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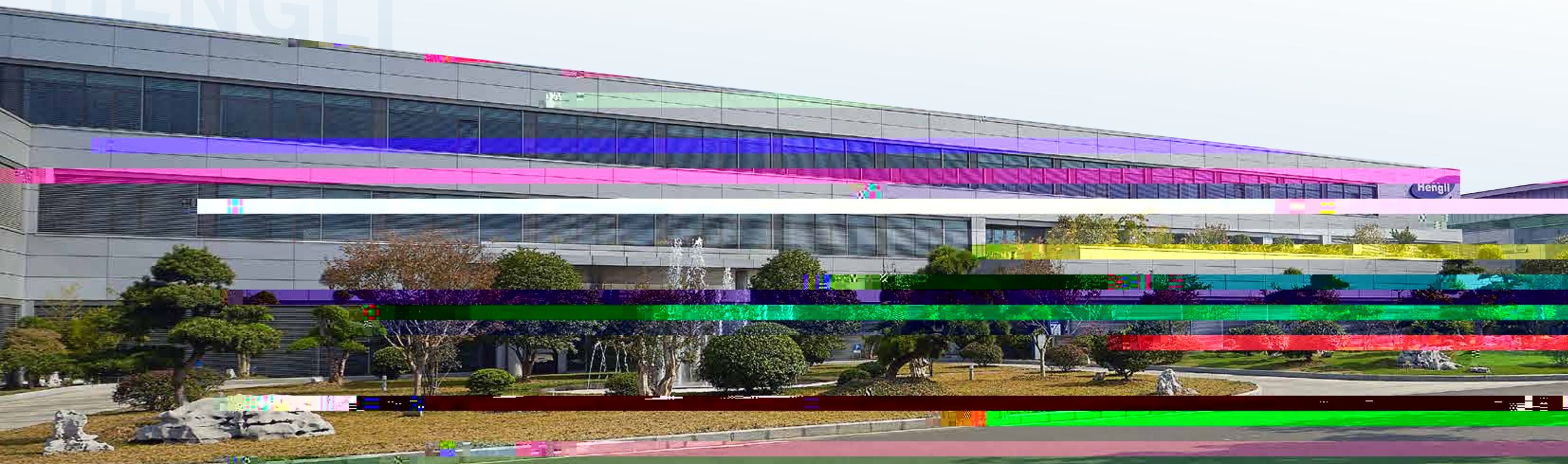


About This Report

Report Overview

This report is the rst Sustainability Report (hereinafter referred to as“ this report ”or“ ESG Report ") issued by Jiangsu Hengli Hydraulic CO., Ltd. (hereinafter referred to as“ Hengli Hydraulic ",“ the Company ", or“ we "). It systematically discloses our strategies, management practices, performance, and progress toward goals in the environmental, social, and governance (ESG) domains for . The report aims to address the expectations and concerns of stakeholders and comprehensively presents the Company 's vision and initiatives in sustainable development.

Report Scope

This report uses "Hengli Hydraulic" as the reporting entity, covering its subsidiaries and branches. Unless otherwise speci ed, the scope of this report aligns with that of the Company 's Annual Report.

As an annual report, the information and data covered in this report span the period from January , , to December , (hereie " , z s ® v / tso` //ɔes epoÞ γ ʁ w̄ v / γ ʁ Ʀ e " eport Š enA nu h ' ſ tDucem ṅ ul ȷ ẓ t a ss eq w̃ γ / ƙ Ƭ r " ẓ a t a Ö ᴰ ȝ !

Explanatory Notes

Confirmation and Approval

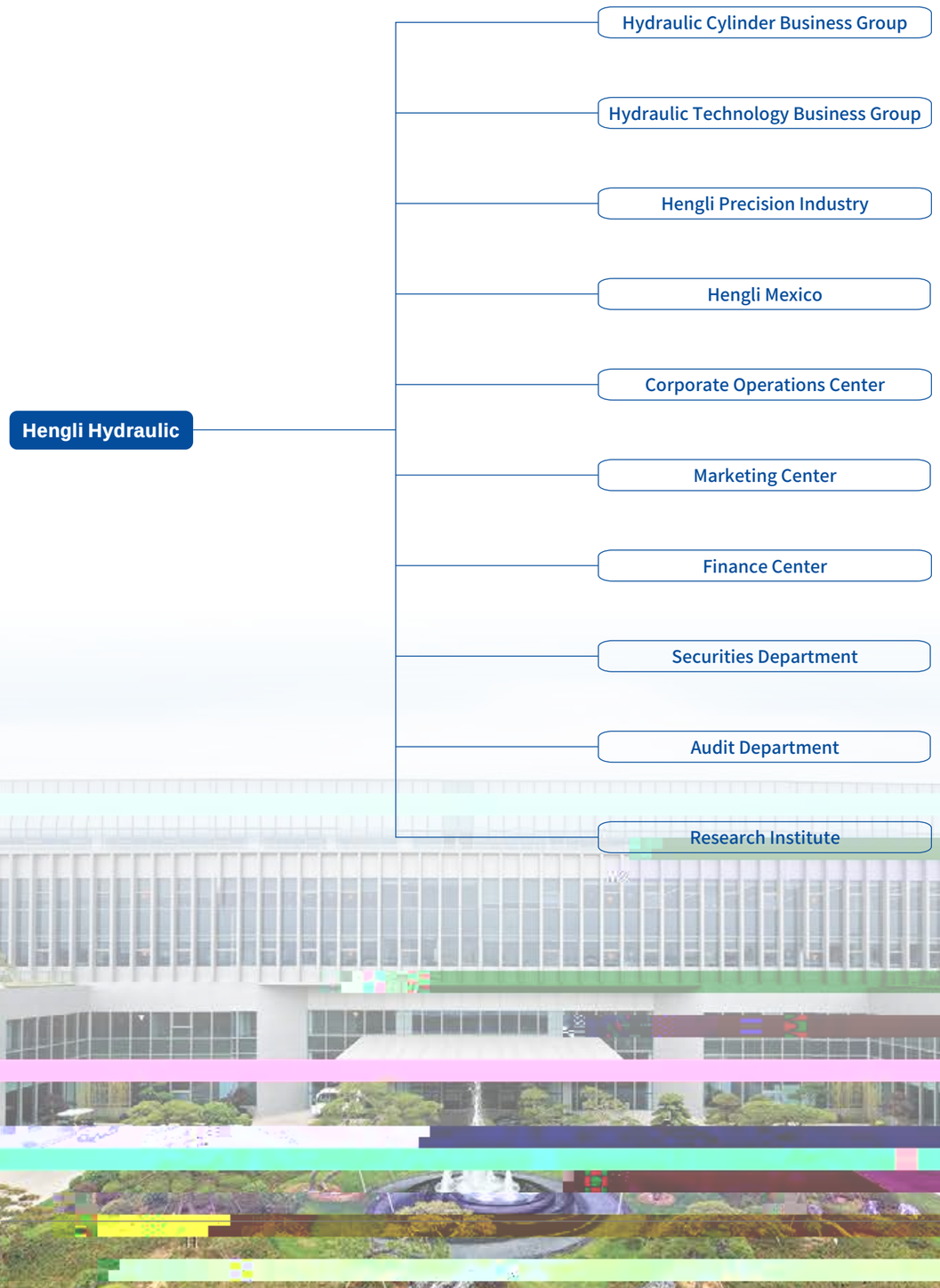
This report was approved by the Company 's Board of Directors on April , , and is released concurrently with the Q Report. The Board of Directors and management assume responsibility for the authenticity, accuracy, and completeness of the contents of this report, ensuring there are no false records, misleading statements, or material omissions.

