



哈尔滨电气股份有限公司

HARBIN ELECTRIC COMPANY LIMITED

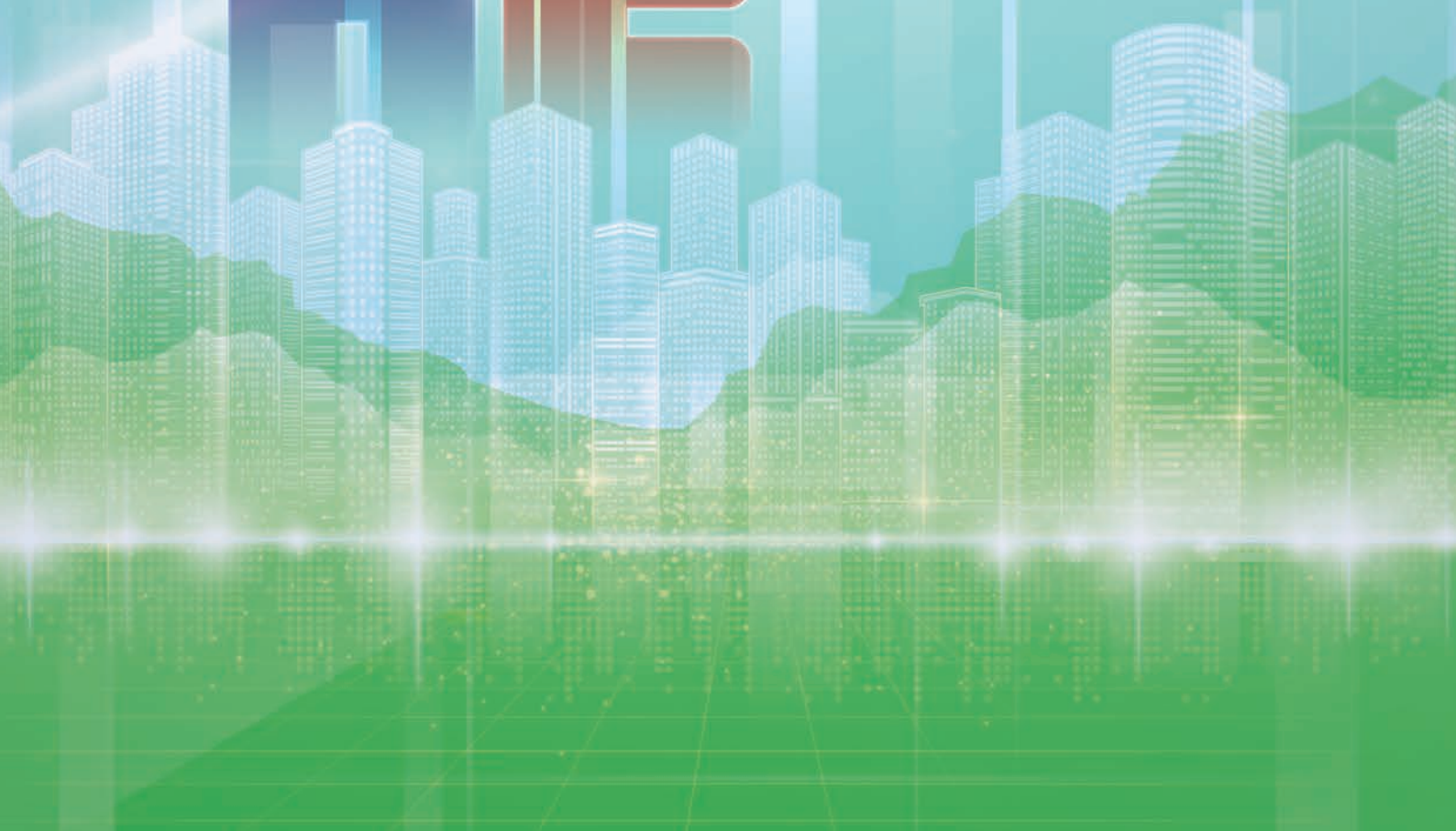
Stock Code: 1133

2020

Environmental, Social and
Governance Report

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ABOUT THIS REPORT

This is the environmental, social and governance report of Harbin Electric Company Limited (the “Company”) and its subsidiaries for the year ended 31 December 2020. Some of the information and content are subject to elaboration as appropriate.

Continuously practising the social responsibility of “Friendly Environment, Warm Home”, the Company attaches great importance to the harmonious unity of economy and ecology, deeply implements the concept of green development, strictly implements relevant environmental protection policies, vigorously promotes energy conservation and emission reduction, deeply cultivates environmental protection industry, and actively promotes the development of new energy industry. The Company adheres to the people-oriented principle, scientifically builds staff team, protects the rights and interests of employees, and cares for the life of employees. The Company maintains effective communication with suppliers, customers, market investors and other stakeholders, takes into account the interests of stakeholders, creates a mutually beneficial and win-win relationship, and continuously promotes the healthy development of the enterprise. The Company persists in giving back to the society, vigorously supports social public welfare activities, and establishes an accountable and responsible corporate image.

In 2020, the Company conscientiously implemented national energy conservation and environmental protection laws and regulations. Control of pollutant emissions, conservation of resources, and usage of natural resources were in compliance with laws and regulations. Focusing on the core values of “unite in a concerted effort, strive in a gathering strength”, the Company adopts people-oriented approach, builds harmonious labor relations, strengthens occupational health protection and continuously improves salary distribution system, so as to fully protect employees’ legitimate rights and interests. It strengthens supply chain management, fulfills product responsibilities, promotes the sustainable and healthy development of the enterprise by fulfilling social responsibilities and meeting customer satisfaction, and takes into account the interests of all interested parties to the maximum extent. It actively carries out investments in community and anti-corruption to maintain regional stability and promote community harmony. The Company has been actively enhancing its corporate governance structure and standardizing its operations. The Company has seriously complied with code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited and, where appropriate, adopted the recommended best practices as specified therein.

The standards, methods, assumptions and calculation tools used in this report are in accordance with the relevant laws and regulations on environment and safety in China. The statistical methods or key performance indicators are consistent with those in previous years. The scope of the report includes the Company and its subsidiaries.

为世界提供动力
为人类带来光明



CONTENT

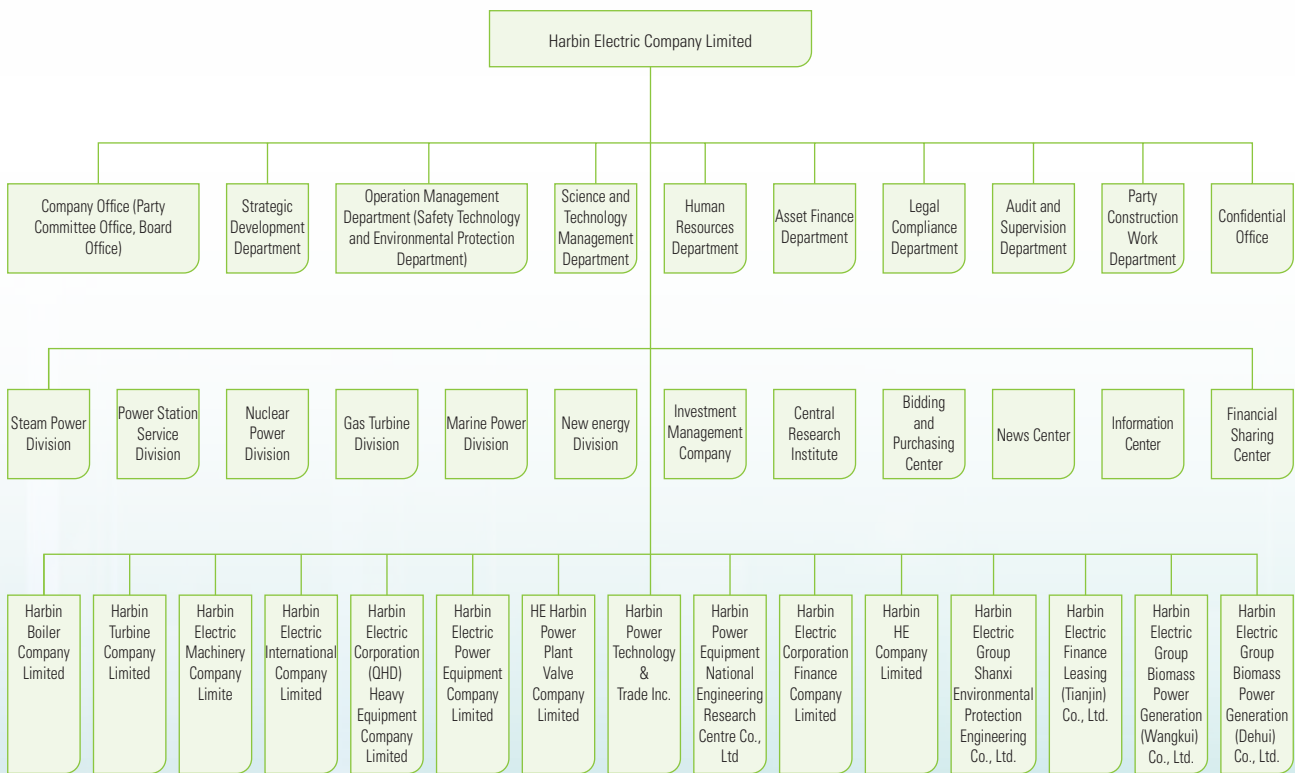
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I. ABOUT THE COMPANY

Harbin Electric Company Limited (the “**Company**”) together with its subsidiaries is one of the largest power generation equipment manufacturers in China, with more than 13,000 employees and an annual power generation capacity of 30 million kilowatts.

