

FUYAO GLASS INDUSTRY GROUP CO., LTD

**ENVIRONMENTAL  
SOCIAL AND GOVERNANCE REPORT**

**2016**



**福耀集团**  
FUYAO GROUP

# ABOUT THIS REPORT

Fuyao Glass Industry Group Co., Ltd (the “Fuyao Group” or “the Company” ) (Stock code: 3606) hereby issues the Company’ s Environmental, Social and Governance Report for the purposes of assisting all its stakeholders in understanding its concepts and practices of sustainable development. It is the first ESG report Fuyao Group has issued.

## Reporting Scope

This report principally includes the principal domestic business of the Company and its major affiliates under operation control covering the period of January 1 to December 31, 2016.

## References

This report is written in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide” ) in Appendix 27 to the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited (HKEx), and covers the environmental and social areas as required by the ESG Guide about the scope and indicators by elaborating on the environmental and social impacts of all sorts of business and operating activities of Fuyao Group.

## Report availability

This report can be viewed on the Company’ s official website at [www.fuyaogroup.com](http://www.fuyaogroup.com) , Shanghai Stock Exchange official website at <http://www.sse.com.cn> and Hong Kong Stock Exchange official website at <http://www.hkexnews.hk>.

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## CHAIRMAN'S STATEMENT

The 17th year of the 21st century approached amidst tumults caused by Britain's withdrawal from the European Union, the magnate Donald Trump's triumph in 2016 US president election, and the ensuing currency depreciation of the emerging markets. All these seemingly separate occurrences are relevant to eco-environment, the sense of responsibility of enterprises and entrepreneurs, as well as their company governance strategies and system of values.

This year marks the 30th anniversary of the founding of Fuyao Group and the 24th anniversary of Fuyao Group listing on the Shanghai Stock Exchange. As the Chairman of the Group, I have stayed true to the mission of "making our pieces of glass for Chinese" and the values of "Never give in, never abandon and ceaselessly pursue perfection", and achieved the following remarkable accomplishments by continuously employing innovation, lean management, and human-oriented management: firstly, the Company enjoyed great leap forward from an unknown private enterprise to a large multinational company, now boasting a number of factories and R&D centers in major developed countries including the United States, United Kingdom, Germany, Japan, South Korea, Russia and Sweden, as well as 31 factories in 16 provinces in China as key enterprises, justifying the praise as "world famous" Fuyao Group has received; secondly, I was awarded two international prizes, i.e., 2009 EY Entrepreneur of the Year and 2016 Phoenix Award of the International Commission on Glass. What's worthier of a mention is that Fuyao Group has received various awards and ranked among blue chip companies by Shanghai Stock Exchange and among Hang Seng Index (HSI) Constituent Companies by HKEx. In 2016, it received the 2016 CCTV Outstanding Listed Company of the Year Award.

Looking back on all these achievements, I want to share my notions with the public from the following dimensions:

First, adhere to the initial mission. Fuyao stays true to its mission, tolerates neither corruption nor extravagance, consistently strives for the most competitive position of our professional businesses, and contributes to the progress and development of the society. It firmly believes in the philosophy of "Many a drop makes a brook" and holds on to its role of a drop.

Second, leverage the power of faith. As Fuyao staff, I firmly hold the belief that the earth belongs to everyone on the planet, and the world to everyone under the sun. For an entrepreneur, the primary quality is to respect the nature, love humans, observe disciplines, abide by laws and be kind to all sentient beings. Practices of Buddhism shall be adopted including cultivating loving-kindness and compassion and treating all beings as equal, be it a he, she, it or beings born from eggs, wombs, humidity or by transformation; mountains, water, streams, rivers, flowers, trees, grass and woods are all living creatures, which shall be respected and cherished, let alone our shareholders, suppliers, Fuyao employees and users around the globe.

Third, adopt the mindset of sharing. The company seeks profits for investors, provides footing for all staff to rely on, maintains as the source of state revenues, and plays an imperative role along the social supply chain. Whilst observing disciplines and laws, and ensuring the greatest possible interests for shareholders, it has been committed to maximizing employees' interests, respecting upstream and downstream of supply chain, and providing high quality and low costs of Fuyao products, which is Fuyao's distinctive corporate culture and invariable pursuit of all Fuyao staff.

Chairman: Cho Tak Wong



## ABOUT FUYAO GROUP

Fuyao Glass Industry Group Co., Ltd. (briefly “Fuyao Group” ) was founded in 1987 with the Fujian Yaohua Glass Industry Co., Ltd. as its predecessor. The Company was reconstructed to a Sino-foreign joint venture company as per the approval (Min Ti Gai [1991] No. 022) jointly issued by Fujian Economic System Reform Commission and Fujian Foreign Trade and Economic Relations Commission and registered the changes with the administrative bureau for industry and commerce in June, 1991. The Company outstripped its peer companies in listing on the main board of Shanghai Stock Exchange (Stock Code: 600660) in June 1993, and commenced trading on the Stock Exchange of Hong Kong Limited (SEHK) with the stock code of 3606 in March 2015, with the aim to expand its presence on international market. The equity of the Company totaled RMB2,508,617,532.

Since its inception, Fuyao Group has made progress towards self-perfection and maintained its inherent sense of mission: starting from “making our pieces of glass for Chinese” to “setting an example for automotive glass suppliers” to Fuyao Worldwide, and reciprocate the society under the leadership of the Chairman. Upholding the core values of “diligence, simplicity, learning and innovation,” and leveraging the culture and talents of techniques and innovation, the Company has systemically



established a sustainable competitive advantage and profitability for “Fuyao” to become a reliable company for customers, shareholders, employees, suppliers, government, distributors and the society in the long run.

The principal business of the Company is the provision of total solution of safety glass for various transportation vehicles, including the provision of design, manufacture, sales and service for automotive grade float glass and automotive glass and locomotive glass. The business model of the Company is globalized research and development, design, manufacture, distribution and after-sales service. The Company adheres to its brand development strategies of keeping technology leadership and fast responding to the market, so as to work with its customers on product design, manufacturing and service providing. The Company creates values for its customers through the concentration on improving industrial ecological chain and reacting to the ever-changing demand of customers systematically, professionally and rapidly.

Fuyao Group now boasts 26,109 employees worldwide (22,543 and 3,566 inside and outside mainland China respectively), and 45 affiliates including 31 automobile glass manufacturers, 5 float glass manufacturers in a number of provinces and cities including Beijing, Shanghai, Chongqing, Guangdong, Fujian, Jilin, Hubei, Henan and Inner Mongolia, forming a production and sales network across the country. In the meanwhile, the Company has production bases and business entities in countries and regions including United States, Russia, Japan, and South Korea, Germany and Hong Kong.

As of the year ended December 31, 2016, the value of the Company’ s assets reached RMB29.866 billion. During the Reporting Period, the Company achieved a revenue of RMB16.621 billion, representing a year-on-year growth of 22.45%, a profit before income tax of RMB3.92 billion, representing a year-on-year growth of 28.82%, and a profit for the year attributable to the equity holders of the Company of RMB3.144 billion, representing a year-on-year growth of 20.68%. In 2016, it realized basic earnings per share of RMB1.25 and paid RMB2.103 billion to the tax authorities; remuneration paid to employees of the Company for the year amounted to RMB2.871 billion; interests actually paid for bank borrowings, corporate short-term bonds and medium-term notes etc. totaled RMB204 million; social contribution was RMB3.32 per share.

The Company adheres to the concept of “Energy saving, environment-friendly” and has been committed to technological innovation, processing innovation equipment innovation, application of new materials and green infrastructure etc. to put the concept into practice. As of the year ended December 31, 2016, the Company has 3,027 R&D staff and a number of R&D platforms such as “State-certified Enterprise Technology Center” , “National Science and technology innovation demonstration enterprise” and national “Glass Research Institute” ; it occupies a leading position in terms of materials, processes, technologies, equipment, energy saving and functionalization of automotive glass and glass sheets manufacturing and most of its processes outperform international standards.

# ENVIRONMENTAL PROTECTION

Adhering to the social concept of putting equal premium on company profitability and environmental protection and following the Scientific Development Concept, Fuyao Group has made vigorous efforts in building effective long-term environmental protection and energy conservation mechanism with the aim to construct a resource efficient, environment-friendly and harmonious society. The Company upholds the environmental protection guideline of “Promoting environmental protection, complying with regulations, encouraging clean production, and making continuous improvements” and the green concept of “Building a resource conserving and environment-friendly company”, practices energy conservation and emission reduction and observes “One Enhancement”, “Two Observations”, and “Seven Proactivenesses” for the duration of production from raw material selection, manufacturing processes to new product development.



## One Enhancement

- › To enhance environmental awareness constantly.

## Two Observations

- › To observe environment protection laws and regulations strictly, and minimize the negative impacts of production and operation activities upon environment as a law-abiding enterprise;
- › To observe the internal supervision and examination, and fully implement all measures and targets regarding environmental protection.

## Seven Proactivenesses

- › To be proactive on strengthening operation and management of green facilities and in compliance with pollutant discharge standards;
- › To be proactive on reducing the emission concentration;
- › To be proactive on pollutant discharge control and discharge from fountainhead by increasing investment in environmental protection, accelerating infrastructure construction, and importing advanced production technology;
- › To be proactive on reinforcement on clean production audit, technological transformation, clean production promotion, and elimination of severely outdated production technologies; facilities and products;
- › To be proactive on new technology invention to solve environmental issues and increasing reclaimed water reuse rate while exploring new energy conservation with comprehensive utilization of resources;
- › To be proactive on formulation of environmental risk emergency plans to respond to environmental accidents;
- › To be proactive on campaign, implementation and training on energy conservation and recycle economy, and to launch a comprehensive action among the Group for energy conservation and emission reduction.