Access and Feedback

We welcome oversight and feedback from investors and the public. This report is published in electronic format and can be accessed and downloaded from Hengli Hydraulic 's o cial website (http://www.hengli-hydraulic.com) or the Shanghai Stock Exchange website (www.sse.com.cn).

Hengli Hydraulic Industry Application Fields

Organization Structure



Strategy & Culture

Corporate Culture

Core Culture	Cultural Values	
Mission	○ Focusing on customer needs, we create value for customers, shareholders, employees, and society in the hydraulic industry.	
Vision	○ Lead the industry through technology, shape the future with quality, drive growth through branding, empower employees through management, and build a century-old enterprise.	
Strategic Goals	○ Go global, lead the industry, and become the world 's leading brand in hydraulic system integration service provision.	
Core Values	Value	Discover customer needs, deliver value to customers, and treat them with respect and care.
	Trust	Build communication bridges through trust, empowering employees with a sense of security and achieving win-win results with customers.
	Innovation	Maintain product advantages, market competitiveness, and corporate strength through continuous innovation.
	Talent Cultivation	Recruit and cultivate outstanding talent, commit to continuous learning and growth, and challenge ourselves to excel together.

Business Strategy

The company will steadfastly advance its strategy of "Internationalization, Diversi cation, and Electri cation". In the future, it will continue to consolidate its position in the domestic market, enhance its international brand in uence and market share, steadily promote global production capacity layout, strengthen global operational capabilities, and provide e cient and high-quality services to customers worldwide. The company adheres to an innovation-driven approach, increasing R&D investment to maintain technological leadership, enriching its product portfolio, and continuously expanding into downstream application elds and scenarios. Focusing on the electri cation trend in downstream industries, the company will strategically develop electric control and actuation systems, seize opportunities arising from electri cation in sectors such as construction machinery, marine engineering, and industrial equipment, and strive to become a rst-class, world-renowned provider of high-end transmission equipment and solutions.

National Level

National Manufacturing Single Champion Enterprise

Association Level

Top Private Enterprises in R&D Investment

Top Private Enterprises in Jiangsu

Top Global Construction Machinery Component Suppliers

Key Large-scale Backbone Enterprise in the Machinery Industry

Globalization Pioneer Award ` Sany Group

Outstanding Partnership Award ` Sany Group

Liugong Collaborative, United & Co-creation Award

Sustainable Development Management

Sustainability Goals and Vision

The company actively aligns with the United Nations Sustainable Development Goals (SDGs) and deeply integrates the concept of sustainable development into its production and operational processes. Through concrete actions, it embodies the spirit of the SDGs, striving to create sustainable value across economic, environmental, and social dimensions.

Chapter	Corporate Actions in	Responding to the United Nations Sustainable Development Goals (SDGs)
“ Heng ” (Perseverance) as Our Core in Governance, Fortifying an Impregnable Compliance Line	Improve corporate governance systems, optimize the operational mechanisms of shareholder meetings and the board of directors, and safegua / v sys " o Î ɣ. ᴰ ɜ ɣ ł	Ý " s
“ Heng ”— Protecting Mountains and Rivers, Writing a New Chapter for Green Development		
“ Heng ”— Forged Quality: Leading Development through Innovation		
“ Heng ”— Committed to People ’s Well-being, Co-building a Better Homeland Together		

Management of Material Topics

Evaluation Process and Methods

In accordance with the requirements of the Shanghai Stock Exchange Self-Regulatory Guidelines for Listed Companies No. ˋ Sustainability Reporting (Trial), and with reference to the assessment methodologies outlined in both domestic and international disclosure standards˚ including the Shanghai Stock Exchange Self-Regulatory Guide for Listed Companies No. ˋ Sustainability Reporting Preparation and the GRI Standards: GRI : Material Topics˚ the company has introduced the analytical perspectives of impact materiality and nancial materiality to identify and assess its material topics. The speci c implementation steps are as follows:

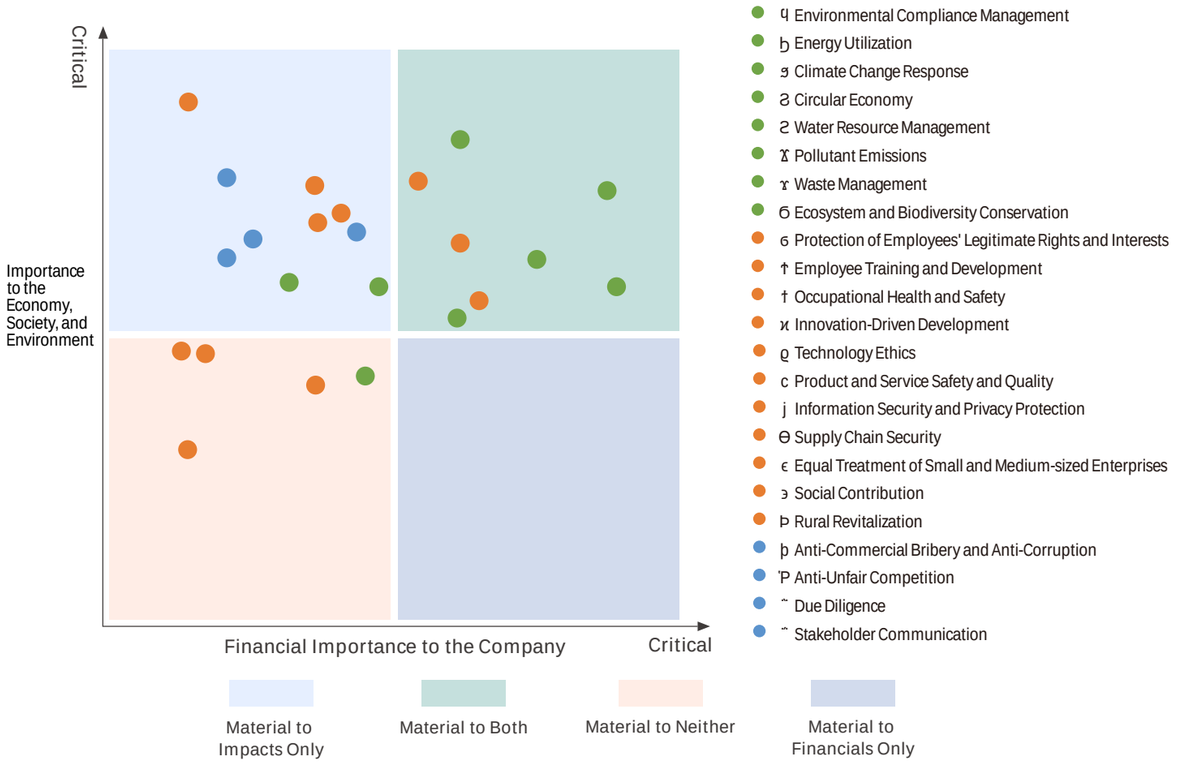
Issue Assessment Process	Analysis Methods
Review Company Background	• Based on the analysis of global megatrends and the macro-environmental analysis of China's industrial development trends; • Based on industry analysis; • Based on the analysis of the company 's business model; • Identify the company 's stakeholders and the impacts, risks, and opportunities the company faces.
Preliminary Topic Screening	A sustainability issue library was developed by referencing the SSE Guidelines on Sustainability Reporting, relevant regulatory requirements of the Ministry of Finance, and the CASS-ESG . Guidelines, and by incorporating issues of concern to industry peers.
Materiality Assessment	• **Impact Materiality Assessment:** Review the potential or actual positive or negative impacts of each issue on the external environment, society, and economy. Conduct stakeholder survey analysis through questionnaires. • **Financial Materiality Assessment:** Through analysis of impacts, dependencies, and other factors, combined with professional judgment, and based on internal questionnaire surveys across company departments regarding the likelihood of occurrence and the potential magnitude of nancial impact, identify and assess risks and opportunities associated with relevant issues, thereby evaluating nancially material topics.
Topic Confirmation	Formulate a list of issues that are material in terms of both impact and nancial signi cance, and ensure that these topics are disclosed transparently, impartially, and completely in the report.