The Company has been always committed to the revitalization and development of China’s equipment manufacturing industry, and has actively promoted a new leap in China’s power generation equipment manufacturing level and independent innovation capability. Some of its technologies have met the international advanced level. Adhering to the concept of sustainable development, the Company continues to strengthen the development of high-efficiency clean energy and new energy power generation equipment to achieve the coordinated development of enterprise and environmental protection.

Based on the domestic market, the Company actively carries out the “Going Global” strategy, and implements “Belt and Road” initiative. Its hosts and matching auxiliaries of thermal power, hydropower, nuclear power, etc. have been exported to more than 40 countries and regions, including India, Russia and Brazil. Meanwhile, the Company also launches EPC, BOT and BOO businesses of mechanical and electrical equipment as well as power transmission and transformation projects in thermal power stations, wind farm and hydropower stations both at home and abroad. The Company brings together domestic first-class scientific research, technology and management elites, owns advanced production and scientific research test equipment, and has a perfect quality assurance and quality control system. Its research and development capabilities, manufacturing capabilities and power station construction capabilities rank the top among manufacturers of power plant equipment in the PRC.



I. ABOUT THE COMPANY

In 2020, in the face of severe and complicated domestic and international situation, especially the serious impact of COVID-19 pandemic, the Company worked closely in the transformation and development work in accordance with the annual work arrangements, and made overall efforts in pandemic prevention and control, production and operation. The Company achieved steady development. During the year, the capacity of power generating equipment was 17.88 million kilowatts, an increase of 62.7% over the same period, and the capacity of power station steam turbines was 11.22 million kilowatts, representing a year-on-year increase of 13.6%, and the capacity of power station boilers was 13.13 million kilowatts, representing a year-on-year decrease of 9.6%. The operating revenue was RMB23,760.40 million, representing a year-on-year increase of 5.53%. The amount of formal contracts reached RMB27.09 billion, representing a year-on-year decrease of 10.27%. Affected by the appreciation of Renminbi, the annual net profit attributable to the owners of the parent company decreased by 106.86% year on year.

In 2020, the Company spared no effort to promote the deepening of reform, industrial transformation, technological innovation and other key tasks, and strived to achieve high-quality development. The Company unswervingly carried forward the deepening of reform, accelerated modernization of the governance system and governance capacity, and constantly removed the system and institutional obstacles that restrict high-quality development.



On 10 June, Harbin Electric Finance Lease (Tianjin) Co., Ltd. was established in Binhai New Area. It is an important measure for the Company to implement the enterprise development strategy to accelerate the transformation and development. It is a concrete practice to deeply promote the combination of industry and finance, optimize the industrial financial system, and constantly enhance the ability of financial services to the real economy.

On 21 December, the Company entered into the Capital Increase Agreement with the Valve Company, five strategic investors and Employee's Shareholding Platform, marking the completion of the Company's mixed ownership reform and the successful implementation of the Company's first mixed ownership reform enterprise, opening a new chapter of high-quality development.



II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE WORK

(I) MANAGEMENT STRUCTURE

The Board conducts a comprehensive review of the Company's environmental, social and governance work every year.

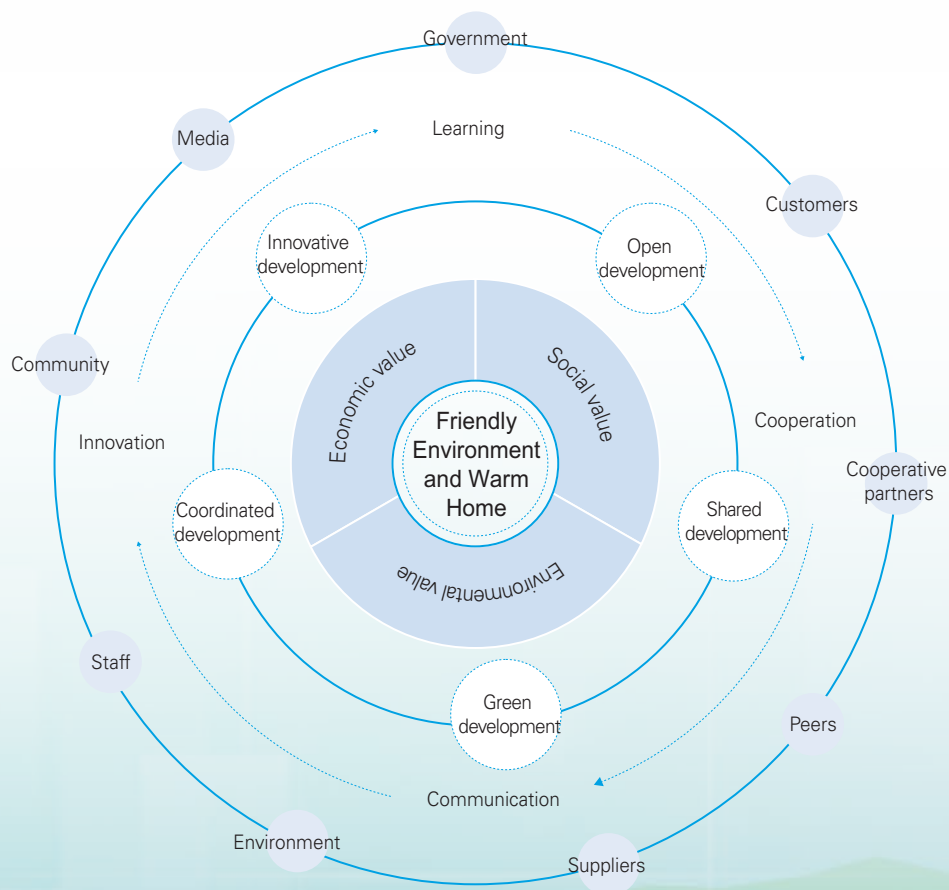
Under the leadership of the Board, the managers organize and implement relevant work, establish necessary working organizations, and various professionals continuously provide necessary support for environmental, social and governance work, carry out management research, establish relevant management systems, and formulate work plans and major deployment.

All levels of the Company clearly define and refine the work objectives, formed a long-term working mechanism, widely publicize and implement in all professions, all levels and posts realize the coverage of production and operation system, asset and economic operation management and functional management system. Through the formulation and implementation of sustainable development strategy, establishment and improvement of stakeholder participation mechanism, construction of social responsibility promotion system, and construction of comprehensive value creation assessment system, the Company shall do a solid job in resource coordination, capacity building, process monitoring, experience summary and improvement, strengthen information disclosure, and provide support for participation of stakeholders, so as to promote the Company to realize the whole process of environmental, social and governance coverage, all-round integration and full participation.

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE WORK

(II) PRINCIPLES AND POLICIES

Continuously putting into practice the social responsibility of “Friendly Environment, Warm Home”, the Company attaches great importance to the harmonious unity of economy and ecology, deeply implements the concept of green development, strictly implements relevant environmental protection policies, vigorously promotes energy conservation and emission reduction, deeply cultivates environmental protection industry, and actively promotes the development of new energy industry. The Company adheres to the people-oriented principle, scientifically builds staff team, protects the rights and interests of employees, and cares for the life of employees. The Company maintains effective communication with suppliers, customers, market investors and other stakeholders, takes into account the interests of stakeholders, creates a mutually beneficial and win-win relationship, and continuously promotes healthy development of the enterprise. The Company persists in giving back to the society, vigorously supports social public welfare undertakings, and establishes an accountable and responsible corporate image. The Company pursues the harmony and unity of economic value, environmental value and social value, takes “innovation, green, open, coordination and sharing” as the development concept, and constantly summarizes and refines excellent management cases and typical experience of the Company’s environment, society and governance through communication with customers, partners and employees, so as to comprehensively evaluate and identify the importance level of environment, social and governance related issues.