(1) Environmental management organizational structure and environmental protection goals

The Company puts great premium on environmental protection, complies with national environmental protection laws, regulations and technical requirements, and has established an environmental management system. To strengthen management, the Company has set up the EHS ( “Environment, Health and Safety” ) department under the Office of the President, which is responsible for setting up the EHS system of Fuyao Group and supervising that of its subsidiaries; all subsidiaries set up environment and safety management organizations to be responsible for the management of respective environment and safety work; departments/factories of subsidiaries designate environment and safety personnel to be responsible for departments/factories environment and safety. The Company’ s environmental management organizational structure is as shown below:



(2) Environmental protection targets and fulfillment

1) Control objectives

Efforts have been made by the Company to implement environmental impact assessment and the Three Simultaneities policy, channel capital into green projects, monitor the stable operation of environmental infrastructure, develop the circular economy, enhance efficiency of cyclical use of water, recover and use waste heat, promote energy conservation and emission reduction, ensure appropriate emission of “three wastes” and accomplish key emission objectives assigned by the government. The Company implements the ISO14001 environmental management systems and reinforces clean production audit aiming for zero occurrence of environmental accidents.

2) Implementation status

In 2016, in strict compliance with environmental protection laws and regulations, the Company achieved the objectives by discharging major pollutants pursuant to standards, cutting down total emissions and maintaining an eligible solid waste disposal rate of 100%. During the reporting period, no environmental accidents above mentioned took place Group-wide, realizing zero occurrence of environmental accidents.

(3) Promoting environmental management system

The Company implements the ISO14001 environmental management systems to enhance its environmental management level. All subsidiaries of the Company have obtained the certification for environmental management systems.



(4) Environmental protection training and environment information communication

1) Environmental protection training

In addition to strictly monitoring environmental impact of production and operation activities, and endeavoring to achieve environmental protection targets, the Company has also been committed to promoting environmental responsibilities to employees and carrying out relevant staff training. The Company formulates detailed training plans at the beginning of the year and arranges regular staff trainings on the latest environmental protection laws and regulations. In the meanwhile, the Company has been intensively involved in all sorts of environmental trainings and seminars under the aegis of provincial and municipal environmental departments and industrial associations to further elevate the business level and skills of the Company’ s environmental management staff.

2) Environment information communication

In strict compliance with the Guidelines on Environment Information Disclosure of Listed Companies (Draft for Comment), the Administrative Measures on Environment Information Disclosure (Trial) and the Measures on the Environment Information Disclosure of Enterprises and Public Institutions issued by China Ministry of Environmental Protection and China Securities Regulatory Commission, Fuyao Group established enterprise environment information disclosure policy. The Company discloses enterprise environment information on a regular basis to facilitate public supervision on the Company’ s environment related activities and raise the awareness of environmental protection of investors and shareholders.

Fuyao Group presents the Social Responsibility Report annually since 2008, which includes a chapter dedicated to environmental protection and energy conservation elaborating on environment information such as the Company’ s green concepts, environmental protection measures, sustainable development and energy management. The Company requires its subsidiaries to prepare Annual Environmental Report to cover basic company information, environmental management status, major environmental issues and solutions thereof, as well as its compliance with environmental protection laws.

3.1 Emissions

Upholding the environmental protection guideline of “Promoting environmental protection, complying with regulations, encouraging clean production, and making continuous improvements”, Fuyao Group has made vigorous efforts to carry out emission reduction activities, such as to reinforce operation and management of green facilities to ensure compliance with pollutant discharge standards; to reduce the emission concentration; to introduce advanced process, reinforce technological transformation, promote clean production to reduce discharge of pollutants as well as waste gas and waste water produced in the Company’s operational activities, so that the efforts made by the Company to stringently discharge its responsibility of sustainable development can be shown.

(1) Management of waste gas and water emissions

In compliance with various applicable laws and regulations including the Law of Environmental Protection of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and the Law of the People's Republic of China on the Prevention and Control of Water Pollution, Fuyao Group formulated the Environmental Protection Management Policy which stipulates that all subsidiaries shall ensure standard discharge of pollutants, avoid illegal emissions and formulate plans on monitoring emissions of major pollutants annually to facilitate Group’s monitoring over subsidiaries’ emissions in a real-time and accurate manner. Besides, all subsidiaries strictly complies with the Technical Requirements of Regulating and Renovating Waste Vents (Trial)(Huanjian[1996]No.470), the Notice on Implementing the Regulation and Renovation of Waste Vents (Huanjian[1999]No.24), and shall install waste vents and put up signs in accordance with relevant requirements to facilitate sampling, monitoring and public supervision, so that the Company’s commitment to proper waste discharge, fulfillment of environmental responsibilities and welcoming public supervision can be shown.

Standard emission and monitoring measures of Fuyao Group

1) Regulate waste vents

Pursuant to the requirements of the Technical Requirements of Regulating and Renovating Waste Vents (Trial)(Huanjian[1996]No.470), the Notice on Implementing the Regulation and Renovation of Waste Vents (Huanjian[1999]No.24), Environmental Protection Signs – Waste Vents(Source) (GB15562.1-1995), Environmental Protection Signs –Solid Waste Storage (Disposal) Sites (GB15562.2-1995) and the Notice of the General office of the State Environmental Protection Administration on the Issuance of the Technical Regulations for Installing Waste Vent Signs(Huanban[2003]No.95), etc., Fuyao Group requires all subsidiaries to regulate the installation of waste vents, and set up signs at exhaust air vents, sewage outlets, major noise sources and hazardous waste storage sites according to relevant requirements which show the names of waste disposal agencies, as well as the type, number and major pollutants of waste vents, etc.

2) Online monitoring, external monitoring and internal monitoring

To conduct real-time monitor on pollutants emissions of its subsidiaries in a continuous, effective and accurate manner, the Group formulated the Environmental Protection Management Policy which requires all subsidiaries to formulate annual monitoring plans on major pollutant emissions. During the reporting period, all green facilities of Fuyao’s subsidiaries were kept in stable operation and subject to periodic maintenance. Ledgers were established to help control standardized pollutant discharge.

In active response to national and local call for environmental protection policies, online monitoring devices have been equipped at exhaust air vents of Fuyao Glass Industry Group Co., Ltd (Float Glass) and Chongqing Wansheng Float Glass Company and sewage outlets of Fuyao Glass (Hubei) Co., Ltd, which enabled data sharing with provincial, municipal and county-level environmental authorities and real-time supervision of the society.

In 2016, subsidiaries of Fuyao Group managed and discharged waste gases and polluted water in strict compliance with standards and regulatory requirements, as shown by the supervision report for monitoring pollution sources and results of regular monitoring over enterprises from local environmental protection monitoring departments.



Fuyao Group waste and emission reduction measures

1) Waste gas treatment

Efforts have been made by the Company to increase investment in waste gas emission monitoring and accelerate infrastructure construction, which have come to fruition. To reinforce exhaust pollution treatments, VOCs(volatile organic compounds)from deep processing of printing and drying are treated in purification equipment to reduce the exhaust emission and as test result shows, the Company discharges VOCs in line with the national and local standards of atmospheric pollutants; Exhaust air from canteens will be processed at various purification equipment at exhaust air vents which guarantee over 90% of disposal efficiency.

Case: Float glass companies use clean energy

A total of RMB50 million investment was made in 7 float glass production lines of 3 float glass companies. Fuyao Glass Industry Group Co., Ltd (Float Glass) carried out transformation of heavy oil combustion systems of 3 float glass production lines, and Chongqing Wansheng Float Glass Company and Fuyao Glass (Tongliao) Co., Ltd replaced heavy oil and liquefied gas with natural gas, which cut down energy consumption by saving steam for heat preservation of heavy oil and atomized compressed air for combustion as well as energy consumed for terminal heat preservation and transportation of heavy oil being delivered into the factory. As the calculation result indicates, about 15,000 tons of standard coal and 6 million kWh power can be saved and 1200 tons of SO2, 100 tons of smoke & dust and 2000 tons of NOx emissions can be cut back every year.

Case: Dedusting and desulfuration of Float glass kiln exhaust air

Fuyao Group has invested RMB100 million to equip 7 float glass production lines with desulfuration facilities, each set furnished with high performance dedusters, which have been examined and approved by the environmental protection department. It is estimated that an approximate volume of 300 tons of smoke & dust and 4000 tons of NOx emission reduction can be realized every year.



Fuqing Float Glass Dedusting, desulfuration facilities and waste heat power generation device

Waste water treatment

To reinforce water pollution treatment, the Company requires all subsidiaries to equip reclaimed water recycle system so the wastewater from glass production can be disposed. The Group has invested RMB120 million to build 30 sets of wastewater treatment facilities, which put 11 million tons of water into recycle. Besides, the Company requests that facilities be better maintained and kept in healthy operation to effectively bring down waste water discharge and avoid impacts of production waste water upon environment.

Fulfillment of Fuyao clean production

Fuyao Group requires all subsidiaries to fully implement clean production and take effective emission reduction measures when new projects or technological transformation are launched, such as to exploit nonhazardous materials, process and facilities with high resource efficiency and minimum pollutant discharge, adopt comprehensive utilization and cyclical use of waste, wastewater, and waste heat from glass production, and perform periodic clean production audit so as to actualize “Conserving energy, reducing consumption, lowering emissions and enhancing efficiency” . As of the end of the year, all the domestic affiliates under operational control passed the clean production audit.

Fulfillment of total emission reduction

In 2016, in order to fulfill the pollutant mitigation tasks assigned by local environmental protection authority, all subsidiaries of Fuyao Group made vigorous efforts to lower the total pollutant emission volume and managed to meet the reduction target.