Materiality Issues Assessment Results

Based on the collected questionnaires, the company analyzed the issues from the two dimensions of "Impact Materiality" and "Financial Materiality" and formed a materiality issues matrix.

Dimensions	Issues		
E	ɥ Environmental Compliance Management	ƨ Circular Economy	ɤ Waste Management
	þ Energy Utilization	Ƨ Water Resource Management	Ɵ Ecosystem and Biodiversity Conservation
	ɜ Climate Change Response	ɣ Pollutant Emissions	
S	ɵ Protection of Employees' Legitimate Rights and Interests	ɋ Technology Ethics	ɛ Equal Treatment of Small and Medium-sized Enterprises
	ʈ Employee Training and Development	c Product and Service Safety and Quality	ɜ Social Contribution
	ʇ Occupational Health and Safety	j Information Security and Privacy Protection	Þ Rural Revitalization
	ɤ Innovation-driven Development	Ɵ Supply Chain Security	
G	þ Anti-Commercial Bribery and Anti-Corruption	˜ Due Diligence	
	'P Anti-Unfair Competition	˜ Stakeholder Communication	

Hengli Hydraulic Materiality Matrix:



Notes: . The company 's production and operating activities do not have a signi cant impact on ecosystems and biodiversity. Its core business does not involve scienti c research or technology development in elds such as life sciences or arti cial intelligence ethics. Additionally, there are no instances of late payments to or unfair treatment of small and medium-sized enterprises. Therefore, the company has not separately disclosed content on ecosystem and biodiversity conservation, technology ethics, and equal treatment of small and medium-sized enterprises is not disclosed.

. Financially material issues are disclosed in accordance with exchange requirements, following the framework of "Governance", "Strategy", "Impact, Risk and Opportunity Management", and "Metrics and Targets". Among them, environmental compliance management, pollutant emissions, and waste management are disclosed on a consolidated basis using the four-element framework.

“ Heng ”(Perseverance) as Our Core in Governance, Fortifying an Impregnable Compliance Line

Governance as the foundation ensures steady and enduring progress. Hengli Hydraulic consistently upholds the baseline of compliance in operations, adheres to the guiding principles of Party building, continuously improves governance structures, optimizes decision-making mechanisms, and comprehensively strengthens internal control and risk management. By standardizing information disclosure, safeguarding investment returns, and earnestly protecting investors' rights and interests, the company actively practices business ethics, establishing a high-quality governance system that solidi es the foundation for its long-term development.

SDGs Addressed

Corporate Governance

Investor Relations Management

Compliance and Risk Management

Standardized Business Conduct

Party Building Leadership

Hengli Hydraulic Governance Structure Diagram

The company 's Board of Directors has established four specialized committees: the Strategy Committee, the Nomination Committee, the Compensation and Appraisal Committee, and the Audit Committee. Each committee strictly performs its duties in accordance with its respective rules of procedure, providing professional support for the scienti c decision-making of the Board.

Key Performance

During the reporting period, the company held 2 Shareholders ' Meetings, including 1 Annual General Meeting and 1 Extraordinary General Meeting, collectively reviewing and passing 20 proposals.

The company has formulated the Independent Director Work System and, in strict accordance with regulations, appointed quali ed professionals as independent directors, who constitute approximately . % of the Board membership. The independent directors diligently ful ll their duties, actively participating in decision-making, providing oversight and checks and balances, and o ering professional advice within the Board's operations. They provide professional support for the company's strategic

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The Company is guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, prioritizing its study and implementation as our foremost political task. This strengthens the“ Four Consciousnesses ”, reinforces the“ Four-sphere Con - dence ”, and ensures the“ Two Upholds ”, driving the Company 's high-quality development through high-quality Party building. During the reporting period, the Company 's Party Committee convened the Party Members ' Congress. The Congress further optimized the Party 's organizational structure by establishing three General Party Branches: for the Group, for Technology, and for the Cylinder Division. It also realigned the scope of Party branches based on business relevance. These steps are

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Addressing Climate Change »

The company continues to improve its climate change management system, establishing a greenhouse gas management policy of "dual-carbon empowerment, circular economy, sustainable development, and commitment to neutrality". It has formulated the Greenhouse Gas (GHG) Emission Management and Control Procedure to implement standardized, full-process control over greenhouse gas emissions. The company designates the Environmental Protection Section of the Equipment Department to lead and oversee key tasks such as setting emission reduction targets and carbon emission accounting, taking concrete actions to respond to the national "Dual Carbon" goals and fully support the achievement of the United Nations Sustainable Development Goals.

To enhance internal climate management capabilities and professional expertise in carbon accounting, during the reporting period, the company actively organized relevant personnel to participate in specialized training on carbon veri cation, carbon footprint, and carbon emission management o ered by external institutions. It also conducted internal low-carbon knowledge promotion activities, e ectively stre?ψ e i א

Opportunity Type	Opportunity Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
Energy Substitution	Increasing the proportion of renewable energy used and adopting clean energy such as green power in production processes can e ectively reduce carbon emissions and energy consumption, lowering energy costs.	High	Medium	Mid-term Long-term	Operations	High	Decrease in Operating Costs	Install rooftop solar PV systems to raise the share of clean energy. Introduce a digital carbon accounting platform to monitor carbon emissions and energy usage in real time, improving energy e ciency management.
Products and Services	The company launches low-carbon products compatible with new energy equipment, providing customers with environmentally friendly and e cient solutions, which can enhance market competitiveness.	High	High	Long-term	Downstream	High	Increase in Operating Revenue	Boost R&D investment, strengthen low-carbon technology and product innovation, and drive the green transformation of our product portfolio.