II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE WORK

(III) IDENTIFICATION OF FACTORS

In order to meet the requirements of sustainable development, the Company implements the relevant laws and regulations of the nation, industry and regulatory agencies, implements the Company's the Administrative Measures on Energy Saving and Emission Reduction, the Administrative Regulations on Safety Production and other regulatory provisions, takes the annual business performance assessment results as the guidance, combines with the demands and wishes of stakeholders, identifies environmental, social and governance factors, through factor identification, plan making, implementation promotion, summary and analysis to form a closed loop.



II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE WORK

(IV) COMMUNICATION WITH RELATED PARTIES

Stakeholders	Expectations and requirements	Communication mode	Responsibility practice
Government	Cooperating with macro control to promote employment Paying taxes according to law Promoting local economic development and operating in accordance with the law	High level meeting Communication meeting Information submission Attend the meeting Company announcement	Providing jobs and paying taxes voluntarily Social wealth creation Promoting the development of local related industries and steady business development
Staff	Occupational health and safety protection grow together Remuneration and welfare guarantee and humanistic care	Open party affairs and open government affairs Social Responsibility Report	Providing labor protection equipment and facilities, smooth career development channel Providing competitive remuneration and employee care
Customer	Keeping promise Products and services with high quality and low price Smooth communication channels	Business communication meeting Service hotline telephone Business exchange visits	Contract performance Providing high quality products and services Improving the service system
The public	Conserving energy, reducing emissions Resources conservation, environmental protection	Strengthening information disclosure Letters and visits Reporting energy conservation and emission reduction information to regulatory authorities on a regular basis	Green environmental management Green products Green projects

II. MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE WORK

Stakeholders	Expectations and requirements	Communication mode	Responsibility practice
Supplier / contractor	Fair competition Honesty and faith Confidentiality of information	Supplier Conference Bidding information disclosure Strategic cooperation and agreement	Equal consultation Abiding by the contract Responsible procurement
Cooperative partner	Regular communication Long-term stable relationship	High level visits strategic cooperation	Honest and law-abiding Mutual benefit and win-win
Peer	Fair competition Promoting the development and progress of the industry	Strengthening exchanges with peers Participating in industry forum, conference and visit each other	Maintaining the healthy development of the industry Participating in the formulation of industry standards Promoting industry exchanges and cooperation
Community and NGOs	Improving the community environment Respecting community culture Supporting public welfare undertakings	Community publicity Forum on community public service	Participating in community building and public welfare action
Media	Open and transparent information	Company website Social responsibility report newspapers and periodicals Interview and press conference	Establishment of a press spokesman Special topic planning for timely information disclosure Hold staff culture and art Festival

III. ENVIRONMENTAL PROTECTION

The Company continues to improve the environmental management system, regularly carries out system audit work, and successfully passes the external audit of China Association for Quality, and obtains the environmental management system certification.

The Company successfully completed the supervision and investigation of ecological environmental protection and the submission of rectification measures by the superior regulatory department, which was recognized by the regulatory department. Taking this supervision and investigation as an opportunity, we organized all affiliated enterprises to carry out self-examination and self-correction by drawing inferences from one instance. A total of 29 problems were checked and corrected, and the overall environmental protection work was greatly improved.

In view of the new requirements of laws and regulations on occupational health, safety and environmental protection, 10 safety and environmental protection systems such as "Administrative Measures for Implementing Occupational Health, Safety, Energy Conservation and Environmental Protection Responsibility System" were formulated and revised, and "Post Responsibility Manual" was prepared to clarify the safety and environmental protection responsibilities of all functional levels, so as to realize the management of safety and environmental protection responsibility list.



Organizing and carrying out special training for energy-saving and environmental protection management personnel, online answering of all staff's responsibilities and "energy conservation publicity week" activities to improve the environmental protection awareness of all staff.

Ensuring the investment in environmental protection projects, building new dust and organic waste gas treatment systems such as paint drying furnace and glue coating furnace, upgrading hazardous waste storage sites and old pipelines, steadily improving pollution control capacity, and ensuring the smooth progress of environmental protection work without environmental pollution accidents throughout the year.

III. ENVIRONMENTAL PROTECTION



The Machinery Company invested more than RMB800,000 to build a new dust purification system for paint drying furnace and glue coating furnace. The annual emission of smoke and dust was reduced by nearly 11 tonnes, which solved the problem of on-site environmental pollution, realized the emission of waste gas up to the standard, protected the regional atmospheric environmental quality, and fulfilled the enterprise responsibility of ecological environmental protection.

(I) ENERGY SAVING AND EMISSION REDUCTION

The Company strictly follows the Environmental Protection Law of the People's Republic of China, the Comprehensive Work Program for Energy Saving and Emission Reduction in the 13th Five-Year Plan Period and other national laws and regulations, always concerns itself with environmental protection and works on energy saving and emission reduction, and has formulated the Management Measures Concerning Energy Saving and Emission Reduction, the Supervision and Management Measures of Solid Wastes and relevant mechanisms. We actively assume social responsibility to reduce water, air, waste and noise pollution.

In 2020, the Company put into practice the concept of green development with practical actions, continued to increase the work of energy conservation and emission reduction, invested RMB13.1 million in energy conservation and emission reduction, focused on the application of new technologies and new processes of energy conservation and emission reduction, built an energy management center, implemented on-line monitoring and control of environmental protection facilities, and promoted the upgrading and transformation of electricity, water and heating.

The total energy consumption was 57,700 tonnes of standard coal, representing a year-on-year decrease of 4%; 0.141 tonnes of standard coal/RMB10,000, a year-on-year decrease of 3.2%; The comprehensive energy consumption (current price) of RMB10,000 output value was 0.031 tonnes of standard coal/RMB10,000, representing a year-on-year decrease of 17%.

In terms of pollution control, SO₂ emission was 10.10 tonnes, representing a year-on-year decrease of 38%, NO_x emission was 20.00 tonnes, representing a year-on-year decrease of 14%; COD emission was 124.85 tonnes, a year-on-year decrease of 33%; the emission of NH₃-N was 13.41 tonnes, representing a year-on-year decrease of 14%.

Environmental performance indicators	Unit	2020
Investment in energy conservation and emission reduction	RMB10,000	1310
Comprehensive energy consumption per RMB10,000 of added value	Tonnes of standard coal/RMB10,000	0.14
Comprehensive energy consumption per RMB10,000 output value	Tonnes of standard coal/RMB10,000	0.03
New water consumption per RMB10,000 output value	Ton of water/RMB10,000	0.50
Wastewater discharge	10,000 tonnes	71
Greenhouse gas emissions	tonnes	157,916

III. ENVIRONMENTAL PROTECTION

During the 13th Five-Year Plan period, the Company's energy-saving and emission reduction indicators met the requirements of the national 13th Five-Year Plan, and achieved a smooth conclusion of the 13th Five-Year Plan. When comparing the year ended 31 December 2020 with the year ended 31 December 2016, the completion of each index is as follows:

Environmental indicators	National 13th Five-Year Plan standard	The Company's achievement of 13th Five-Year Plan
SO ₂ emissions	15% year-on-year decrease	80% year-on-year decrease
NO _x emissions	15% year-on-year decrease	46% year-on-year decrease
COD	10% year-on-year decrease	41% year-on-year decrease
NH3-N emissions	10% year-on-year decrease	30% year-on-year decrease

Note: As the Company has no raw coal for the year 2020, the emission of SO₂ for the year 2020 decreased significantly.

The Company has rigorously complied with environmental protection regulations regarding the generation declaration, transfer and disposal as well as contingency plan of hazardous wastes. It has standardized and enhanced the environmental management of hazardous wastes by engaging operators holding valid license for processing hazardous wastes and electronic wastes. In 2020, the aggregate amount of hazardous wastes produced by the Company was 2,507 tonnes with a 100% disposal rate. The Company reuses non-hazardous wastes adhering to the principle of making the most use of them, so it is difficult to measure the total amount by standardization.