Waste discharge fee payment

In 2016, all subsidiaries of Fuyao Group complied with pollutant discharge application and registration policy in accordance with requirements of local environmental protection authority and paid pollutant discharge fees according to applicable laws as well as requirements in pollutant discharge bills, notices of pollutant discharge verification and review decision of pollutant discharge verification.

(2) Greenhouse gas emission management

Fuyao Group’ s greenhouse gases mainly include Scope 1: Direct emissions and Scope 2: Energy indirect emissions. Direct emissions are attributed to energy consumption from production activities and emissions from material decomposition in manufacturing processes; Energy indirect emissions are attributed to purchased electricity. Given the fact that the Company’ s greenhouse gas emissions result principally from energy indirect consumption, it has taken energy conservation measures such as to generate power from waste heat, recycle waste heat, increase power factor, and apply water-cooled air conditioners and energy efficient lights to mitigate greenhouse gas emissions.



(3) Hazardous and nonhazardous waste management

In strict compliance with the Administrative Regulations on Hazardous Waste, all subsidiaries of Fuyao Group have carried out hazardous waste management to meet regulatory requirements and have been equipped with independent hazardous waste storage with standardized construction. The Group requires its subsidiaries to sort out and store hazardous waste in categories, regulate storage sites and signs, standardize all identifications with ledger of goods in and out, and entrust hazardous waste disposal to qualified units. In 2016, nonhazardous industrial solid waste and hazardous waste were subject to safe disposal or comprehensive utilization, realizing a disposal rate of 100%.

Hazardous waste disposal

All subsidiaries of Fuyao Group have been equipped with temporary hazardous waste storage sites with seepage-proofing system on the floor and standardized warning signs, hazardous wastes are stored in categories and managed by specially designated personnel. Shown below are temporary hazardous waste storage sites of some subsidiaries:

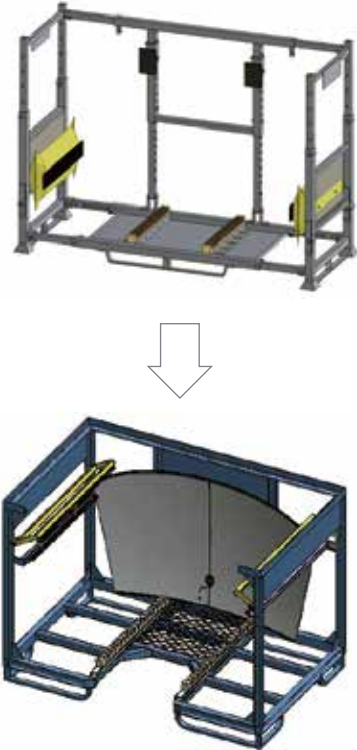
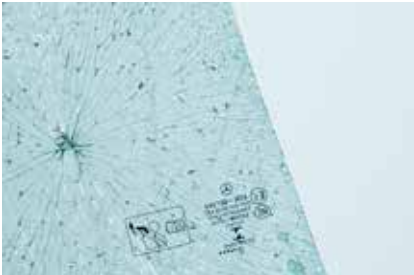
The hazardous waste of the float glass companies principally includes used oil and the containers and that of the automobile glass companies includes empty buckets holding chemicals such as used oil, waste ink as well as waste fixing solutions and developer solutions. Qualified third parties are engaged to properly dispose these hazardous wastes pursuant to applicable laws.

Non-hazardous waste disposal

All subsidiaries of Fuyao Group have been equipped with non-hazardous waste storage in categories.

The nonhazardous waste of float glass companies principally includes household waste, waste packaging materials (waste paperboard and waste plastics) and broken glasses. Household waste will be subjected to unified disposal by the department of environment and sanitation; waste packaging materials will be sold to qualified waste recycling agencies for disposal and; broken glasses will be recycled and reused as materials.

The non-hazardous waste of automobile glass companies includes household waste, waste packaging materials (waste paperboard, waste plastics and waste wood) and broken glasses. Household waste will be subjected to unified disposal by the department of environment and sanitation, waste packaging materials will be sold to qualified waste recycling agencies for disposal and broken glasses will be transferred to float glass companies for recycle and reuse.



3.2 Use of Resources

In strict compliance with laws and regulations including the Law of the People's Republic of China on Conserving Energy and the Water Law of the People's Republic of China, and adhering to the principle of corporate environment responsibility, sustainability as well as “To increase competitiveness by reducing energy consumption; to save energy and cost for the nation and the company” , Fuyao Group requires its subsidiaries to conform to the Environmental Protection Management Policy of the Group, implement comprehensive utilization and cyclical use of waste, wastewater and waste heat from glass production, and observe the “Seven Proactivenesses” , including acting proactively on new technology invention to solve environmental issues and increasing reclaimed water reuse rate while exploring new energy conservation with comprehensive utilization of resources and; on campaign, implementation and training on environmental protection, energy conservation and recycle economy, vigorous promotion of water saving, and the comprehensive implementation of energy conservation, emission reduction and energy efficiency enhancement among the Group so as to fulfill the target and responsibility of energy and water conservation.

During the reporting period, subsidiaries of Fuyao Group fully implemented energy conservation and environmental protection by executing clean production audit, carrying out technological transformation, promoting clean production according to the professional proposal, and exploiting their potentials for energy conservation in the aspects of new technology, new material, and new process.

Case: Replace wooden cases with metal cases/ metal stands for cyclical use purpose

Float glass companies and the automobile glass companies of Fuyao Group invested RMB200 million in metal cases with Fuyao logo “FY” to replace wooden cases as glass packages during 2013 and 2016. FY metal cases are reusable up to 3 times every year in place of 54,000 wood end-cap cases and about 7,000 m2 of wood can therefore be saved, while about 35,00 m2 of wood can be saved by the adoption of other types of metal cases, 5 times that of the FY cases. The Group replaced wooden cases with metal ones to save about 43,000 m2 of wood, which means 1,500 mu forest free from being felled.



### **Case: Waste heat recycle and waste energy utilization**

(1) Fuyao Group invested RMB80 million on the installation of 5 sets of HRSG(Heat Recover Steam Generator) which can recycle waste heat from flue gas and generate 45 million kwh every year; after power generation, recycle low-temperature flue gas in low-temperature boilers and produce steam for plant thermal insulation, air-conditioners of office buildings and plants and heating water in residential quarters.

(2) Fuyao Group (Shanghai) Automobile Glass invested RMB760,000 on the recovery and use of waste heat from laminated glass drying and bending furnaces, which goes through pipes into the air conversion system of the dehumidifier system in the lamination sections, and heat the air inside to reduce humidity. Through this way, the electric heating system of the dehumidifier system is no longer used so that 3.48 million kwh power can be saved every year, which equals to 1,218 tons of standard coal.

(3) To make use of the large volume of heat generated from air compressors, Guangzhou Fuyao invested RMB950,000 on the installation of heat exchangers on air compressor pipes to heat tap water and adopts thermal preserving water tank to preserve heat. Through this way, 2.38million kwh power can be saved every year, which equals to 833 tons of standard coal.

(4) Fuyao Glass Chongqing Co., Ltd. invested RMB330,000 on the reuse of compressed air from autoclaves by collecting 9bar~6.5 bar compressed air in autoclaves through pipes and transferring said air to compressed air pipe networks in the plants for cyclical use. 250,000kWh power, which equals to 87.5 tons of standard coal, can be saved every year for environmental protection purpose.

### **Case: conduct energy conservation transformation to public engineering utilities and power generators**

(1) Zhengzhou Fuyao Glass Co., Ltd invested RMB300,000 to renovate the thermal hydrocooling sets in air-conditioner rooms and printing workshops based on requirements of printing workshops (18~25℃) and Zhengzhou's regional climate, which brought in cool air from outdoor and helped reduce power consumption per hour from 11.4 kwh to 1.1 kwh during October and March the following year, saving 1million kwh a year, which equals 350 tons of standard coal.

(2) Since 2015, Fuyao Group made proactive efforts to promote LED luminaire for industrial use Group wide and required all subsidiaries to stop using metal halide lamps, energy-saving lamps and electrodeless lamps and formulate plans to immediately replace 400W, 250W metal halide lamps and gradually replace low-power electrodeless lamps and energy-saving lamps with LED lamps.



### **Case: conduct energy conservation transformation to production facilities**

(1) Chongqing Fuyao Automobile Parts Co., Ltd. invested RMB100,000 on the application of direct air compression, vacuum generators and magnetic valves instead of independent vacuum pumps to supply air for and control pre-processing Bandong shutter adhesive discs, so as to reduce usage of vacuum pumps. It also removed water supply tanks and built-in water pumps of pre-processing edgers, and pumped recycled water directly for edging, so as to reduce usage of edgers; it adopted parallel use of air blowers of the 2 bent glass washing lines, whereby 3 air blowers supplied air to the 2 lines instead of 2 to 4 used simultaneously for each line. Through this way, 346,000kwh (121 tons of standard coal power) power can be saved every year.

(2) Glass tempering furnaces and glass tempering air blowers used to be far apart, which led to long air blower start/stop time when changing molds and the frequent occurrences of leaving air blowers running. To solve this, the Guangzhou Fuyao invested RMB50,000 on the long-distance control so that staff can control and adjust air blower start/stop and speed in tempering furnace control room. Through this way, power waste can be reduced and 425,000kWh (148.75 tons of standard coal power) can be saved.

### **Case: intensify energy conservation in respect of processing (such as layout)**

(1) Fujian Wanda Automobile Glass Industry Co., Ltd. makes continuous efforts to optimize production processing and improve rate of finished products of all types (such as to adopt special fixture to dry and bend the finished glass sheets, transform primary laminated glass groove processing, and adjust handling methods before and after drying and bending, etc. to raise the overall rate of finished V408 coated skylight products from 41.65% to above 82% and; to change cutting wheels, optimize edge severing programs, adjust cutting areas, change bearings, and exploit special grinding wheels to recover grinders etc. to raise the rate of finished half-tempered laminated glasses from 80% to 95% etc.) and has reduced unit energy consumption and conserved 1,644 tons of standard coal every year.

