safety</b>		
G416-1	Assessment of the health and safety impacts of product and service categories	P43-44
G416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	P43-44
• <b>GRI 417: 2016 Marketing and Labeling</b>		
G417-1	Requirements for product and service information and labeling	P43-44
G417-2	Incidents of non-compliance concerning product and service information and labeling	P43-44
G417-3	Incidents of non-compliance concerning marketing communications	P43-44
• <b>GRI 418: 2016 Customer Privacy</b>		
G418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	P45