The Machinery Company has adopted closed-stage filter adsorption secondary stage to complete the pollution treatment of the down-line mid-frequency welding fumes, so as to achieve the standard discharge of the exhaust gas and protect the regional environment quality.

Heavy Equipment Company invested more than RMB3 million to carry out the deep treatment renovation projects of the waste gas from the telescopic spray room, from the original single activated carbon adsorption to the zeolite adsorption plus catalytic combustion process, which greatly improved the removal efficiency of volatile organic compounds and reduced the emission of pollutants.



III. ENVIRONMENTAL PROTECTION

Focusing on the establishment of environmental management system and standardization of the management of hazardous wastes, the Company's subsidiaries firmly deal with and rectify any behavior which is not in compliance with relevant regulations and laws and inspects any potential environmental hazard. It controls the source of pollutant and strengthens specially on the management of major source of pollutant by installing online automatic monitoring equipment on the source of water pollutant. Environmental publicity and trainings have been actively carried out to raise the environmental protection awareness of our employees and form a sound atmosphere for protecting the environment.



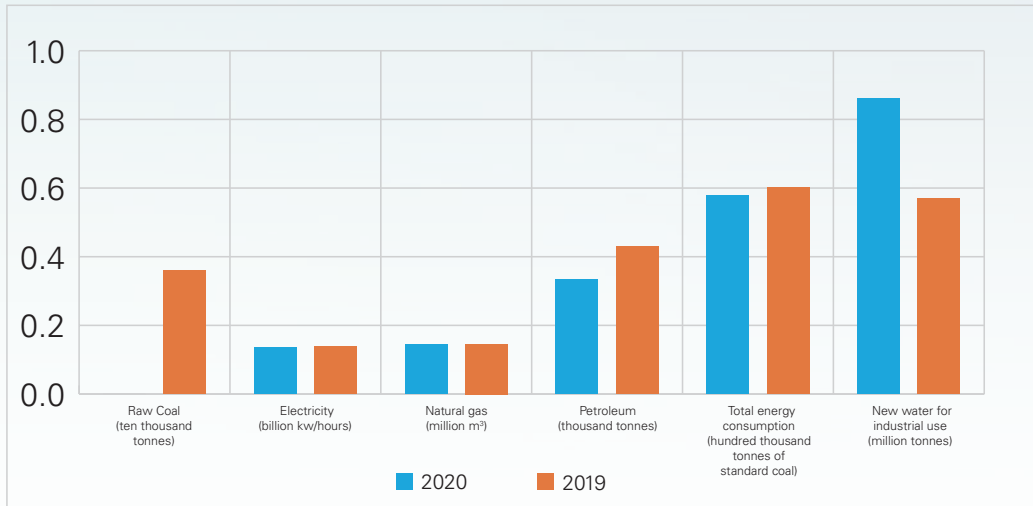
The Company strictly abides by the PRC laws and regulations on resource conservation, has established "Energy Management System", "Rewards and Punishments for Assessment of Single Major Energy Consuming Equipment", "Measurement Management System", "Energy Management System for Outer-ring Users", and strictly implements the above-mentioned measures during our production process.

The major raw materials required by the Company are steels and non-ferrous metals. By continuously improving our designs and techniques to promote the utilization rate of materials, the Company's utilization rate of major raw materials was 80% in 2020. The Company's packaging materials vary with the size and transportation needs of our products, and mostly are disposable goods. Due to the high recycling costs, their consumption cannot be measured by standardization.

As regards energy consumption, in 2020, the Company consumed 0 tonne of raw coal, 135.81 million kw/hour of electricity, 14.37 million m³ of natural gas and 334 tonnes of petroleum, which were equivalent to a total energy consumption of 57,700 tonnes of standard coal. The consumption of new water for industrial use was 0.86 million tonnes. There are no water sourcing issues as the water and resources used by the Company are industrial finished products and there is no significant influence on the natural resources. As headquarter is located in Harbin, the Company has access to abundant water and energy resources. Subject to energy saving and emission reduction as well as water saving, there are no other restrictions on the use of water and energy resources.

III. ENVIRONMENTAL PROTECTION

Energy Consumption Status



The Company earnestly fulfilled its responsibility for energy saving and emission reduction, enhanced the internal management to further explore internal energy saving potential, and developed and promoted the implementation of rules and regulations including the Occupational Health and Safety Environmental Protection Management Scheme, the Energy Plan Outline of the Company and the Control Procedures for Environmental Management and Operation. We gave publicity to the national energy saving and emission reduction policy and promoted advanced experience and practical technology to popularize energy saving and emission reduction and form sound atmosphere within the Company; office automation system was used for file distribution, government review and approval and online application for vehicles to reduce carbon emission; measures such as turning off lights when leaving and saving water were taken to reduce energy consumption; besides, we followed “no vehicle day” activity and transported via rail as well as built Qinhuangdao Seaside Heavy Duty Workshop to reduce car exhaust emission. Also, environmental protection standards for technology of products and materials to be purchased would be clearly listed in the tender documents of the central procurement projects, which stipulate to give preference to products with efficiency label, green water-saving certification and eco-mark to effectively reduce the use of over-packaged and disposable goods. The Company had no non-compliance regarding environmental protection in 2020.

III. ENVIRONMENTAL PROTECTION



Harbin Boiler Co., Ltd. has carried out the work of establishing a "garden factory". Throughout the year, it has planted a total of 1,532 trees such as lilac, Siberian elm, grass flowers, lawns of 6,010m² and hedges by 1,200 meters, cleaning up the environmental dead spots in the Company and providing employees with a beautiful working and living environment, as well as putting into practice the concept of "green mountains and clear water are our invaluable assets".

(II) ENVIRONMENTAL PROTECTION INDUSTRY

In 2020, the world's energy structure was rapidly adjusted, and China has made efforts to achieve peak carbon emissions in 2030 and "carbon-neutralization" in 2060. Green, low-carbon and clean have become the future dominant trends in energy development.

The Company pays attention to the construction of a complete scientific research and development system, by advocating green technology, energy conservation and environmental protection concepts, strengthening the implementation of science and technology and a series of energy conservation and emission reduction policies and measures, strengthening the construction of low-carbon industrial chain, and promoting the healthy and sustainable development of enterprises. On the one hand, the Company has optimized its product structure, actively developed high-efficiency clean, energy-saving and environment-friendly power generation equipment, and vigorously developed clean energy such as hydropower and nuclear power.

III. ENVIRONMENTAL PROTECTION

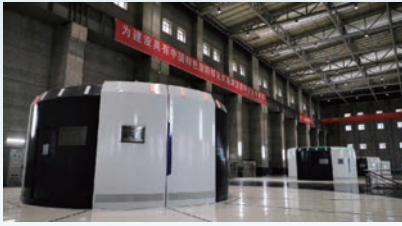
The main steam header of Unit 5 of our “Hualong No.1” Fuqing Nuclear Power Plant manufactured by the Company is produced and shipped to the site.



On 19 July 2020, the first unit of Dubai Haxiang 4×600MW Coal Power Plant Project, which was constructed by the Company, was successfully connected to the grid at the first time, realizing the goal of full-load coal-fired power generation. As a major engineering project under the “Belt and Road” initiative and the first clean coal-fired power station in the Middle East, the Haxiang project achieves the goal of full-fire coal-fired power generation, with natural gas and coal burning capacity to reach full capacity, making it the world’s first A power station project that achieves dual-fuel full-load supply.

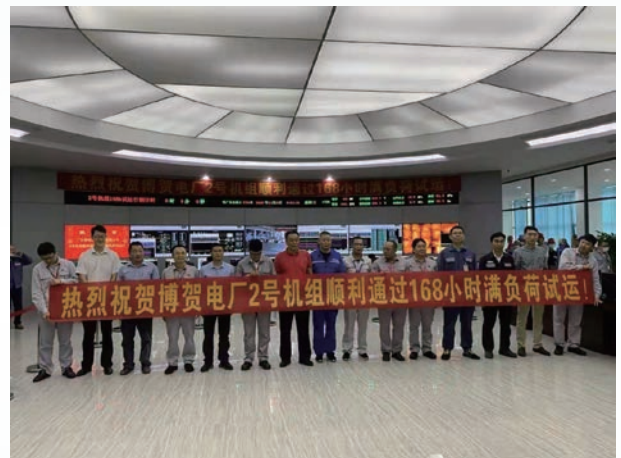
The Company has an ultra-supercritical secondary reheat boiler with independent intellectual property rights. It is currently the world’s most advanced thermal power generation equipment with the highest parameters and the largest capacity, as well as significant energy saving and emission reduction advantages. The Company’s environmental protection industry also includes denitrification, dust removal, and desulfurization business. It is the earliest domestic enterprise to enter the denitration market. Its denitration products covers 135MW-1,100MW, and the cumulative unit capacity exceeds 100 million kilowatts. It is a leading enterprise in the domestic denitration industry.