(2) With product quality uncompromised, Shanghai Fuyao Bus Glass Co., Ltd. adjusted the tempering and cooling transmission speed from 80mm/s to 50mm/s, so as to prolong the cooling time, thus lowering the revolving speed of air blowers from 1,200 r/min to 500 r/min; likewise, it adjusted the transmission speed outside furnaces and reduced the revolving speed of cooling air blowers outside furnaces from 800 r/min to 300 r/min, which serves the purposes of conserving energy by saving 960,000kwh power every year(equals to 336 tons of standard coal).

In the utilization of other raw materials, when launching new projects or conducting technological transformation, the Company takes active efforts to apply clean production measures, processes and equipment of high energy-efficiency and low pollutant emissions to take the place of ones of low energy-efficiency and heavy low pollutant emissions to reduce consumption of raw and auxiliary materials.





3.3 The Environment and Natural Resources

(1) Environmental risk management

In accordance with the requirements set out in the Notice on the Issuance of the Interim Administrative Measures for the Environmental Emergency Response Plan and the National Environmental Incident Response Plan and based on its production process, polluting phases and environmental risks, subsidiaries of Fuyao Group formulate respective Environmental Emergency Response Plan and submit the Plan to local department of environmental protection for record pursuant to relevant regulations.

Subsidiaries of Fuyao Group have set up environmental emergency response departments, equipped relevant emergency facilities, and stored abundant emergency supplies. Efforts have also been made to arrange periodic emergency drills, implement prevention, alerting and response measures, and conduct whole-process control from the source to the end, with the aim to effectively prevent the occurrences of environmental incidents and reduce environmental risks.



Drill of responding to and handling dangerous chemical leakage



(2) Noise Pollution Control

The major sources of Fuyao Group’ s noise include production equipment such as air compressors and glass moulding machines. To control equipment noise pollution, Fuyao Group took measures in respect of noise sources and ways of transmission to enhance noise pollution treatment:

- Use low-noise environmental equipment and keep them in good operation;
- Establish separate rooms for high level noise equipment such as air blowers, air compressors and glass moulding machines, and adopt noise insulation and absorption;
- Adopt the design principle of “separating low and high level noise equipment” and “Proper layout” to insulate high level noise equipment from noise-sensitive areas; plant green belts properly composed of arbor and thrub and choose richly branched, densely canopied and leafy trees capable of absorbing noise and waste gases in the proximity of workshops, storages and plants, so as to reduce environmental impact of noise and other pollutants;
- Conduct technological transformation of high level noise equipment to reduce noise.

In 2016, subsidiaries of Fuyao Group managed noise within plant areas in strict compliance with standards and regulatory requirements, as shown by the supervision report for monitoring pollution sources and results of regular monitoring over enterprises from local environmental protection monitoring departments.

(3) Major environmental issues

In 2016, the Group was not subject to any environmental pollution incidents, environmental pollution disputes, verified group environmental protection claims, or other offence cases in relation to environment.



# STAFF CARE

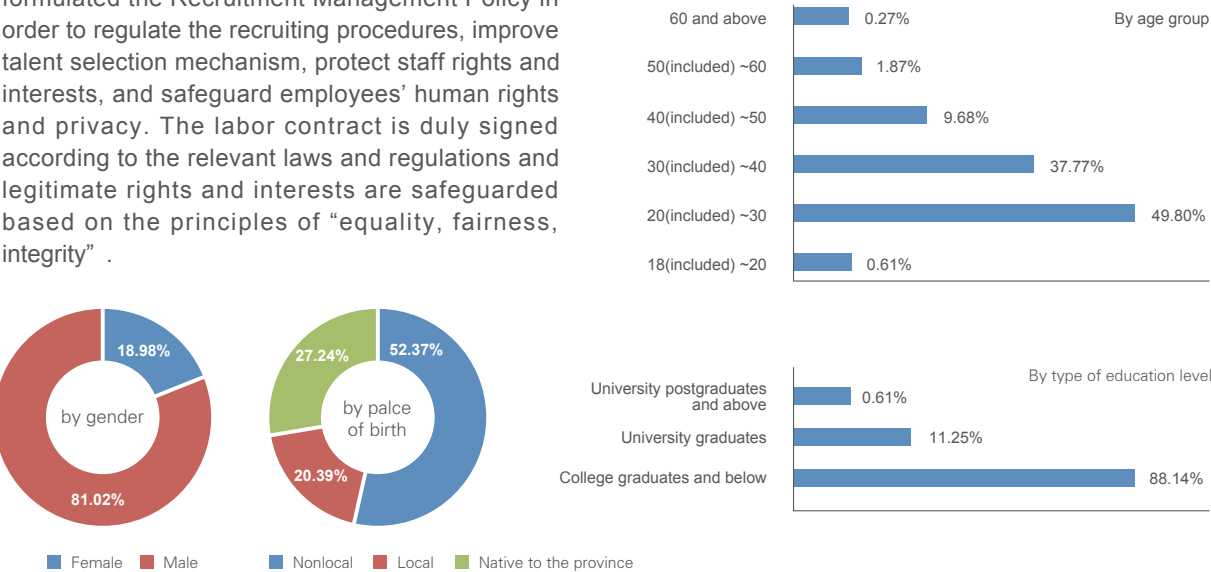
Fuyao Group insists on human-orientation and strives for harmonious and win-win labor relations. The Company gives full expression to the guideline of “human-orientation” at cultural and institutional level and puts it into practice in respect of production and operation, staff training, work safety, remuneration & benefits and payment of “five social insurances and one housing fund” , etc. as well as its care for the life, health, safety and professional development of its employees in an all-encompassing and multi-dimensional manner.



## 4.1 Employment

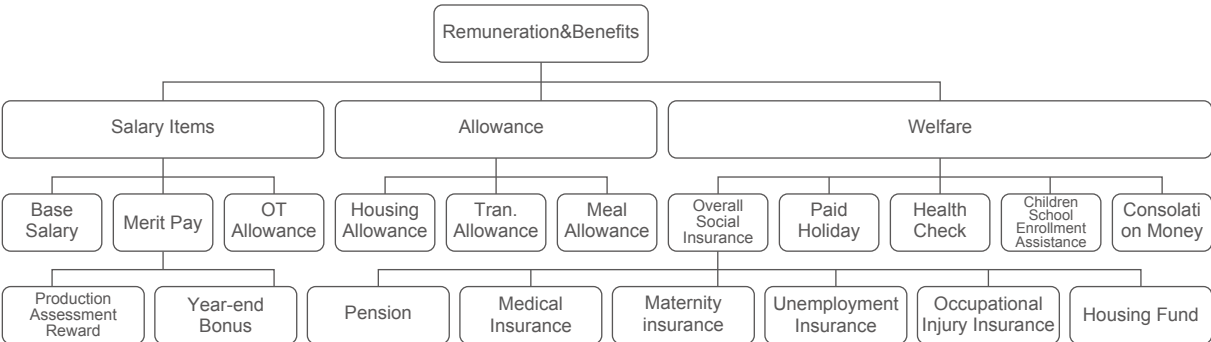
### (1) Policies

In strict conformity with applicable laws and regulations including the Labor Law of the People's Republic of China and the Labor Contract Law of the People' s Republic of China, Fuyao Group formulated the Recruitment Management Policy in order to regulate the recruiting procedures, improve talent selection mechanism, protect staff rights and interests, and safeguard employees' human rights and privacy. The labor contract is duly signed according to the relevant laws and regulations and legitimate rights and interests are safeguarded based on the principles of “equality, fairness, integrity” .



### (2) Remuneration and benefits

In line with the principle of “Fairness, competition, motivation, economy and compliance with law” , Fuyao Group formulated the Remuneration Management Policy, Employee Performance Management Regulations and Benefit Management Policy, and set up compensation mechanism where monthly fixed pay and annual performance are linked. A competitive payment is provided to its staff by fair and reasonable salary management and incentive mechanism. Remuneration of employees of Fuyao Group is mainly composed of various pay including basic salaries, merit pay, bonuses, subsidies and allowance; salaries are adjusted in a timely manner in accordance with the Company' s results, employees' performance, seniority and the work attitude. In addition, the Company strictly implements state laws and regulations and pays medical insurance fund, public pension fund, unemployment insurance fund, work-related injury insurance, public maternity insurance fund and housing provident fund on time and in full. Other benefits include meal allowances, working lunch, high-temperature subsidies and middle/night shift subsidies etc.



### (3) Democratic management

Fuyao Group sticks to the workers congress system to secure the legitimate rights and interests of employees. The Company seeks employees' opinions on issues related to their interests such as remuneration & benefits, collective contracts and ration adjustment and encourages them to make reasonable and legitimate appeals, engage in corporate governance, and strengthen sense of ownership. As stipulated in the Company's Management Measures for Safeguarding Employees' Human Rights, employees have the right to organize and participate in trade unions and collectively bargain in accordance with law; if collective bargaining is restricted by law, employees can communicate with management representatives through staff representatives or in written manner; The Company shall ensure that employee representatives maintain extensive connections and communications on items of negotiations with the workers under any working environment, respect the reports, recommendations and proposals presented by employee representatives and tolerate no retaliation or discrimination.

### (4) Holidays and working hours

In strict compliance with applicable local labor laws and regulations where it operates such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Employment Promotion Law of the Peoples Republic of China and the Employment Ordinance, Fuyao Group formulated the Employee Attendance and Holiday Management Policy to fully implement national working hour mechanism, and arrange staff production and rest in a well-planned manner.