Explanation

Likelihood of Occurrence: Refers to the frequency/interval or possibility of a risk/opportunity occurring. It is primarily assessed based on historical occurrence probability, external scenarios, progress of policy implementation, and expert forecasts. Likelihood is rated from "Low" to "High".

Magnitude of Impact: Refers to the severity of the impact, determined by considering the shock level and the likelihood of the risk/opportunity occurring. It comprehensively accounts for factors such as e ects on the business model, value chain, and nancial implications. Impact magnitude is rated from "Low" to "High".

Time Horizon of Impact: Di erent risks and opportunities a ect the company over varying timeframes. The company classi es the time horizon as Short-term (- year), Mid-term (- years), and Long-term (over years).

A ected Value Chain Segment: Refers to the stage(s) of the value chain impacted, categorized as Upstream (involving raw material suppliers, procurement, logistics, etc.), Operations (involving production, manufacturing, internal processes, etc.), and Downstream (involving distribution, sales, customer service, etc.).

Priority Ranking: Comprehensively considers factors such as likelihood of occurrence, magnitude of impact, and time horizon, combined with the company's actual situation. Priority is ranked as "Low", "Medium", or "High".

Note: De nitions for likelihood of occurrence, magnitude of impact, time horizon of impact, a ected value chain segment, and priority ranking in other chapters of the report are consistent with the above and will not be reiterated.

Impact, Risk, and Opportunity Management

The company continuously improves its climate risk management processes, develops scienti cally sound and reasonable risk response measures, and promptly adjusts and updates relevant measures based on changes in external policies and market conditions, ensuring the e ectiveness of risk management.

To actively respond to the national "Dual Carbon" strategic goals and implement the industry's green transition pathway, the company, based on its operational characteristics, scienti cally sets phased carbon emission reduction targets. By implementing a series of energy-saving technological transformation projects, it continuously lem } y l' v l'

During the reporting period, based on the ISO - : international standard and using the cylinder plant and cold drawing workshop as the accounting boundary, the company conducted the greenhouse gas emission veri cation. The veri ca-

Environmental Management

The company strictly complies with national laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. It fully implements the environmental regulations and standards applicable to its operational locations, strictly controls pollutant and waste emissions throughout the production process, and rmly adheres to the bottom line of environmental compliance. During the reporting period, the company did not incur any signi cant administrative penalties from environmental or other relevant authorities due to environmental incidents.

Adhering to the environmental principle of "prioritizing environmental protection for the bene t of future generations", the company has formulated environmental management systems including the QES Management Manual, the Waste Gas Management Regulations, the Wastewater Management Regulations, the Solid Waste Management Regulations, and the Noise Management Regulations. It has established a standardized environmental management system, overseen by the General Manager, to ensure the e ective operation of the management system. During the reporting period, the company obtained ISO Environmental Management System certi cation.

Hengli Hydraulic Environmental Management System Certi cation

Hengli Hydraulic has established an Environmental Protection Section within the Equipment Department, responsible for supervising the disposal of "three wastes" (waste gas, wastewater, and solid waste), conducting statistical analysis of environmental data, identifying and evaluating environmental aspects, and formulating environmental emergency plans. Environmental safety o cers conduct regular supervision and inspections according to their duties to ensure the e ective implementation of all environmental management tasks.

Furthermore, the company incorporates the achievement of environmental protection objectives into employees' performance evaluations, regularly inspects the environmental production and pollutant treatment status of each department, ensures that environmental responsibilities are assigned to individuals, and motivates all sta to actively implement green production concepts, jointly maintaining a sound ecological environment.

Key Performance

During the reporting period, the company's total investment in environmental protection amounted to RMB 3,324 ten thousand.

Impact, Risk, and Opportunity Management

The company comprehensively identi es and scienti cally assesses the environmental risks and opportunities that may arise during production and operations, promptly takes targeted control measures, and e ectively prevents and mitigates environmental risks.

Risk Category	Risk Description	Likelihood of Occurrence	Magnitude of Impact	Time Horizon of Impact	Affected Value Chain Segment	Priority Ranking	Potential Financial Impact	Response Measures
	As national environmental laws, regulations, and regulatory standards become increasingly stringent, the company must continuously invest funds in technology upgrades and equipment retro tting to meet rising oeÐ mentA							

Wastewater Type	Treatment Measures
Production Wastewater	After being collected in a wastewater transfer area, it is pumped to the water treatment plant for processing. Part is recycled for production use, and part is discharged into the municipal sewage network after meeting standards.
Domestic Wastewater	After pretreatment (such as ltration, oil separation, and sedimentation) to bring it up to standard, it is discharged into the municipal sewage network.
Other Industrial Wastewater	Wastewater containing heavy metals, waste oil, organic compounds, etc., is treated as hazardous waste in accordance with national regulations and safely disposed of by qualied professional units.

The company conducts daily testing of key water quality indicators for discharged water through the water treatment workshop, continuously monitoring and ensuring that all discharged water meets national and local discharge standards. During the reporting period, the company achieved 100% compliant treatment and discharge

Specialized Environmental Training

The company actively promotes green manufacturing, aiming to minimize the environmental impact across the entire production process from product design, green procurement, and e cient production to recycling and disposal. Simultaneously, the company vigorously advances the construction of intelligent production lines, continuously optimizes production processes, and improves the e ciency of resource and energy utilization, thereby decreasing energy consumption, waste generation, and pollutant emissions during production.

The company has obtained national-level "Green Factory" certi cation and actively carries out clean production audits, suc

Resource Management »

Energy Management

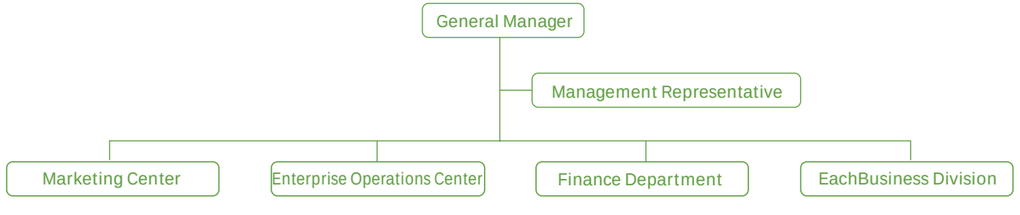
The company strictly complies with relevant laws and regulations such as the Energy Conservation Law of the People 's Republic of China, and actively promotes the e cient utilization of energy. In production and operational processes, the company primarily uses conventional energy sources such as electricity, diesel, and gasoline, while gradually increasing the proportion of clean energy applications such as solar power. The company continuously engages in waste heat recovery and energy-saving technological upgrades, advancing low-carbon production through energy conservation and consumption reduction, and driving the green transformation of its energy structure.

Governance

The company adheres to the energy management policy of "complying with laws and regulations, conserving energy, reducing consumption and emissions, and promoting clean production; tapping potential for e ciency, improving energy e ciency, reducing costs, and pursuing continuous improvement". It has formulated the Energy Management Manual and established a scienti c and standardized energy management system, committed to continuously reducing energy consumption, enhancing energy utilization e ciency, and achieving sustainable development goals. As of the end of the reporting period, the company has obtained ISO Energy Management System certi cation.