III. ENVIRONMENTAL PROTECTION



The No. 1 and No. 2 million MW ultra-super critical boiler units of Guangdong Yudean Bohe Power Plant independently developed by the Company have successfully completed 168 hours of full load trial operation with stable operation and good performance of various indicators. The quality and performance of the products have won the full affirmation of users, and promoted the construction of the first batch of environmental protection power plants in coastal areas in Guangdong which were near zero emission.

On 25 September 2020, all of the units under the Fengman Reconstruction Project were put into operation successfully, and the Company's self-developed "Full-range Remote Intelligent Diagnostic System" was successfully launched, and passed the identification of the China Electrical Apparatus Industry Association Committee, which completely overturned the previous "planned maintenance" Cost-and-transportation method has fully opened up a new era of systematic maintenance, digitalization and intelligent "condition maintenance".



In 2020, the Company signed a number of domestic sewage project contracts, realizing the great-leap-forward development from the supply of equipment for rural domestic sewage project (P) to the construction for the supply (PC) and then to the project general contract (EPC), with practical actions to support the construction of beautiful villages.

IV. CONTRIBUTING TO THE COMMUNITY

The Company actively practices social responsibilities, creates more jobs, and realizes corporate social value. Focusing on the core values of “Concerted efforts, dedicated services”, the Company adopts people-oriented approach, builds harmonious labor relations, strengthens occupational health protection and continuously improves salary distribution system, so as to fully protect employees’ legitimate rights and interests. It strengthens supply chain management, fulfills product responsibilities, promotes the sustainable and healthy development of the enterprise by fulfilling social responsibilities and meeting customer satisfaction, and takes into account the interests of all interested parties to the maximum extent. It actively carries out investments in community and anti-corruption to maintain regional stability and promote community harmony.

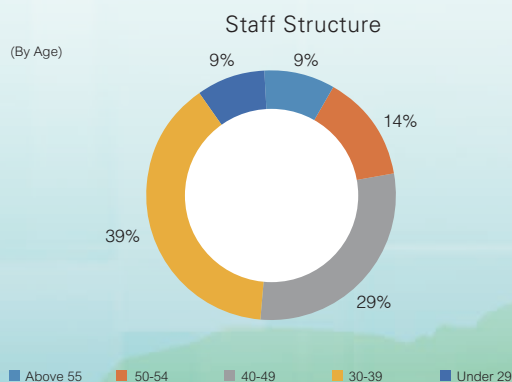
In 2020, the Company consolidated its efforts to safeguard the legitimate rights and interests of employees, strengthened training and paid attention to occupational safety, encouraged innovation, enhanced monitoring, attached importance to services, and actively maintained community stability. During the year, the Company had no substantial product quality incidents, no negative news of community responsibilities and no corruption lawsuits occurred.

Social Performance Indicators	2020
Tax payment (RMB0,000)	92,984.75
Total number of employees (no. of persons)	16,857
Labor contract coverage (%)	100%
Social security coverage (%)	100%
Total amount of staff training (RMB0,000)	808
Number of occupational diseases (no. of persons)	4
Turnover (no. of persons)	132
Additional postgraduate education or above (no. of persons)	74

(I) CARING FOR EMPLOYEES

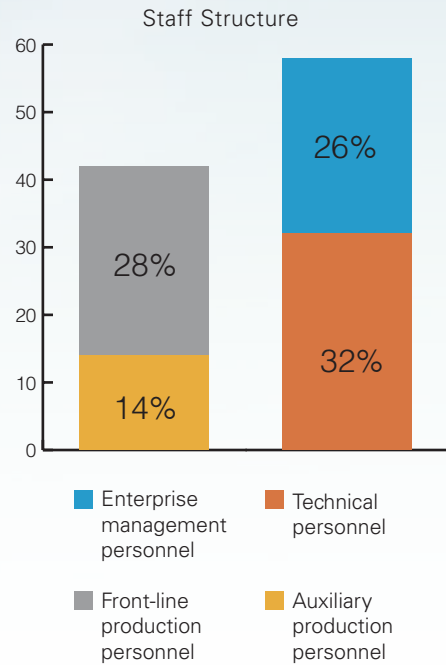
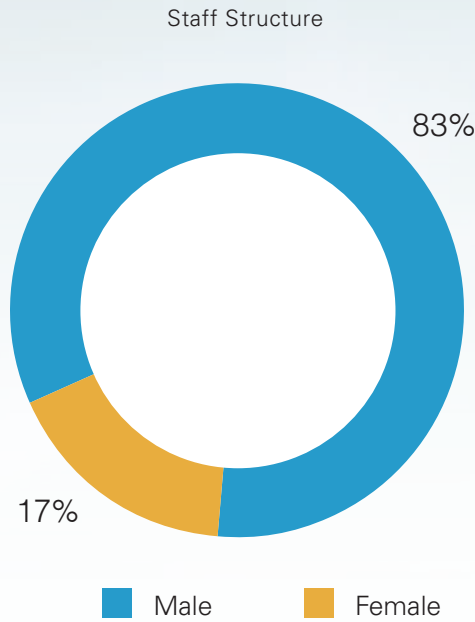
The Company implemented a working system of five days a week and eight hours a day. Staff are entitled to all holidays prescribed by the nation and local governments and are entitled to paid leaves ranging from 5 to 15 days depending on their years of service. Staff of the Company are entitled to “5 Insurances and 1 Pension” and other benefits. The Company has also established the corporate pension scheme to provide better guarantee for our staff.

1. EMPLOYMENT



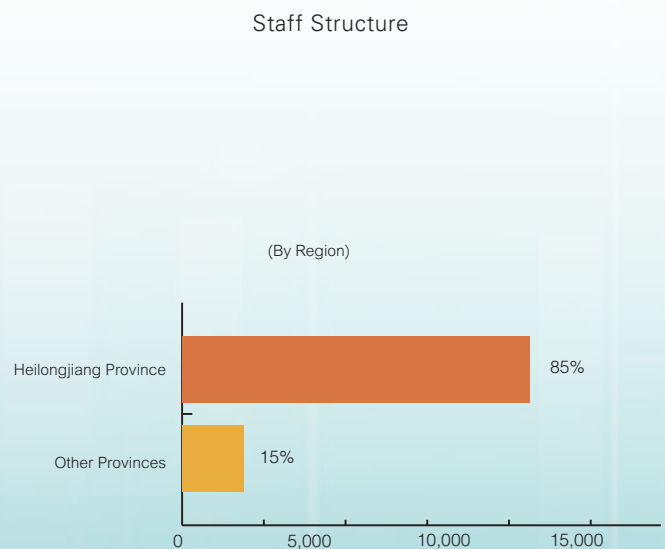
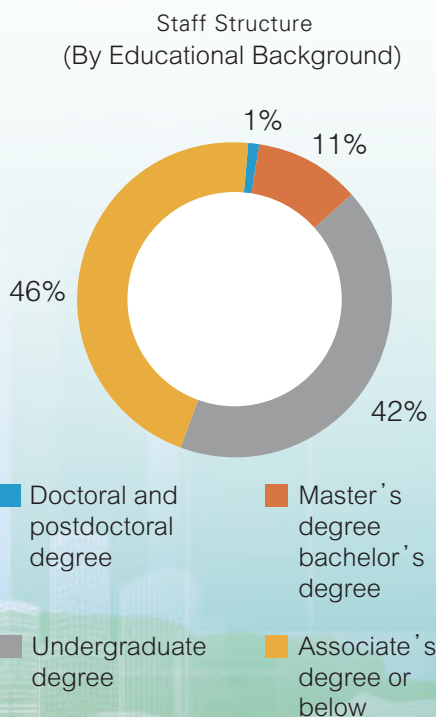
As of 31 December 2020, the total number of employees in the Company was 16,857, including 13,750 employees at work, 2,306 female employees, accounting for 16.77% of the total. The number of the employees aged over 55 was 1,209, accounting for 8.79%; aged 50-54 was 1,887, accounting for 13.72%; aged 40-49 was 3,962, accounting for 28.81%; aged 30-39 was 5,374, accounting for 39.08%; aged under 29 (inclusive) was 1,318, accounting for 9.59%.