### (5) Anti-discrimination

As stipulated in the Company's Management Measures for Safeguarding Employees' Human Rights, all departments, organizations and individuals shall abide by national and local regulations and allow no biases against any employee based on elements such as race, sex, color, age, family background, national tradition, religion, physical status, and national origin, so as to ensure that employees are treated fairly in every aspect such as recruitment, duty performing, remuneration, training, promotion, and compensation.

### (6) Employee care

Fuyao Group has always treated every employee as a family. To better take care of its "family", it established beneficent funds committee in 2013 as a platform to cultivate and carry forward its kindness and to help staff who suffer from major financial losses due to emergencies. The beneficent funds made a total donation of RMB1.0787 million in 2016, hitting a record high since the inception.

In July 2016, Fuyao Glass (Chongqin Wansheng) Co., Ltd established the "Mommy's Room" equipped with necessary electric appliances as well as maternal and child supplies, with the aim to create a warm and comfortable breastfeeding and rest environment for female employees during and after pregnancy.



Love hut



Dragon Boat Festival



Children's Day



Women's Day



Women's Day



Safety promotional display boards



Safety quiz



Forklift skill competition

## 4.2 Health and Safety

To guarantee employees' occupational health and safety, the Fuyao Group commits itself to providing a safe working environment and equipment and ensuring work safety. The Company set up the EHS department under the Office of the Chairman to monitor and offer guidance to its subsidiaries on the establishment of the EHS management system so as to fulfill the Company's basic commitment in respect of environment and occupational health and safety protection.

To delegate the responsibility of ensuring production safety of employees of all departments, strengthen safe production management and promote safe production, Fuyao Group formulated the Safe Production Accountability Management Policy, which designates the General Manager as the person in charge who has overall responsibility for the safe production management of Company's subsidiaries; general managers of subsidiaries should establish safety management departments and clarify safety responsibilities of all departments and staff. The Company requires its subsidiaries to set up safe production management organizations or assign dedicated safety personnel commensurate to sizes.

To strengthen comprehensive safety campaign and education, Fuyao Group formulated the Safety Education and Training Management Regulation to implement the three-level education and training, skills training of safety responsible personnel and safety management personnel, and certification of special operations personnel and special equipment operators so that employees can receive necessary pre-job safety education. Besides, the Company intensifies Group-wide safety campaign and education by various daily display boards and organizes regular technical safety quiz and skill contests to create a safety oriented culture.



Fuyao Group attaches great importance to prevention at source and has taken more equipment protective measures such as installing safety interlocks, guardrails and shields on equipment to ensure effective insulation operators from equipment repair areas. Safety signs are also put up to ensure safe field operation to the greatest degree possible.

The Company made a proper adjustment of the overall layout of the production areas and designed walkway plans to effectively clear logistics off walkways. It also gave safety warnings by setting up signs and installing wide angle lens at walkway crossings etc., and used zebra crossings at the intersection of walkways and logistic passageways to prevent personal injuries by moving vehicles, thus further ensuring safety.

To better safeguard employees' safety, Fuyao Group put up the Safe Operation Guide it formulated for all operation positions where obvious and posts safety warning signs. The Company also sets up protection supplies up to par with safety standards to ensure safety.

To reinforce occupational health management and occupational disease prevention, Fuyao Group formulated the Occupational Health and Safety Management Policy according to the Prevention and Control Law of Occupational Diseases of the People's Republic of China, Occupational Disease Classification and Catalogue and Management Regulations for Occupational Health Surveillance. It attaches great importance to occupational disease prevention of construction projects and specifies items including occupational hazard assessment, occupational hazard notification, occupational health education and training, management of workplace exposed to occupational hazards and occupational health physical tests etc., so as to prevent, control and eliminate occupational hazards and safeguard staff physical health. To show its care for its employees and the corporate culture of "human-orientation", the Company has made active efforts in the implementation of the state's Management Regulations for Occupational Health Surveillance and requirements for medical institutions providing occupational health examinations and offers a free physical tests for employees serving more than 6 months, with the aim to prevent occupational diseases.



Guardrail of production equipment and safety signs  
Safety interlocks on production equipment



Diverging of walkways and logistic passageways in production areas



An employee wearing PPE



Staff check



warehouse

To enhance employees' response ability in event of emergencies, and improve self-rescue and mutual assistance skills, subsidiaries of Fuyao Group arrange regular emergency drills such as fire drills and chemical leakage drills. The Company will invite specialized units such as local fire brigade to offer on-site guidance during the drills.

**Case: Fire drill**

On 21st October 2016, Fuyao Group invited the Fuqing fire brigade to offer on-site guidance and carry out the 2016 comprehensive fire drill on the premises of the Wanda Automobile Glass of Fuqing district, which saw attendance of all Fuyao subsidiaries of this district.



The Management Committee and fire brigade led and ordered firefighters to attend the drill

Fuyao Group established the screening and elimination mechanism of hidden risks of production safety accidents to identify vulnerabilities and unsafe behaviors, so as to prevent accidents before they happen. The Company has formulated the Management Measures for Safety Check and Hidden Risk Remediation and conducts overall safety check by way of safety inspection, comprehensive safety check, special safety check, holiday safety check and routine safety check, etc.

To fully implement the guidelines of "Safety first, focusing on prevention, and integrated control", the Company also formulated a series of safety management policies including the Management Regulation for Safety Grading System, Management Regulation for Construction Project Safety, Management Regulation for Production Facilities and Equipment Safety, Management Regulation for Special Equipment and Special Operation Safety, Management Regulation for Work at Height, Management Regulation for Confined Space Operation, Management Regulation for Hot Work Operation, Management Regulation for Hazardous Chemical Safety, Management Regulation for Fire Safety, and Management Regulation for Safety Accidents so as to offer comprehensive guidance on the Company's safe production activities and safeguard employees' health and safety.

## 4.3 Development and Training

Fuyao Group regards human resources as the primary resource of the corporate and has formulated a series of management measures for employee education and training including the Training Management Regulation, Management Regulation for the Construction of Talent Team, Management Regulation for Talent Exchange among Subsidiaries, Management Regulation for Job Rotation of the Management, Management Regulation for Profession and Technical Qualification Appraisal, Proxy Management Regulation, and the Management Regulation for Employee Career Development, which regulate the Company's training management, intensify training efforts, and promote employees' development. The Company has also developed the strategy of "High quality globalization", put great emphasis on maintaining leading position in technology and making continuous improvement, formulated talent team construction plans, and accelerated the building of learning organization, so as to leverage knowledge to fuel the Company's progress and growth and exemplify China's "Industry 4.0".

### (1) Diversified Training

Fuyao Group customizes continuous education and trainings for its employees and endeavors to improve the competency and abilities of all levels of employees on an ongoing basis. In education and training planning and implementation, the Company pays attention to various training needs of junior staff, leaders and administrative staff, technical personnel and line management staff as well as the evolving needs of Fuyao Group, and invites in-house or external trainers to offer six categories of customized training sessions, i.e. orientation training, operation training, professional training, administration training, comprehensive training and mandatory training to employees of different levels and types in forms of lectures, on-site operation, seminars, case study, role play, simulation-based trainings and outdoor trainings. The Company also provides employees with opportunities of receiving international trainings and on-the-job advanced education so as to build a sound diversified staff training system, encourage more employees' involvement, and eventually achieve better training results.

#### Junior employees:

The Company continues to help staff master required basic knowledge and skills, and at the same time carries out on-the-job education for obtaining advanced degree, empowering them with the ability to operate robots and competency in routine maintenance and basic software programming. The Company continues to upgrade the working practice base, put theories into practical use, and carry out training programs on an ongoing basis, thus improving staff comprehensive competency.



#### Leaders and administrative personnel:

- The Company sent leaders and administrative personnel to foreign "Industry 4.0" model enterprises for study and exchange of ideas, so as to help them widen horizon and get more insights into patterns, administrative mindset and methodologies.
- The Company arranged mindset training for senior management, enabling leaders and administrative personnel to renew their understanding of their roles, missions and faith in the new era;
- The Company continues to provide customized training programs to new administrative personnel and carry out coaching and practicing for employees to be promoted for filling their knowledge gaps so that they can be competent for future duty performing.

#### Technical and line management personnel:

The Company conducts innovative management through continuous reinforcement of the learning and practicing of the TRIZ (Theory of Inventive Problem Solving), DOE (Design of Experiment) and the Taguchi method as well as promotion of design and research results; efforts have also been made to continuously improve the six sigma yellow/green belt programs and the QCC (Quality Control Circles) program, etc. to increase the overall rate of finished products.

The Company arranges regular communication and trainings on knowledge and business operation for employees of different lines, whereby trainees can achieve mutual reinforcement by drawing on each other's experience and wisdom and improving themselves. The Company also makes continuous endeavors to explicitly transfer tacit knowledge, standardize and upgrade explicit knowledge as well as share knowledge by information-based means. Efforts have also been made to set up qualification appraisal mechanism to ensure that knowledge be carried forward, where successor cultivation, internal trainer levels, SOP and literature etc. will be major considerations. The Company provides new graduates with the "Rookie blue training camp" program, where new graduates spend one year in the adaption to new roles, and acquirement of corporate profile, product information, industry knowledge, technological know-how and basic management skills before performing field practice, so as to acquaint themselves with company mechanism, industry characteristics and staff mentality, thus laying a foundation for future career development.





## (2) Talent team construction

### Set up talent team construction policy and build talent pool.

To develop and foster more talents for the Company and build a successive talent team, the Company has formulated the Management Regulation for the Construction of Talent Team, which requires implementing count and review of talents as well as laying down talent team construction goal and cultivation plans. It is also specified in the policy that a Talent Team Construction Timetable of key positions be formed according to predictions of human resources and weakness identified based on count results and that a Group-wide talent team construction goal be set based on group development strategy and subject to performance target tracking. The Company follows the Management Regulation for Employee Career Development in talent cultivation and performs on-the-job learning and on-the-job practicing (proxy, exchange among subsidiaries, job rotation) etc., to guarantee workforce support for the Company's fast growth and development.