Hengli Hydraulic Energy Management System Certi cation

The company has established a comprehensive energy management organizational structure, with the General Manager clearly designated as the primary responsible person, providing overall leadership and driving the establishment and implementation of the energy management system. The Equipment Department serves as the main responsible unit for energy management, overseeing the operation and daily management of the energy management system. All business departments actively participate in energy management within their respective areas, collaboratively implementing various energy-saving measures to ensure that energy conservation e orts are carried out e ectively at all levels.



EnergyeManagement System OrganBzational Chart

Strategy

The company systematically bdenti es and assesses risks and opportunities associated with energy consumption in its production and operations. Based on these ndings, it formulates corresponding measures to further optimBze the direction and focus of its energyemanagement.

RBsk Type	RBsk DescrBption	LBkelBhood ofe Occurrence	Magnitude ofe Impact	Time Horizon of Impact	A ectede Value Chain Segment	PrBorBty RankBas	Potential FBaqncial Impact	Response Measures
Market Risk	The prBces ofe traditional energye sources such as diesel and gasolBne are prone to market uctuations, which can directlyeimpact the companygs production and operational costs, thus squeezBng pro t margBns.	Med-ium	Med-ium	Short-term MBd-term	Operations	MEd-ium	Bncreased opera-tional costs	Replace traditional energye sources with clean energy such as photovoltaic power generation and natural gas to reduce relBance on uctuations in the external energyemarket. OptimBze the energy usagee structure by adopting measures lBke replacing energy-saving equipment and improving production processes to continuously enhance energy utilBzation e ciency.

Opportunity Type	Opportunity DescrBption	LBkelBhood ofe Occurrence	Magnitude ofe Impact	Time HorBzon of% Impact	A ectede Value Chain Segment	PrBorBty RankBas	Potential FBaqncial Impact	Response Measures
Operational Opportunity	ThrougHetechnologBcal upgrades and energy-savBasepractBces sucHe as steam waste heat recovery, the company has sBgni cantly reduced energy loss and waste in production processEs, e ectively lowerBase energy costs.	HBgh	Med-iuM	MBd-terM Lonsm terM	Operations	HBgh	Reduc-tion in opera-tional costs	Continuously advance energy-savBasetechnologBcal renovations, streasthen the construction of waste heat recovery systems, and consistently reduce energy consumption and energy costs per unit of product.

Impact, Risk, and Opportunity Management

The company has formulated the Risk and Opportunity Assessment and Management Procedure to comprehensively identify and assess risks and opportunities related to energy management. By standardizing management processes, the company ensures that potential risks are e ectively controlled and development opportunities are promptly seized.

Risk Identification	Led by the General Manager's O ce, all departments systematically identify potential risks and opportunities that may a ect the achievement of energy management objectives across the entire process of the energy management system.
Risk Assessment	Each department, according to its functional responsibilities, assesses the identi ed risks and opportunities in various aspects of production and operations, determining the risk levels and prioritizing the opportunities.
Risk Response	Based on the assessment results, corresponding control measures are formulated and implemented. The General Manager's O ce summarizes and evaluates the e ectiveness of these measures.

Indicators and Objectives

To ensure the e ective operation of the energy management system, the company has formulated the Energy Objectives, Indicators, and Management Plan Control Procedure. Each year, speci c energy indicators and targets are established in alignment with the business plan. The achievement of these targets is incorporated into the performance evaluation system. Key energy indicators are regularly monitored to drive the e ective implementation and continuous improvement of energy management e orts.

The company actively promotes energy-saving technological upgrades in its plant areas, introduces high-e ciency and ener-

China Water Week Awareness Campaign

“ Heng ”—Forged Quality: Leading Development through Innovation

Hengli Hydraulic takes innovation as its core driving force, deepening industry-university-research collaboration and industry exchanges to promote technological innovation and the transformation of achievements. The company has built a full-process quality control system, strictly adheres to the baseline of product and service safety and quality, continuously improves the construction of a sustainable supply chain, and strengthens data security and privacy protection. Through comprehensive responsible practices, it empowers the sustainable development of the industry.

SDGs Addressed

- Innovation-Driven Development
- Product and Service Safety and Quality
- Supply Chain Security
- Data Security and Privacy Protection

HENGLI

Innovation-Driven Development »

Hengli Hydraulic is committed to innovation-driven development. The company continuously increases R&D investment, re nes its technological innovation system, and fully leverages the strengths of its R&D platforms to enhance technological breakthroughs and new product development. Actively building a collaborative ecosystem that integrates industry, academia, research, and application, Hengli Hydraulic participates deeply in setting industry standards. Through extensive technical exchanges and collaborative innovation, it accelerates the localization of high-end hydraulic components and systems, thereby continuously strengthening its core technological capabilities and global market competitiveness.

Governance

The company has established the Science and Technology Project Management System, which de nes the classi cation standards and management processes for technology projects. The Science and Technology Innovation Development Department is set up to oversee project supervision and management. Each applying unit strictly follows the system requirements to carry out project planning, application, and implementation in an orderly manner, forming a clear, well-structured, and e ciently implemented technology project management mechanism. During the reporting period, the company's R&D investment amounted to RMB million, accounting for . % of its operating revenue.

R&D Team Development

The company continuously recruits innovative R&D talents and strives to build a high-quality, professional R&D team. In the meantime, the company regularly organizes various technical training programs for employees in di erent positions, to comprehensively improve their professional competence and innovation capabilities, and provide talent support for breakthroughs in core technologies and the enhancement of core competitiveness. During the reporting period, the company had a total of , R&D personnel, accounting for . % of the company's total headcount.

To e ectively stimulate innovation vitality, the company has established incentive systems such as the Intellectual Property Reward and Penalty Regulations, o ering special bonuseoo g p e ^ o paten , 1 /of eoco ḍ ig , an ^

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Promoting Industry Development

The company actively participates in various external exchange activities, such as industry associations and academic societies. By establishing communication platforms and deepening multi-party collaborations, it facilitates the sharing of technological resources and discussions on industry frontier trends. Through these e orts, the company works collaboratively to address common technical challenges in the industry, continuously infusing innovation momentum into industrial upgrading.

China Hydraulics Pneumatics & Seals Association		
China Construction Machinery Association		
China Agricultural Machinery Industry Association		
Jiangsu Enterprise Technological Transformation Association		
Jiangsu Tradi] þ / H rise" u ¢ ?		

The company actively participates in the formulation and revision of national, industrial, and association standards, deeply integrating its long-accumulated core technologies and innovative practices into the industry standard system. This continuously drives the overall improvement of industry technology, quality, and management levels.

Product and Service Safety and Quality »

Hengli Hydraulic strictly complies with laws and regulations such as the Product Quality Law of the People 's Republic of China, establishing a quality management system that covers the entire product lifecycle. The company has improved its after-sales service and customer complaint response mechanisms to fully protect the legitimate rights and interests of domestic and international customers, continuously enhancing customer satisfaction. With high-quality products and professional services, the company has gained customer trust and market recognition. During the reporting period, the company did not experience any major safety or quality liability incidents related to its products or services.