IV. CONTRIBUTING TO THE COMMUNITY

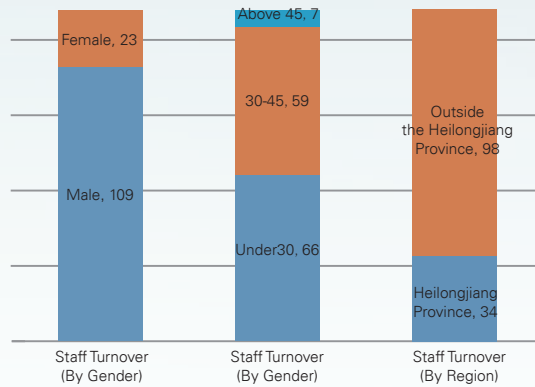


Among the employees at work, there were 54 employees with doctoral and postdoctoral degree, accounting for 0.39%, 1,523 employees with master's degree, accounting for 11.08%, 5,794 employees with bachelor's degree, accounting for 42.14% and 6,379 employees with associate's degree or below, accounting for 46.39%.

In 2020, the Company's minority employees accounted for 5.1% of the total number of employees.



IV. CONTRIBUTING TO THE COMMUNITY



In 2020, there were 360 employees joining the Company and 132 employees leaving the Company, leading to a turnover rate of 1.0%.

In 2020, in order to motivate key employees, the Company formulated the share appreciation rights incentive plan. On 29 January 2021, the share appreciation rights incentive plan and scheme were approved by the general meeting of the Company. On the same date, the Board announced that the conditions for granting the share appreciation rights incentive plan and scheme were satisfied, and formally granted 48.32 million share appreciation rights to 281 incentive targets.

The employees of the Company participate in the government-established and state-managed retirement benefits schemes of the PRC. At the same time, the Company has adopted an enterprise annuity system in accordance with the relevant regulations, and the Company was required to contribute a certain percentage of its employees' remuneration to the retirement benefits scheme.

In 2020, the total remuneration of the Company is RMB1,615.23 million, and the average remuneration of employees is higher than the social average remuneration in its region where the Company is located.

IV. CONTRIBUTING TO THE COMMUNITY

2. HEALTH AND SAFETY OF EMPLOYEES

The Company attaches great importance to the health and safety of our staff members. Each subsidiary has set up a regulatory system for production safety and occupational diseases prevention and control. Specific department is assigned to oversee the safety in production, striving to create a safe working environment for the Company's staff members and keep them out of occupational health hazard.

The Company effectively operates the Occupational Health and Safety Management System (OHSMS18000) and Environmental Management System (ISO14000). Insisting on the policy of "placing safety on top of the priority list, taking precaution as the main task and providing comprehensive treatment", we continue to deepen major responsibilities in ensuring production safety, and extensively commence promotion, education and training on production safety, while safety education will be provided to new employees once they join our Company. We continued to work on meeting the targets of production safety standardization and established sound mechanism on contingency and reaction for overseas safety issues for overseas investment cooperation. Large-scale inspections on production safety are performed regularly to eliminate any potential hazards in a timely manner. Generally, the Company arranges regular medical checkups for staff members once every year. For those who work under poor environment, the items checked and frequency of checkups will be increased accordingly and treatment are regularly organized to minimize occupational threat to their health, enhancing our level of occupational health and safety and environmental management.

In 2020, the Company inspected a total of 1,200 potential safety hazards with a rectification rate of 99.6%, conducted 229 emergency drills with 7,000 attendances, invested RMB43 million in production safety, and held 186 training sessions on production safety attended by 30,000 persons. Throughout the year, there were no accidents with serious injuries and no fatal incidents, and there were 18 minor accidents with 18 employees suffering from slight injuries. Rate of work injury involving a thousand workers was 1.06‰.

IV. CONTRIBUTING TO THE COMMUNITY

In 2020, the Company continued to strengthen the concept of safety development and red line awareness, laid a solid foundation for work safety and environmental protection, earnestly carried out the centralized work of safety production, paid close attention to the implementation of the responsibility system for work safety, and continuously promoted the construction of risk prevention and hidden danger investigation and management, production safety standardization and dual prevention mechanism, so as to ensure the safety of employees.



The Company held the 2020 Safety and Environmental Protection Work Meeting



In 2020, the Company and its affiliates carried out a variety of activities, such as consultation, training and investigation and management of hidden dangers, based on the safety production month campaign on the theme of "Eliminate Accidents and Hidden Hazards. Consolidate the Safety Line of Defence".

IV. CONTRIBUTING TO THE COMMUNITY

3. DEVELOPMENT AND TRAINING OF EMPLOYEES

In order to strengthen the construction of core talents team, the Company released a series of documents related to talents to guide and motivate the personnel development through dual channels including talents and official career, gradually improving the core talent system of the Company. The Company attached great importance to the construction of employees' career development channels and formulated the guidance on unifying the management of employees' career development channels. It has realized the "four-unified" channel construction of unified development sequence, rank setting, assessment management and incentive methods for all employees, and established promotion channels for the corresponding levels of cadre grades, technical grades, management grades and skill grades, which further removed the obstacles to the talent mobility, stimulated the vitality of talents, innovated the talent mechanism, and provided strong support for the Company's high-quality development.



IV. CONTRIBUTING TO THE COMMUNITY



Steam Turbine Company has paid attention to the training of young talents, has focused on the care of newly recruited single foreign university students and formed pair with young technology personnel.

In 2020, the Company continued to focus on building a high quality, high technology and skilled talent team, which organized a total of 1,628 training sessions and carried out various training for 67,000 persons.

Staff to be trained	By gender		By position level		
	Male	Female	Senior management	Mid-level management	General staff
Percentage of trainees	98%	97%	100%	100%	97%
Average training hours	43	43	112	94	38

IV. CONTRIBUTING TO THE COMMUNITY

4. LABOR STANDARDS

The Company adheres to its “people-oriented” development concept, strictly abides by laws and regulations such as the Labor Law and Labor Contract Law, emphasizes staff management, enters into labor contracts with employees in accordance with the law, pays social insurance in full, and focuses on protecting personal information of our employees. It endeavors to create better working environment for its staff, and at the same time reduces exposure to labor employment risks, as well as efficiently eliminates the use of child and forced labor.

Remuneration: the Company will establish a performance-based remuneration mechanism, provide competitive remuneration to employees; and pay for the personnel of all kinds of endowment, medical treatment, occupational injury, childbirth and unemployment, being five social insurances. The social insurance coverage reaches 100%.

Leave and Holiday Policies: According to the state regulations, the Company will implement paid leave related policies to encourage employees to take paid leave, and protect the special rights and interests of female employees.

Democratic management: the Company will adhere to the promotion of democratic management and advances the disclosure of information; the proportion of enterprises participating in union employees is 100%, the Company will convene staff representative meeting.

Equal Employment: the Company will adhere to the employment policy of equality of men and women and national equality; standardize the management of labor dispatch personnel in accordance with the law and insist on equal pay for equal work.

The Company has revised the occupational-disease-inductive management system according to law and organized employees to carry out occupational health examinations. At the same time, the Company paid attention to fostering healthy models and behaviors of employees.

IV. CONTRIBUTING TO THE COMMUNITY

(II) SUPPLY CHAIN MANAGEMENT

The supply chain management of the Company adopts a centralized and decentralized mode of operation. Some of the materials are purchased by the subsidiaries in accordance with the bidding and procurement procedures, respectively. Some of the materials are purchased by the Company and gradually expanded to the proportion of centralized purchasing. At the same time, giving full play to the functions of the tender center, we establish and improve the bidding system, and gradually expand the scope of the tender, standardize management and improve efficiency.

The Company standardizes supplier management, adopts strict credit approval process, and implements procurement tender transparency management. The engagement of suppliers strictly fulfills the following processes:

- (1) To strictly review the nominated suppliers' quality assurance capacity, technical level, commercial qualification and other aspects according to the Supplier Qualification Management Approach and include those passing the review in the list of qualified suppliers.
- (2) To select the qualified suppliers to purchase materials in the list of qualified suppliers, fulfill the tender procedures, issue a notice to more than five qualified suppliers (more than three suppliers, if specific materials approved to be strategic and bottleneck supplies), evaluate the organizational documents, conduct tender review, and ultimately determine the supplier based on a comprehensive review of the results and sign a procurement contract.