### Clarify development channels and promote compatible development.

To facilitate the building of the Company's talent pool and talent team, push ahead the compatible development of corporate strategy and employees' needs, and ensure the fairness, equality, just and efficiency of talent development and exploitation, Fuyao Group has formulated the Management Regulation for Employee Career Development, which clarifies the four career channels for administration, technology, functionality and operation and corresponding appraisal criteria, where certain marks are required for each level. Employees obtaining minimum required marks will be admitted into the talent pool and those who outscore will be favored candidates for promotion with other qualifications being the same.

### Implement deputysystem to facilitate talent team building.

It is specified in the Company's DeputyManagement Regulation that the proxy is practiced quarterly with the duration of one week to one month and a Deputy Work Summary Sheet shall be filled out 3 days after the deputy; The human resources department shall review and summarize the Annual Proxy List and include the appraisal results when considering whether to promote the deputy concerned, thus providing development opportunities for more employees with potentials and better cultivate and develop position successors.

## (3) Talent exchange among subsidiaries

To encourage talent exchange among subsidiaries, the Company sent high performing administrative staff, business backbone or technical personnel to other subsidiaries for 3-6 months of exchange programs, thus ensuring that the Company's internal knowledge, skills and experience be carried forward.



Lean management introduction courses (black belt target staff)



Taguchi method training



## 4.4

## Labor Standards

Fuyao Group tolerates no child labor or forced labor in strict compliance with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Provisions on Prohibition of Child Labor.

### (1) No employment of child laborers

In strict compliance with the provision of "Only those aged over 18 years old are considered legitimate candidates" set out in its Recruitment Management Policy, Fuyao Group recruits no child laborers aged below minimum age prescribed by local regulations. The human resources department will require candidates of presenting valid ID cards to verify their age.

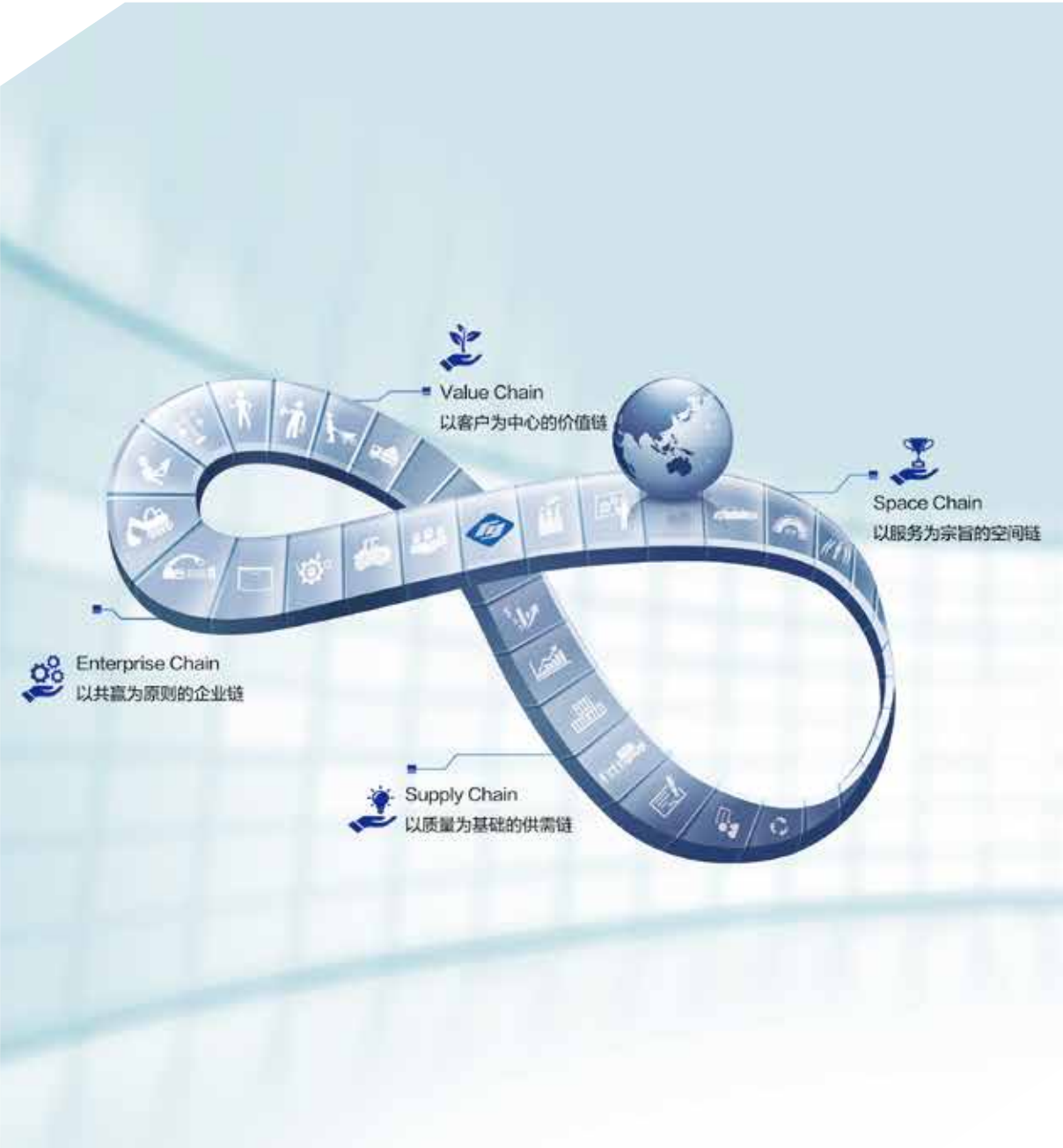
### (2) No forced labor

The Company's Management Measures for Safeguarding Employees' Human Rights specifies that all the Company's policies and provisions shall not include implication of forced labor and forbids forced labor, contract labor, physical punishment, custody or threat of violence in any form; the Company adheres to the principle of voluntary overtime work. Where overtime work is needed due to operation needs, overtime workers should apply to department directors, the human resources department etc., to prevent forced overtime work, and should be paid for work done overtime according to the local regulations.



# OPERATION PRACTICES

The Company breached no rules and regulations in **30** consecutive years  
**100%** of products passing the inspections and sampling tests of all levels of authorities.



## 5.1 Product responsibilities

In strict compliance with laws and regulations including the Product Quality Law of the People’ s Republic of China, Fuyao Group takes various measures and spares no effort to ensure the quality and safety of its products and protect consumers’ rights and interests, and justifying its high regulatory compliance performance, quality certificate from certifying authority and universal recognition of customers.

The Company breached no rules and regulations in 30 consecutive years with 100% of products passing the inspections and sampling tests of all levels of authorities.

Theproducts of Fuyao Group are certified by China CCC, US, Europe, Japan, Korea, Brazil, South Africa, Indonesia, Australia, Russia, Taiwan, etc.; providing products to the world’ s top automobile manufacturers, Fuyao Group has been awarded GM Global Supplier 5 times within 6 years, the Fiat Chrysler Perfect Quality Award, Volvo Excellent Supplier Award, Ford World Excellence Award and 2016 Volkswagen Best Supplier Award, etc., which are attributed to full implementation of quality management policies and requirements by all staff of all positions throughout the whole process.





## (1) Product Quality Management

### Quality management system

Fuyao Group has established and improved the quality management mechanism of product life cycle where life cycle control is implemented from “product design and development” to “manufacturing and after-sale services” , so as to ensure effective control of products of all stages and thus stable product quality. The Company has also formulated Fuyao internal system and product technical standards stricter than national and industrial criteria according to the ISO/TS16949, ISO14001, and OHSAS18001 system as well as standards of its clients from China, Europe, US, Japan and Korea etc., and taken stringent quality control measures as per these standards to ensure safe and high quality products and services for consumers.

### Product development management

Fuyao Group has built an iron triangle management mechanism on product development, where it conducts hidden design failure model and effects analysis on the products’ “system->subsystem->parts” , identifies product design risks and analyzes RPN in respect of risk frequency, materiality and detection level by adopting the APQP(Advanced Products Quality Planning) and DFMEA(Design Failure Model and Effects Analysis) and takes corresponding risk control measures, thus preventing quality risks from taking place at the design stage. New projects failing the Quality Gate Review will not go to the next stage, which effectively ensure the quality of new products and new projects.

### Quality process control

Fuyao Group has established the Quality Process Control procedures, adopts PFMEA (Process Failure Mode and Effects Analysis) to identify risk points in manufacturing process, and takes relevant control measures to reduce risks as well as ensure product manufacturability and stable customer satisfaction. Upon the completion of batch manufacturing, Fuyao conducts whole process key characteristic management using control plans and adopts statistical process control tools such as the technology SPC (Statistical Process Control) etc. to monitor process capability and trends, spot vulnerabilities and accordingly take corrective and preventive measures, with the aim to control deviation risks due to fluctuations in manufacturing process.

The Company requires manufacturing workshops to practice the principle of “Three Nots and Three Gets” (Three Nots: no to accept, not to manufacture, not to deliver; three Gets: get to the site, get the object, get to the truth); to conduct batch raw material inspection when procured materials are being fed and perform online process inspection on product manufacturing process; to conduct annual inspection of all products in a stringent manner and allow no release of defective products and; to promote usage of fail-safe uniforms, automatic inspection and quality information-based platforms etc., to ensure effective quality control and continuous improvement at every stage.