The company adheres to the quality policy of "Zero Defects at the Customer Site, Zero Failures for , Hours in the Customer Market". It has formulated systems such as the QES Management Manual and established a quality management system led by the General Manager, with collaborative e orts from multiple departments including the Quality Department and the Quality Audit Department. This system standardizes the quality control processes throughout the product lifecycle, ensuring long-term stability in product quality and consistently meeting customer requirements.

General Manager	To establish quality policies and objectives that align with the organization 's strategic direction,
Quality Department	
Quality Audit Department	

Risk Identification	By integrating internal and external information such as industry key success factors and stakeholder needs, the company conducted a comprehensive analysis of customer service, forming a list of risks and control measures
Risk Assessment	
Risk Response	

Supply Chain Security »

Hengli Hydraulic strictly complies with laws and regulations such as the Bidding and Tendering Law of the People 's Republic of China, continuously improving its supplier management system. The company deeply integrates ESG (Environmental, Social, and Governance) management into all aspects of the supply chain, rigorously evaluating suppliers' performance in environmen

Governance

The company has established systems such as the Supplier Quali cation and Removal Process Management Regulations and the Supplier Selection and Evaluation Control Procedure, forming a comprehensive life-cycle supply chain management system. By strictly standardizing the processes and evaluation criteria for supplier selection, auditing, assessment, and removal, compliance control is reinforced at the source, continuously ensuring the quality and stability of the supply chain.

The company categorizes suppliers into seven major types, including production material procurement, outsourcing, and logistics transportation, implementing classi ed evaluation and control. The Commerce Department is designated as the lead unit for supply chain management, responsible for organizing and coordinating the end-to-end management of suppliers across departments. The Purchasing Department, Quality Audit Department, and other units manage the daily operations of their respective supplier categories based on their responsibilities, establishing a clear, well-de ned organizational structure for supply chain management.

Risk Identification	By considering factors such as industry dynamics, domestic and international policies, and regulations, the company conducts supplier investigations and veri cation to systematically examine risks and opportunities, including upstream suppliers' ESG compliance and raw material supply stability, forming a list of identi ed risks and opportunities.
Risk Assessment	Identi ed risks are assessed against criteria including probability, impact severity, timeframe, and a ected segments of the value chain. Their nancial implications are factored in to prioritize risks, thereby informing subsequent response decisions.
Risk Response	Based on the risk assessment results, di erentiated response strategies are formulated for high-, medium-, and low-priority issues. Changes in risks and opportunities are dynamically monitored, the e ectiveness of implemented measures is regularly reviewed, and timely optimizations and adjustments are made to continuously improve the risk management process.

Indicators and Targets

The company establishes phased management objectives for the supply chain, conducts regular supervision and follow-up on the implementation of these objectives, continuously improves the supply chain risk prevention and control mechanism, and enhances the sustainable operation and management capabilities of the supply chain.

Targets	Completion Status
Continuously optimize supplier structure to improve the overall quality of the supply chain.	The total number of suppliers is , , including: domestic suppliers , , and overseas suppliers .
Enhance supply chain risk management to prevent major risks.	No incidents with signi cant risks or impacts occurred in the supply chain.
Strengthen the certi cation and audit of the supplier system.	The number of suppliers with quality management system certi cation is , the number of suppliers with environmental management system certi cation is , and the number of suppliers with occupational health and safety management system certi cation is .

Supplier Management Measures

Supplier Full-Lifecycle Management

The company has formulated documents such as the Supplier Development Certi cation and Classi cation Adjustment Rules and established a full-lifecycle management mechanism covering quali cation, audit, performance evaluation, and removal. Di erentiated standards and requirements are applied to di erent types of suppliers, continuously optimizing the supply chain structure and overall management level.

Supplier Qualification	Suppliers are identi ed through various channels. New suppliers undergo preliminary review and on-site visits to assess their quali cations, pricing levels, and registration information. Those that pass the review are designated as potential suppliers.
Supplier Audit	The Quality Audit Department organizes an audit team to conduct on-site audits of potential suppliers, covering aspects such as quality systems, supply capabilities, and trade security. A Supplier Audit Report is issued, and suppliers that pass the audit are included in the Annual Quali ed Supplier List.
Supplier Evaluation	In accordance with the Supplier Performance Evaluation Management Measures, suppliers are subject to monthly performance evaluations and annual reviews. Comprehensive scoring is conducted based on dimensions such as quality compliance rate, delivery timeliness, pricing, and service quality.
Supplier Classification	Based on performance scores, suppliers are classi ed into four levels: A, B, C, and D. A-level suppliers receive increased order volumes as an incentive, while D-level suppliers are disquali ed from the quali ed supplier list. All suppliers are required to address any non-conformities identi ed during audits within a speci ed timeframe.
Supplier Removal	For suppliers rated as D-level, those rated C-level for two consecutive months with unresolved issues, or those encountering major quality problems, the company immediately initiates a freeze process and revokes their supply quali cation.
Digital Management	New suppliers are invited to register in the SRM system, where they upload relevant documents such as quali cation certi cates and basic information survey forms. Processes including quali cation, audit, and removal are completed through the system, achieving end-to-end digital control of supplier management.

Supplier Communication

The company fosters open communication and collaboration with its suppliers, utilizing multiple channels such as phone and email to promptly resolve issues within the supply process. For critical technical, quality, or process matters, it regularly organizes experts to support suppliers through specialized meetings and on-site guidance. This approach continuously improves supply chain stability and product quality, helps enhance suppliers' operational capabilities, and creates a mutually bene cial partnership.

Building a Sustainable Supply Chain

Supplier ESG Management

The company attaches high importance to supplier ESG compliance management, organizing all suppliers to sign the Supplier Assurance Agreement. This agreement clari es suppliers' sustainable responsibilities in areas such as environmental governance, production safety, business ethics, and labor rights. By implementing high-standard controls, the company drives sustainable development across the supply chain.

Labor Rights	Suppliers shall uphold the basic principles outlined in the United Nations Global Compact and the United Nations Universal Declaration of Human Rights. They are prohibited from engaging in human rights violations such as discrimination in recruitment, the use of child labor, and forced labor. Suppliers must strictly comply with local laws and regulations, providing employees with reasonable working hours, wages, and bene ts.
Safety Production	Suppliers shall establish a production safety responsibility system, adhere to safety measures for hazardous operations, regularly conduct risk inspections, and carry out safety production education and training. They must develop emergency response plans for production safety incidents and promptly eliminate potential production safety hazards.
Environmental Protection	Suppliers shall strictly comply with laws and regulations such as the Environmental Protection Law of the People 's Republic of China, providing products that meet national safety and environmental standards. Waste (including wastewater, exhaust gases, solid waste, and hazardous waste) generated

Responsible Supply Chain

To strengthen supply chain transparency management and ensure the legality and compliance of raw material sources, the company requires suppliers to sign the Commitment on Not Using Con ict Minerals and the Commitment on Not Using Hazardous and Prohibited Substances. The company resolutely prohibits the use of minerals from con ict areas and implements strict testing and monitoring of supplier raw materials to ensure that products are free from any hazardous or prohibited substances. By ful lling environmental and safety commitments at the source, the company systematically builds a green and responsible supply chain system, earnestly ful lling corporate social responsibility.