For some suppliers, the Company will review relevant information on its environmental and social responsibility. The review procedures and contents are as follows:

- (1) It is necessary to provide the corresponding documents within one to three days in advance to review the requirements for the review of environmental management operations control procedures, social responsibility reports and their supporting documents. Those who fail to pass environmental certification or have no social responsibility report are required to provide relevant documents on environmental management and social responsibility.
- (2) Persons with environmental system qualification and business management experience are appointed to conduct on-site audits based on the documents provided.

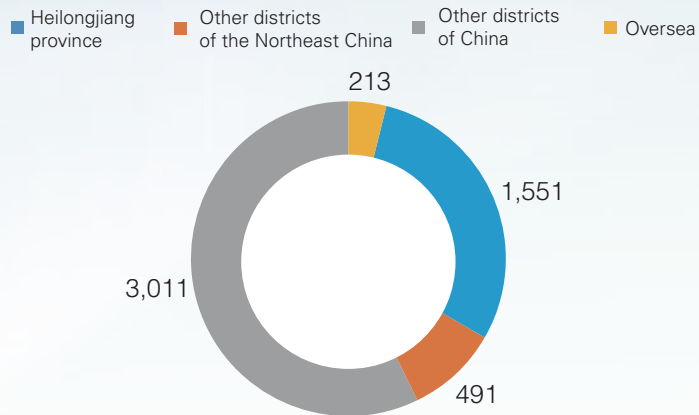
In 2020, the Company reviewed a total of 276 new suppliers.

As at 31 December 2020, the Company had 5,266 qualified suppliers.

Private enterprises account for the majority of the Company's suppliers, who pay the purchase price in time during the procurement to support the development of private enterprises.

IV. CONTRIBUTING TO THE COMMUNITY

Distribution of Suppliers



Finance Company continues to strengthen its financial services, extends its financial services to customers in the industrial chain of member companies, helps member companies strengthen the cooperation relationship between enterprises and customers in the industry chain, and to a certain extent solves the problem of difficulties and high cost of financing small and micro enterprises in the industry chain. The picture shows the Finance Company visiting Jiamusi Zhongwei Industrial Co., Ltd.

IV. CONTRIBUTING TO THE COMMUNITY

(III) PRODUCT LIABILITY

The Company has established the concept of “community of interest”. With the purpose of serving customers, facilitating customers, and meeting customer needs, we sincerely treat customers and partners, and establish a complete customer relationship management system. We treat customers as long-term strategic partners, going forward and backward together, jointly discovering business opportunities in the market, carrying out business development, and sharing development results. We timely and accurately resolve problems in project execution. There was no negative information on partner responsibility in 2020.

The Company always adheres to be considerate and responsible for the users, and to improve the overall product quality and service quality. The Company always adheres to the quality concept of “exquisite design, superb craftsmanship, fine manufacturing and excellent project” to create well-recognised brands that are highly regarded and trusted by users all over the world, continuously strengthens project management to maximise the needs of users, create more value for users and establish a trustworthy corporate image.

In 2020, the Company invested RMB1,308 million in technology, completed 342 research projects and developed 125 new products. The Company received 33 technology awards, including 2 national special awards and 28 provincial and ministerial awards. Two projects, including the Yangtze River Three Gorges Project, won the special prize of National Science and Technology Progress Award, and the “Research and Development and Engineering Application of the New Generation Large-capacity Camera” project won the grand prize of scientific and technological progress of China Machinery Industry. During the year, the Company completed 314 patent licenses, including 61 invention patents.

The Company has established relevant procedures, such as the “Administrative Measures for Work on Patent-Related Issues”, to safeguard and protect intellectual property rights.



“Yangtze River Three Gorges Project” won the National Special Award for Science and Technology Progress. From the joint production and cooperative production by a consortium formed by the Three Gorges Left Bank Hydropower Station and a well-known foreign company, to the independent research and development of the Three Gorges Left Bank Hydropower Station and the underground power station, Harbin Electric Corporation has not only embarked on a successful road of introduction, digestion, absorption and re-innovation, but also successfully innovated and designed a high-quality runner with independent intellectual property rights, and developed the fully air-cooled technology for giant hydro-generator sets which is unique in the world.

IV. CONTRIBUTING TO THE COMMUNITY

1. CONTINUOUS IMPROVEMENT OF TRADITIONAL PRODUCTS

In terms of thermal power, the first 660MW high-efficiency ultra-supercritical fan-mounted tower-type lignite boiler in China was successfully put into operation at Huaneng Northern Shengli Power Plant, and the world's first high-powered 660MW steam turbine generator unit was successfully put into operation at Guohua Jinjie Power Plant.

In terms of nuclear power, the installation of the throttle assembly of steam generator for HTSC in Shidaowan was completed, and the double-stack cold test was completed, and the world's first stack of grid-connected power generation of "Hualong One" was supplied by the Company with the main coolant pump of the reactor.

The application of advanced design techniques and comprehensive shafting and structural checking methods ensures the stability of the high-level units and has been successfully applied in the Guohua Jinjie project with the world's first full-high-range layout of steam turbines, with excellent performance indicators, and was awarded honor of the project construction unit by users.



IV. CONTRIBUTING TO THE COMMUNITY

2. ACTIVE EXPLORATION OF THE DIRECTION OF TRANSFORMATION

The Company achieved full market coverage of waste-heating boiler products, 20 waste furnace projects and 29 waste furnaces were entered into; the Datang Leizhou Desulfurization Wastewater Treatment Project has been qualified for effluent at one time and has obtained the order contract with Huanan Environmental Bureau, which has entered the zero-waste water discharge and the rural wastewater treatment market.

The Company was awarded the contract of heat exchange equipment for the first compressed air energy storage demonstration project in the PRC, and continued to enter the energy storage field after the storage tank of the ramp layer.

The Company acquired the supply contract for the large-scale bubble-cavity axial-shaft pump drive system, and signed the contract for the construction of 950-trillion distributed cameras in Hainan, Qinghai Province with State Power Investment.

The Company completed trial production and no-load testing of the first wheel hub motor prototype and completed the manufacture of the key components of the first prototype of the heavy-duty mining truck electric wheel.



Six 850 t/d WTE boiler units of the world's largest and highest standard deep-energy environmental WTE power plant developed by the Company successfully passed the 168-hour test run

IV. CONTRIBUTING TO THE COMMUNITY

3. PRODUCT QUALITY CONTROL

Based on the requirements of ISO9001 quality management system and the actual situation of their products and the market, the subsidiaries of the Company have formed an effective quality control model.

Each subsidiary has set up a special quality inspection department, which is responsible for the final monitoring and measurement of incoming materials, process rooms, and products (both including monitoring and measurement at the supplier).



Our customers are mainly power generation enterprises. The Company's products generally go through 168-hour trial operation after installation is completed in the power plant, and put into commercial operation after being qualified. During the period of commercial operation, the Company will generally offer one-year quality guarantee period to customers.

In 2020, zero quality accident occurred in the Company. No product was recovered for safety and health reasons. No complaint relating to product and service was received.

In providing users with products that meet their needs, the Company is also committed to offering timely, effective service to users, proactively conducting visits, understanding and dealing with issues raised by users.

IV. CONTRIBUTING TO THE COMMUNITY

(IV) ANTI-CORRUPTION

The Company adheres to the spirit of the Fourth Plenum of the 19th Central Commission for Discipline Inspection and is firmly committed to combating corruption. The Company will strengthen the Party's main responsibilities and supervisory responsibilities, give full play to the role of leading groups and coordination groups in the work of building a clean and honest administration of the Party's work style and anti-corruption work, strengthen the political supervision, innovate the daily supervision, focus on supervision and coordination, and endeavor to establish a unified supervision and coordination structure. The Company adheres to the key tone of "strictness", uses the concept of "three NOs" to promote anti-corruption work, consolidates the effect of "dare not corrupt", severely investigates and deals with cases violating the spirit of the Eight Provisions of the Central Government, improves the construction of the "no corruption" mechanism, carries out special inspections on the implementation of spirit of the Eighth Provisions, prevention of food waste, performance of duties and performance of business expenses, adheres to the problem orientation, promotes rectification of problems found in daily supervision, inspection visits, auditing supervision, and special inspections, achieving the effect of "investigation, alert and management". The Company constructs moral defense of "unwilling to corrupt", convenes warning education meeting, names to report typical cases and guides the Party members and cadres in awe and knowing the bottom line.

In 2020, there were zero cases of corruption in the Company.