### Quality check

To ensure strict compliance and full implementation of standards and improve production quality, Fuyao Group has established a set of processing and quality discipline check mechanism, set up cross-departmental multi-functional matrix to conduct regular processing check through Management by wandering around (MBWA) by leaders at different levels and departments, and effectively improve and eliminate quality anomalies by statistical summary, analysis, appraisal and correction of quality data, so as to ensure the effectuation of Company’ s quality management mechanism.



### Creating quality culture

The Company puts great premium on training employees on required basic knowledge and skills, including on-the-job education, hands-on training, apprentice training, and qualification verification, by forms of morning assembly and quiz, etc., to raise employees’ quality awareness as well as carries out lean management activities to acquaint employees with tools such as 5S(Seiri, Seiton, Seiso, Seiketsu and Shitsuke), 7 tools and quality statistical technology to implement and improve comprehensive project management and realize the harmonious development of quality, cost, profits and staff growth.



(2) Customer satisfaction

In order to guarantee the complaints of quality problems can be solved efficiently and timely as well as to improve customer satisfaction, Fuyao Group formulated relevant provisions such as the Provisions for Customer Complaints according to laws and regulations including the Law of the People's Republic of China on Protection of Consumers' Rights and Interests. Sound after-sale services, quality information feedback procedures and customer complaints management framework have also been set up so that customer complaints can be passed efficiently among responsible departments of its subsidiaries and timely settled. The Company furnished the E-mail [fyqm@fuyaogroup.com](mailto:fyqm@fuyaogroup.com) to take customer complaints about quality and built a nation-wide sales services network to react to customer appeals within 24 hours, with the goal of providing timely and high quality services; the Group has also set up history database to prevent reoccurrences of quality issues inside the Company and applies it to all stages of new projects so as to reduce product related risks.

Fuyao Group complies strictly with national laws and regulations related to product quality accountability to avoid customer losses and property losses. As of December 2016, the Company did not receive any products returned for safety and health reasons.

The Company pays special attention to customer demands: on the one hand, it signs contracts with original equipment manufacturers (OEMs) which contain provisions including but not limited to quality management and inspection, after-sale parts, confidentiality and relevant obligations, product responsibility, intellectual property rights; on the other hand, it endeavors to digest and review customer requirements to ensure delivery of these requirements to competent departments.



(3) Intellectual property rights

Fuyao Group formulated policies such as the Patent Management Policy as per applicable laws and regulations including the Patent Law of the People's Republic of China and the Implementing Rules of the Patent Law of the People's Republic of China based on production, business, sales, R&D needs and its own development characteristics, and continuously improves its intellectual property rights management system, which obtained the GB/T29490-2013 certification.

In strict compliance with relevant policies and provisions, Fuyao Group has made active efforts in intellectual property right work and obtained recognitions from the state and governments: obtained the title of Patent Work Communication Station by the State Intellectual Property Office in 2008; stood out as the only finalist for 2013 National Patent Pilot Site Enterprise of the province; ranked among the First Batch of National Intellectual Property Right Model Enterprise in 2013 and passed the review in 2016 and; obtained 3 China Patent Excellence Awards and a number of provincial and municipal patent related awards.



2014 China Patent Excellence Awards 2010 China Patent Excellence Awards



GB/T29490-2013 intellectual property right management certificate 2015 China Patent Excellence Awards



Patent Work Communication Station



Adhering to the strategy of “Trademark should be registered before products are launched” , Fuyao Group has been focused on trademark establishment and set up the FY brand concept. Fuyao Group registered the “FY” and “Fuyao” trademarks at the China Trademark Office early in 1989, obtained acknowledgement as the first China Renowned Brand in China’ s automobile glass industry in December 1999 and has been honored China Top Brand for two consecutive years since 2004. In recent years, the Company’ s trademarks have been titled as Fuzhou Renowned Brand and Fujian Renowned Brand for times. Fuyao Group has by now 14 registered trademarks covering 45 categories of domestic goods in 80 countries and regions. It also applied for 5 international registrations under Madrid System. The Company formulated and implemented the Patent Management Provisions as per laws and regulations such as the Trademark Law of the People’s Republic of China and the Implementing Rules of the Trademark Law of the People’s Republic of China, which stipulates responsibilities of trademark design, registration, management, etc., and use of trademarks to safeguard the Company’ s intangible asset, maintain corporate reputation, guarantee product quality and strengthen intellectual property right management.

As the leading enterprise in China’ s automobile glass, Fuyao Group has hired nationally known investigation agencies as anti-counterfeit advisories, taken forcible measures and launched a vigorous anti-counterfeit campaign nation-wide. The ever more energetic anti-counterfeit activities have yielded phenomenal results: supported by related authorities such as the public security bureau, industrial and commercial administration, and Technical Supervision Bureau, Fuyao Group acquired 8,881 pieces of counterfeited glasses worth of RMB4.69 million in 2016. Fuyao Group’ s efforts in cracking down on Fuyao glass counterfeits in recent years have purified the automobile glass market substantially.

In sync with its continuous after-sale market counterfeit combat and market purification, the Company also formulated management policies to standardize distribution stores and brands, so as to provide more high quality and safe services for consumers, establish an industry benchmark in respect of after-sale glass installation quality, and show its resolve to undertake social responsibilities.

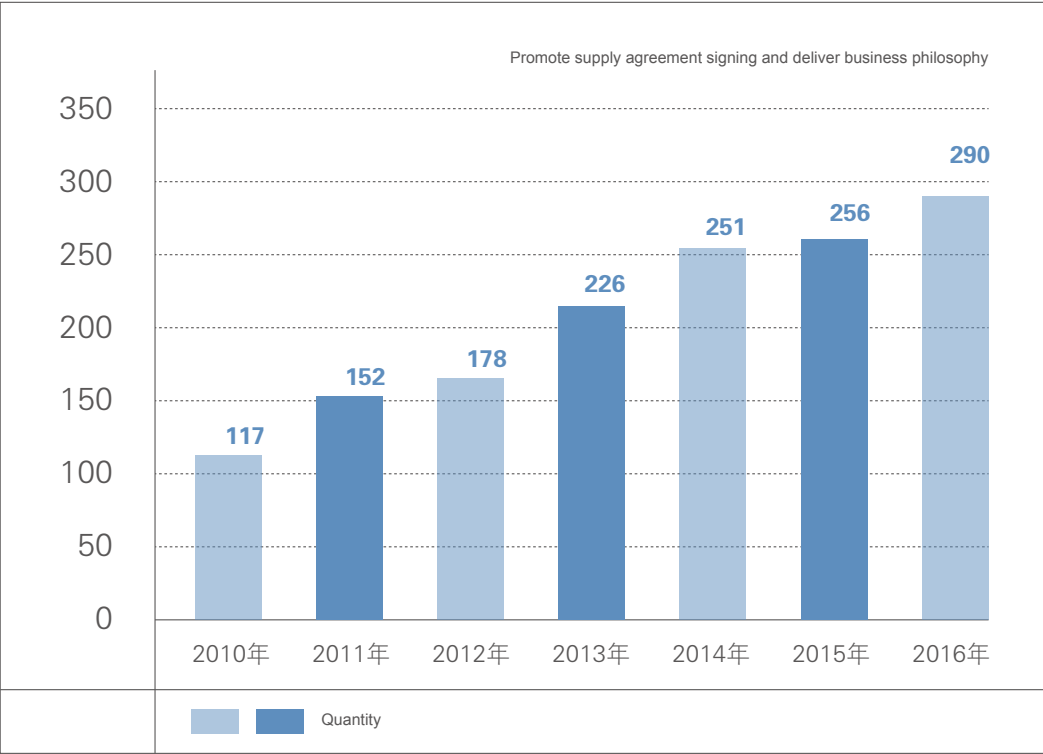


5.2 Supply Chain Management

As the “Intelligent Manufacturing and Globalization” strategy unfolds, Fuyao Group has been staying true to the vision of “Maintaining prominence of Fuyao supply chain management system and creating values for customers in a sustainable manner” and constructing efficient, energy saving, safe and healthy supply chain management system by promoting intensive, standard and lean procurement. The Company has also formulated supplier management policies based on supplier selection and management mechanism, so as to enhance positive impact on society and environment of the industrial chain.

The Company passes environmental and social risk policies to its suppliers via various channels and ways, such as delivering the governing philosophy of “Undertaking social responsibilities, executing protection provided by law, avoiding pollution and damage to environment and promoting harmonious development of human and the nature” by signing supply agreements with suppliers.

Fuyao Group has formulated the Supplier Management Handbook, promoted it to suppliers and set up the item of “Environment and Safety” as a bonus point in annual supplier performance appraisal with the goal of encouraging suppliers to establish the ISO14001 Environmental Management System and the OHSAS18001 Occupational Health and Safety Management Systems. In supplier evaluation, the Company places equal emphasis on suppliers’ fulfillment of corporate social responsibilities, improvement of Group supply chain competitiveness and their efforts in sustainable development.



Fuyao Group holds core strategic supplier conferences based on market situation to reinforce exchange of ideas, pass Fuyao culture and business philosophy to suppliers and assist suppliers in continuous improvement of their operating performances and ability to discharge social responsibility, with the ultimate goal of achieving common growth and constructing a responsible industrial chain.

Case: Strategic transformation and supply chain upgrading—2016 Fuyao Group Supplier Conference

The 2016 Fuyao Group Supplier Conference took place on 29th July 2016 in Fuyao Group headquarter in Fuqing, which focused on “Strategic transformation and supply chain upgrading” and saw attendance of representatives of more than 50 strategic suppliers around the globe and Fuyao Group Management team.