Green Supply Chain

The company continues to advance the development of a green supply chain, prioritizing the procurement of renewable, low-energy, and low-pollution environmentally friendly materials. Environmental protection and pollution control performance are incorporated into supplier evaluation criteria, guiding suppliers to actively ful ll their environmental protection responsibilities and achieve green collaboration and sustainable development across the supply chain.

At the same time, the company regularly conducts specialized training on green procurement to promote awareness of environmental procurement standards and low-carbon management requirements, comprehensively enhancing employees' understanding of green procurement and integrating the concept of green development deeply into procurement practices.

Data Security Practices

Data Security Protection

The company has established a comprehensive data security protection system. By standardizing information system operation procedures and strictly controlling data access permissions, the company consistently safeguards against risks such as data leakage, tampering, and loss, ensuring the stable and continuous operation of its business.

Data Classi cation and Grading Management	Based on the importance of the data, it is categorized into four levels: Public, Internal, Con dential, and Top Secret. Non-public data is uniformly labeled according to its classi ca-tion. Graded security controls covering the entire lifecycle storage, usage, transmission, and disposal are implemented for di erent types of data.
Data Access and Permission Management	Data access follows the principle of least privilege. Employees must be speci cally authorized to access the network, and user permissions are reviewed and updated quarterly. All internal application system access is conducted using company accounts, with strict regulations on password and credential management.
Data Backup and Recovery	Operations personnel perform regular data backups in accordance with RPO requirements. Backup data is subject to necessary permission controls. Regular recovery tests and drills are conducted to verify the availability and integrity of the backed-up data.
Network Security Protection	Regular security audits, such as penetration testing and vulnerability scanning, are carried out. System vulnerabilities are promptly assessed and recti ed. The installation of pirated or high-risk software is prohibited on o ce terminals, and non-o cial software must be reviewed and approved by the Information Center before installation.

Data Security Training

The company regularly conducts specialized data security training sessions. Through case-based learning and hands-on exercises, employees' awareness of data security and their ability to perform compliant operations are strengthened, continuously enhancing the entire organization's capability to identify and prevent data-related risks.

Case Study

Information Security and Anti-Fraud Awareness Training

On December , , during the Information Security Month, the company conducted specialized training on information security and anti-fraud for all employees. By interpreting relevant laws and policies and presenting typical cases, the training guided employees to standardize their use of information systems, strengthen data security awareness, and enhance their ability to guard against telecom and online fraud in both work and daily life.

Customer Privacy Protection

The company strictly complies with laws and regulations such as the Personal Information Protection Law of the People 's Republic of China and has formulated the Trade Secrets Management Regulations. These documents strictly regulate the management requirements for the storage, use, and other processes involving customer personal information. The company strengthens information classi cation control and access permission management to rigorously prevent the risk of customer information leakage, ensuring the secure and compliant handling of customer information.

To enhance the management of customer privacy incident risks, the company has established the Information Security and Privacy Incident Management Regulations, which clarify the investigation and handling procedures for privacy incidents. By conducting routine monitoring and detection of information systems, the company accurately identi es potential customer privacy incidents, continuously improves network security monitoring and early warning capabilities, and is committed to building a secure and reliable data environment for customers.

“ Heng ”—Committed to People ’s Well-being, Co-building a Better Homeland Together

Hengli Hydraulic consistently upholds a people-oriented development philosophy, earnestly safeguards the legitimate rights and interests of employees, establishes a systematic training system to support employees' professional growth, and improves occupational health and safety mechanisms to protect employees' physical and mental well-being. At the same time, the company actively ful lls its corporate social responsibilities, demonstrates social commitment through practical actions, and is dedicated to achieving coordinated development and shared bene ts among the enterprise, its employees, and society.

SDGs Addressed

Protection of Women's Rights and Interests

The company strictly complies with relevant laws and regulations such as the Law of the People 's Republic of China on the Protection of Women 's Rights and Interests and the Special Regulations on Labor Protection for Female Employees, earnestly safeguarding the legitimate rights and interests of female employees. The company fully implements all special protection rights for female employees during pregnancy, maternity leave, and breastfeeding periods, and provides dedicated service facilities such as nursing rooms. During the reporting period, the company organized exclusive themed activities for female employees and distributed special bene ts for Women 's Day, continuously enhancing the sense of belonging and well-being of female employees.

International Women 's Day Activities

Key Performance Indicators

During the reporting period, the number of female employees in management positions was 73 persons, accounting for 12.5 % of the total.

Compensation and Benefits

To e ectively attract and retain core key talent and continuously enhance talent competitiveness, the company has formulated the Compensation Management Regulations, Performance Management Regulations, and Employee Incentive Management Regulations. It has established a diversi ed bene ts system and a scienti c compensation management framework, improving the incentive mechanisms for all employees to fully stimulate their vitality and work potential, creating a positive and proactive corporate atmosphere.

Compensation and Assessment

Adhering to the principles of "fairness, competitiveness, motivation, development, and cost-e ectiveness", the company provides employees with market-competitive compensation and bene ts. The compensation structure includes position-based salary, performance bonuses, seniority allowances, overtime pay, and various company-de ned bene ts, e ectively motivating employees' work enthusiasm and creativity.

The company has established a comprehensive performance appraisal mechanism, closely linking the distribution of performance bonuses to the overall business performance of the enterprise, departmental achievements, and individual employee performance. For di erent types of positions, di erentiated assessment methods such as point-based systems and KPI evaluations are employed. The appraisal results serve as an important basis for personnel decisions such as salary adjustments and role changes, e ectively leveraging the role of performance dynamic management and incentive constraints.

Working Hours and Leave

The company strictly complies with laws and regulations such as the Labor Law of the People 's Republic of China and the Regulations on Paid Annual Leave for Employees, adheres to standard working hours, and legally guarantees employees' entitlement to various types of paid leave, including annual leave, sick leave, marriage leave, and maternity leave. It reasonably plans and schedules employees' working hours, prioritizes their physical and mental well-being, and continuously enhances their sense of belonging and happiness.

Employee Care

Employee Engagement

The company continuously enhances its employee care infrastructure and regularly organizes diverse cultural, sports, and team-building activities. These initiatives enrich employees' lives beyond work and are dedicated to fostering an e cient, collaborative, and supportive work environment. This ongoing e ort signi cantly strengthens team cohesion, unity, and operational e ectiveness.

The company also attaches great importance to employees' mental health. Within feasible limits, it deploys dedicated sta and organizes psychological counseling sessions and mental health training on an as-needed basis. These initiatives e ectively help alleviate psychological distress arising from workplace stress and family con icts, thereby safeguarding employees' mental well-being.