(V) COMMUNITY CONTRIBUTION

The Company strived to maintain community stability and promoted community harmony. The Company had no negative publicity regarding social community in 2020.

The Company rescued and disposed of inefficient and ineffective assets during implementation of major asset restructuring, democratic deliberation of employee resettlement program and other measures in accordance with the national and local laws and regulations, and carried out corporate reforms orderly, which maintained the stability of the enterprise and the place in which it operates. Meanwhile, the Company pushed forward the construction and operation of labour union mutual funds and charity funds from Party members and encouraged our employees to participate in public welfare activities and contribute to the society, so as to enhance their recognition of the society and enterprise as well as sense of belonging; we have also driven harmonious and sound development of the community through voluntary activities such as kindergarten education, medical service and aiding the poor, and actively carried out targeted poverty alleviation. For years, the Company actively cooperated with the civil air defense, armed forces, civil defense and the "two advocacies" of Harbin, Heilongjiang Province and strived for contributing to regional military and civilian development, which were recognized by the Civil Affairs Bureau and Civil Air Defense Office of Harbin and other relevant authorities.

IV. CONTRIBUTING TO THE COMMUNITY

1. COMMUNITY WELFARE

The Company valued employees' participation in social responsibility practices by encouraging our employees to participate in public welfare activities and contribute to the society, so as to enhance their recognition of the society and the enterprise as well as sense of belonging. Highlighting industry characteristics, the Company extensively carries out volunteer service activities with cultural characteristics, vigorously promotes the spirit of volunteer service, and creates a good atmosphere for cultural volunteer services.



Organizing young volunteers to carry out snow sweeping on the crossover bridge to facilitate commuters to commute to work

IV. CONTRIBUTING TO THE COMMUNITY



Actively carrying out the activities of “Loving Support for the Elderly” and “Student Assistance in Golden Autumn”



In order to alleviate the pressure on blood demand of medical institutions at various levels in Harbin and assist in the prevention and control of COVID-19, the Company organized a voluntary blood donation campaign from 7 to 10 April. Employees of the Company participated in order to fight against the pandemic, and have a total of 1,500 employees donated blood with a total of 370,000 milliliters.

2. POVERTY ALLEVIATION

On 17 May 2020, the Yunnan Provincial Government declared that Wenshan City, a designated and assisted city of the Company, was officially achieved poverty alleviation. Since 2013 when the Company targeted on helping Wenshan City, the Company has strengthened the coordination and promotion of the poverty alleviation work by strengthening the organization and leadership; insisted on selecting young cadres to take positions in Wenshan City; emphasized industrial poverty alleviation, help people in Wenshan City continue to increase production and income; sent education resources to the countryside to provide intellectual support for the poverty alleviation of Wenshan; and promote the seven keys of poverty alleviation, such as party building-led, capital-led, education-driven, enterprise-led, commercial, employment based and industry-oriented poverty alleviation with pragmatism, solidity and truthfulness, giving a “hardcore” transcript on the road to precise poverty.

IV. CONTRIBUTING TO THE COMMUNITY



The Company's chairman Si Zefu inspected the Sanqi R&D Base in Miaoxiang, Wenshan City



Wu Weizhang, the Company's president visited the poor areas to investigate the governance of the rural living environment.



"Yan Fujiang, a cadre of the Company, was named as an "Advanced Poverty Alleviation Worker" in Wenshan, Yunnan Province



The "first secretary" of the village selected by the company went deep into the poor villages to carry out work.

3. FIGHT AGAINST EPIDEMIC

At the beginning of 2020, faced with the severe situation of the COVID-19 pandemic, the Company has been careful to do all the work in the prevention and control of COVID-19 as well as the resumption of work and production. The Company maintains a "zero epidemic" at home and abroad.

On the 29th of the preserved month of the Chinese lunar calendar, the Company urgently issued the "Emergency Notice on Prevention and Control of COVID-19" to fully deploy the epidemic prevention and control work. On the second day of Chinese New Year, the Leading Group for fighting COVID-19, led by the Chairman of the Board as the leader, was established and was set up to strengthen comprehensive prevention and control. The Company established a mechanism of the epidemic prevention and control weekly meeting (video) and, in accordance with the actual situation of the epidemic situation, compiled and issued the "Important Notes" to guide the enterprises to carry out the protection work.

During the year, the Company achieved the goal of "zero infection among all cadres and workers".

IV. CONTRIBUTING TO THE COMMUNITY



Donated to epidemic prevention and control frontline personnel in Wuhan City and Heilongjiang Province RMB1.1 million in prevention and control materials; employees of the Company made donations to the epidemic prevention and control frontline in Wuhan 11,049 N95 medical masks; Employees' cumulative donation amount More than RMB1.2 million; donated epidemic prevention materials to some overseas owners and partners more than RMB4,600,000.

For overseas projects, the Company rapidly established a joint prevention and control mechanism, organizes regular meetings on pandemic prevention and control, sets up a remote online medical consultation platform to provide overseas employees with real-time online medical consultation service; and coordinates charter flights to deliver goods to the market to ensure the safety and health of overseas employees.



In February 2020, at the crucial stage of the prevention and control of COVID-19, the Company arranged the party members and cadres to go into the community to participate in the prevention and control of epidemics, with a total of 205 members connecting with communities of more than 100 Harbin municipal districts including Acheng District and Songbei District, adhering to the community line of defense, and giving out Harbin energy in order to win the war against the pandemic.

IV. CONTRIBUTING TO THE COMMUNITY



The Company purchased nearly RMB800,000 worth of condolences such as rice, eggs, milk, vegetables to 363 medical workers in the frontline of epidemic prevention and control in Heilongjiang and their families, provided assistance to all the best of its ability to relieve the stress of the frontline medical workers and cheered for the heroes of the Longjiang medical service.



Since July 2020, the Company has actively communicated and coordinated with Harbin Center for Disease and Control, Sinopharm and various community health service stations to organize COVID-19 vaccination for our employees in an orderly manner. So far, the overall vaccination rate of employees has exceeded 79%.

In 2021, the Company actively promoted our employees to stay put for celebration of the Chinese New Year, with more than 1,000 foreign employees in Harbin, 519 employees leaving from the locality of the Company; stay-put employees, employees working overtime, overseas employees and family members during the Chinese New Year were granted additional allowance and subsidies, overtime pay, consolation payment or items, with an accumulated contribution of RMB491,600.

V. CORPORATE GOVERNANCE

The Company has been actively enhancing its corporate governance structure and standardizing its operations through strictly complying with relevant provisions such as the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. The Board of the Company is committed to maintaining a high standard of corporate governance, and believes that good corporate governance practices are crucial to the success and sustainable development of the Company's business in the long run.

In 2020, the Company has fully complied with all code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong and, where appropriate, adopted the recommended best practices as specified therein. However, the eighth session of the Board is subject to postponement due to the appointment of the new Board on 31 December 2020.

The Board of the Company is responsible for the fulfillment of the corporate governance functions. In 2020, the Board of the Company has strictly observed the policies and practices in compliance with laws and regulatory requirement, and also formulated and amended its regulations with reference to those policies and practices, with an aim to perfect our corporate governance policies and practices. The Company continues to focus on the training and continuing professional development of directors and senior management, and actively carries out internal review and rectification work to improve the level of the Company's governance.

The Company continues to strengthen the compliance management, strengthens the top-level design, establishes risk management and compliance management committee, issues the "Compliance Management Document Series", coordinates the implementation of the compliance management system, and establishes a contract management mechanism of "examination and checks ahead, tracking during the time and supervision and assessment afterwards", combines the advertising work of the requirements of compliance, advertisement and education of law and the Constitutional Publicity Week, vigorously promoting the establishment of a normalized training mechanism, further strengthens the compliance management team to provide talent protection for the improvement of compliance management capability, and establishes a system for accountability for non-compliance operations and investments, to strengthen supervision, and to improve the effect of supervision..

The Company has continuously deepened the risk control management, strengthened the risk and internal control management, improved the major risk identification and early warning mechanisms; established a system to monitor and resolve major risks, implemented remote online monitoring of risk management, focused on risk management of major projects and continuously tracked potential risks; steadily advanced risk warnings for major overseas projects, proactively guarded against potential risks in international trade rules; promoted risk and internal rectification, and effectively raised the level of risk management and internal control.

Details of Corporate Governance are published under the section headed "Corporate Governance Report" in the 2020 annual report of the Company.



哈尔滨电气股份有限公司
HARBIN ELECTRIC COMPANY LIMITED