Employee Fitness Center

Employee Cafeteria

Sports Day

Skills Competition

Family Day

Internal Trainer Recognition

Summer Care Package

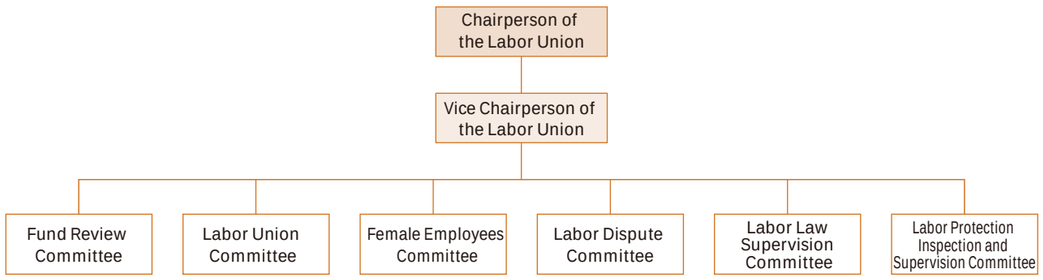
New Employee Welcome Session

Employee Assistance

The company has established a robust support mechanism for employees facing di culties. For employees and their families a ected by serious illnesses or major accidents, the company not only provides timely care and concern but also o ers various forms of material assistance based on actual circumstances, e ectively helping employees overcome di culties and enhancing their sense of belonging and cohesion. During the reporting period, the company assisted employees in need, with a total support amount of RMB , . .

Democratic Management

The company continuously improves its democratic management mechanisms, legally establishes a labor union, and regularly convenes union meetings and employee representative assemblies. It actively listens to employees' demands, coordinates labor relations, promotes transparency in management processes, and fosters a harmonious and stable employment environment. At the same time, the company provides diverse communication channels such as a General Manager 's mailbox and open-dialogue forums, extensively gathering employees' opinions and suggestions, creating an open, inclusive, smooth, and e cient internal communication atmosphere. This forms a positive pattern of joint construction, sharing, and common development between the enterprise and its employees.



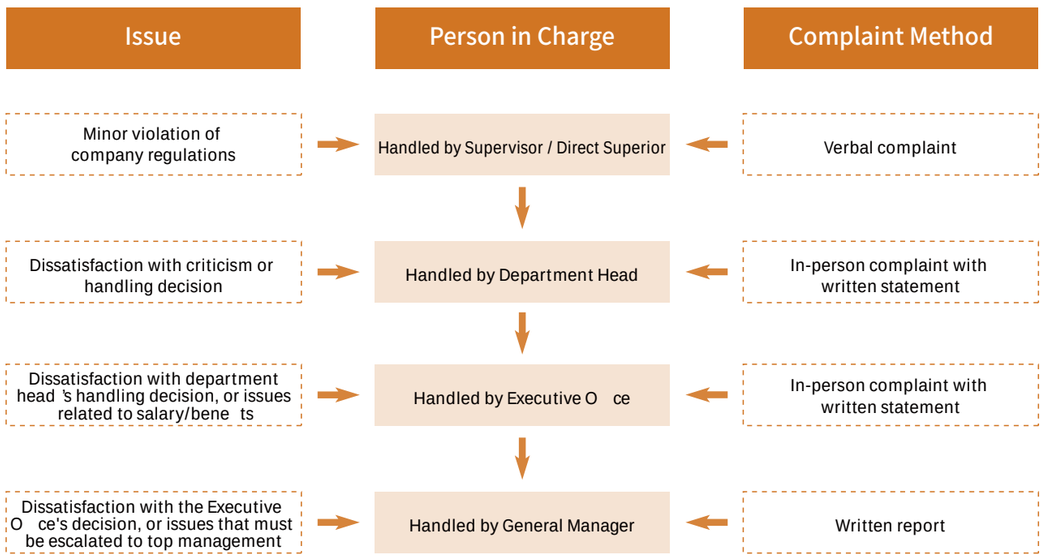
Hengli Hydraulic Labor Union Organizational Chart

Employee Representative Congress

Employee Appeals

The company has established a comprehensive employee appeals management mechanism. If employees disagree with assessment results, supervisors' decisions, or other matters, they may submit an appeal through formal channels. This allows for the timely resolution of any adverse impacts that may arise from unfair or inappropriate handling in the workplace, safeguarding employees' legitimate rights and interests and ensuring fairness in internal management.

Employee Complaint Process



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The company explicitly requires that labor disputes arising between employees and the company regarding labor rights and

Leadership Training

New Employee Training

Professional Skills Training

Cylinder Fundamentals and Processing Technology Training

Hydraulic Fundamentals Training

Teaching Faculty Development

The company focuses on building an internal trainer team, continuously strengthening the development of teaching resources, and integrating high-quality internal and external training resources. It has established a blended instructor team consisting of internal technical experts, management elites, and external industry specialists. Each internal trainer designs specialized training content based on their expertise and role characteristics, providing employees with multi-dimensional training covering information security, engineering technology, production safety, and more. This fully meets the diverse training needs of employees and provides solid support for high-quality training implementation.

The company has established the "Hengli University" specialized talent cultivation platform, which includes a School of Management and a School of Engineering Technology. Through systematic theoretical learning and professional skill development over several years, the platform continuously cultivates reserve managers, reserve supervisors, and other potential talents, injecting a steady stream of talent momentum into the company's development. In , the third session of "Hengli University" was successfully launched, and the fourth session began enrollment. To date, it has trained over reserve candidates at the managerial level, continuously supplying outstanding talent for core positions.

Case

Electric Shock Emergency Drill

Hazar

The company has developed the Hazardous Chemical Safety Management Regulations in compliance with relevant laws and regulations, including the Regulations on the Safety Management of Hazardous Chemicals. These regulations specify comprehensive management requirements covering the entire lifecycle of hazardous chemicals' from procurement, transportation, and warehousing to storage, use, and disposal. They detail operational standards and accountability for each stage, strengthen procedural implementation, and enforce full life-cycle control. This e ectively mitigates risks of personal injury and property loss, thereby elevating the company's overall level of occupational safety management.

Safety Education and Training

The company consistently prioritizes fostering strong safety awareness among its employees. Through diverse safety education and training initiatives, it guides employees to develop a robust safety mindset, continuously enhance their safety competencies, and safeguard their health and well-being.

First Aid Training

Employee Safety Training

Team Leader Safety Training

AED (Automated External De brillator) Training

Metrics	Year 2025
Number of Safety Training Sessions (sessions)	
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y and operating sustainably", the company actively ful lls its social responsibili-
tiatives. It regularly organizes activities such as visits to special-needs schools
mitment into tangible actions that foster social harmony. During the reporting
; volunteer hours: ; volunteer participants: .

ural revitalization strategy, proactively ful lls its corporate social responsibili-
ntinuously invests funds in employment support and other initiatives. With a
ural construction and helps improve the development landscape of rural areas,

Feedback and Suggestions

Dear Reader,

Thank you for reading our report. We value your feedback, as your insights and suggestions are essential to our ongoing e orts to enhance our sustainability governance, management, and performance. Please take a moment to share your thoughts by completing the brief feedback form via the channels below. We appreciate your support for our sustainability journey.

.What is your overall assessment of our performance in sustainable development governance?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

.What is your overall assessment of this year 's sustainable development report?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

.How do you think we are doing in stakeholder communication?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

.How do you think we are performing in product quality and customer service?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

.How do you think we are performing in environmental, safety, and occupational health aspects?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

.How do you think we are performing in employee responsibility?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

.Do you think this report adequately re ects the company 's signi cant impacts on the economy, society, and the environment?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

.What comments or suggestions do you have regarding our ESG report, ESG work, or sustainable development management?

_____

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