Fuyao Group’ s management indicated that, as OEMs appeared more demanding in terms of technology, cost, quality and delivery, Fuyao, as the world’ s largest automobile supplier, was to shoulder more responsibilities and nobler mission and hoped to translate this sense of mission into vigor in collaboration with suppliers. Zuo stressed that the Supply Chain Management Department of Fuyao Group would put more emphasis on the establishment of supply chain system, supply chain strategy and core strategic supplier cultivation in the process of transformation, actualization of a more streamlined and decentralized administration, execution of cleanness and integrity supervision, and improvement of supply chain efficiency and efficacy, and encourage suppliers to exchange ideas with Fuyao about offering better technical solutions, quicker services and products of higher quality and more competitive prices.



Photo of Fuyao Group leaders and representatives of strategic suppliers



Supplier Conference



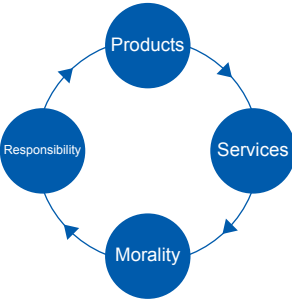
Representative of suppliers addressed the conference



5.3
 Anti-corruption

(1) Create honest and clean culture

Fuyao Group stays true to the management philosophy of “Human-orientation and integrity” , adopts the honest culture value cycle of “Product-service-morality-responsibility” as its bedrock principle, and prioritizes the Company’ s brand strategy of “Character, Product, quality, taste” with character in the first place. The staff of the Company uphold the team concept of “unity, efficiency, cleanness, fairness” , view “diligence, simplicity, learning and innovation” as core values and maintain upright, righteous, independent, sincere, and positive with a view to qualifying as honest, trustworthy and principled Fuyao staff.



(2) Set up corruption governing framework

The Company set up a scientific governing framework to continuously improve internal monitor and control mechanism, including:

<div>                     Governance Framework                 </div>	An audit committee has been established under the Board of Directors and the Internal Audit Department is responsible for conducting routine work and shall report its work and be accountable to the Board of Directors. The Internal Audit Department comprises a reasonable number of auditors who attend regular board meetings and briefings, and report to board directors and the audit committee on the implementation status of internal control on a regular basis;
	The Company has formulated a series of internal control provisions and auditing rules including the Internal Control Management Handbook, Internal Control Management Policy, Internal Audit Management Policy, and Internal Evaluation Management Policy. It makes continuous improvement of internal supervision and control mechanism by prevention, identification and handling of fraud, which reflects the reality of the effective implementation of independent assessment and supervision of the Company’ s anti-fraud control system and reporting to the board directors and the audit committee on the execution status;
	The Company engages external audit institutions to conduct independent audit of the corruption risks inside the Company every year and reports to the board’ s audit committee so as to effectively preventing fraud such as misrepresentation of financial statement and misappropriation of assets and ultimately ensure the sustainable development of the Company’ s operation management.



(3) Improve the supervision and control mechanism

In compliance with applicable laws and regulations including the Company Law of the Peoples Republic of China, the Law of the People's Republic of China on Tenders and Bids, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, and the Standard for Enterprise Internal Control, the Company formulated a series of sound internal governance frameworks, stringent policies, internal control management handbook and relevant management procedures, etc. and involves the Internal Audit Department to supervise the full implementation so as to avoid bribe-taking and fraud and prevent Fuyao from occurrences of fraud and immoral behaviors;

According to the Standard for Enterprise Internal Control and other relevant laws and regulations, the Company’ s board formulated the Anti-Fraud Management Policy, which stipulates that middle and senior management as well as general staff shall strictly follow laws, regulations, work ethics and rules to preserve legitimate rights and interests of the Company and shareholders and reduce fraud risks. The policy defines the Department of Audit as an anti-fraud management organ and the General Manager the “First responsible person” , and specifies fraud prevention and control, reporting and investigation, remediation and punishment, etc.

The Company's board formulated the Interest Conflict Investigation Management and Personnel Avoidance System, which stipulate that the Company’ s board of directors, board of supervisors, senior management and general staff shall abide by segregation of duties and avoid any conflicting issues related to Company's interests, increase the principle of “Focusing on prevention; staff cleanness and discipline” in anti-fraud and anti-corruption, so as to effectively secure Company’ s interests.

The Company’ s management upholds company’ s honest culture and has formulated a series of anti-corruption, anti-fraud policies code of conduct etc. to regulate staff’ s healthy growth in the Company's Internal Control Handbook and relevant management policies such as Employee Code of Conduct, Cleanness and Discipline Management Regulation, Guest Reception Management Regulation and Employee Violation Punishment Regulation, to require staff to comply with professional ethics and forbid corruption and other misconduct to gain benefits.

(4) Fulfill commitment in compliance and honesty

Fuyao Group has endeavored to promote transparent procurement and encourage suppliers to sign the Letter of Commitment to Honesty and Compliance to prevent management staff, salesmen, technical personnel and other staff handling business on behalf of Fuyao from gaining any illegal benefits from other parties directly or indirectly, compromising the legal interests of Fuyao and its staff, thus building a healthy and orderly environment for business cooperation.

(5) Carry out campaigns and investigations concerning cleanness

The Company regularly carried out the cleanness campaigns and investigations to improve all the employee' s self-discipline awareness, i.e.:

- › Remind of preserving cleanness and self-discipline before traditional holidays;
- › Require compulsory rotation of positions with high risks;
- › Sign Letter of Commitment to Honesty with external units with high risks;
- › Conduct campaigns, tutoring, law lectures, case-based alert, reminders of preserving cleanness during holidays, training tests etc.



Learn the Jinggang spirit and inherit clean style of work

(6) Establish a sound reporting mechanism

The Company has set up the reporting mechanism and furnished open reporting channels to create an environment where everyone is responsible for company's interests. The following measures have been taken:



Cleanness lectures for suppliers



Anti-fraud internal control knowledge test



Carry forward the revolutionary spirit and practice righteousness and honesty

Set up a whistleblower hotline 0591-85363456 and E-mail GM@fuyaogroup.com for shareholders, customers, suppliers, the public and Fuyao staff to report confirmed or suspected fraud;

1

The Company' s board of directors authorizes independent internal audit department to accept and handle reporting of misconduct and report to management and the board on investigation results.

2

The Company' s audit department keeps informants' information in confidence and has formulated mechanism to protect and encourage whistle blowers.

3

In 2016, no fraud or bribe-taking occurred in the Company.

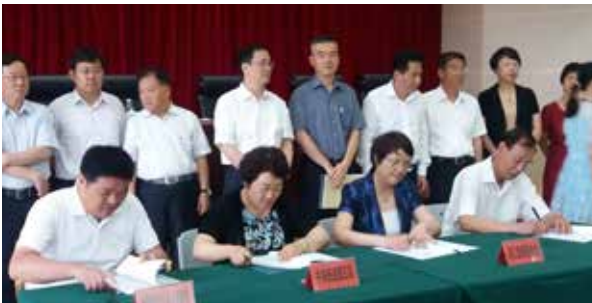


COMMUNITY INVESTMENT



Under the guidance of Core Cultural System of Fuyao Group and in accordance with the core corporate concept of “self-development while benefiting the world” , Fuyao Group has always been creating values for shareholders and wealth for customers; meanwhile, engaging in public services, caring for the lives of vulnerable groups and people in difficulties and earnestly fulfilling its social responsibility in order to promote the advancement and harmonious development of communities, business and the regional economy. Besides, the Articles of Association of Fuyao Glass Industry Group Co., Ltd. further specifies the authorization system of different amounts for external donation or sponsorship to ensure effective monitoring.

The cash and securities donation by Fuyao Group and Mr. Cao Dewang has now aggregated to RMB8 billion for disaster relief, poverty elimination, financial aid for students, cultural undertaking etc. Mr. Cao founded the Heren Charitable Foundation, which is the first philanthropic foundation in China. He donated RMB200 million to aid drought-stricken areas in southwest and pioneered the Donation Accountability mechanism, which has pushed ahead China’ s charity law system.



In 2016, Fuyao Group and its subsidiaries involved themselves intensively in community construction as usual practice and took part in all sorts of community activities and services. RMB682,100 has been donated for public undertakings.







Cho Tak Wong won the title of Ernst & Young's World Entrepreneur, becoming the first Chinese to win the award

## (1) Leading role

"Great goodness is for politics while minor goodness for philanthropy". In Cho's views, donations are merely expression of "minor goodness" while to discharge your duties is "great goodness". In 2013, Mr. Cho, as a member of the National Committee of the 12th Chinese People's Political Consultative Conference, put forward the tenet of "Speak boldly in defense of people from the lower strata of society and help the vulnerable" and appealed to extend responsibilities to wider groups. He has drawn people's attention to China's sensitive issues and brought forward proposals regarding nation's planning and people's livelihood including food safety, environmental protection, small-and-micro financing and taxation in NPC & CPPCC during the last four years, which caused social stir.

China's first Charity Law took effect on 1st September 2016, which can be attributed to Mr. Cho's announcement of donating part of his equity to build a charity foundation in 2009. According to the tax system back then, equity donation entailed a prohibitive amount of personal income tax. This acute embarrassment was thrust into public attention and catalyzed the legislative procedure.

In 2016, Heren Charitable Foundation established via 300 million shares of Fuyao Glass Industry Group Co. Ltd. held by Mr. Cho Tak Wong has made a donation outlay of RMB281 million, including RMB16 million for Fujian disaster-affected areas by typhoon "Meranti" to help people there restore production, return to normal life and rebuild their homes as soon as possible; RMB40 million for counties Mingqing and Yongtai in Fuzhou City, Fujian which suffered "wind-affected flood" brought by typhoon "Nepartak"; RMB100 million for Xiamen University to build a library in its Xiang'an Campus; RMB10 million for Hubei Jingmen People's Government to build temporary post-disaster dwellings for 321 affected households in Shayang County and Qujialing Management Zone, etc.



Donate RMB100 million to Xiamen University



Chairman Cho donated Tak Wong high school

## (2) Create jobs

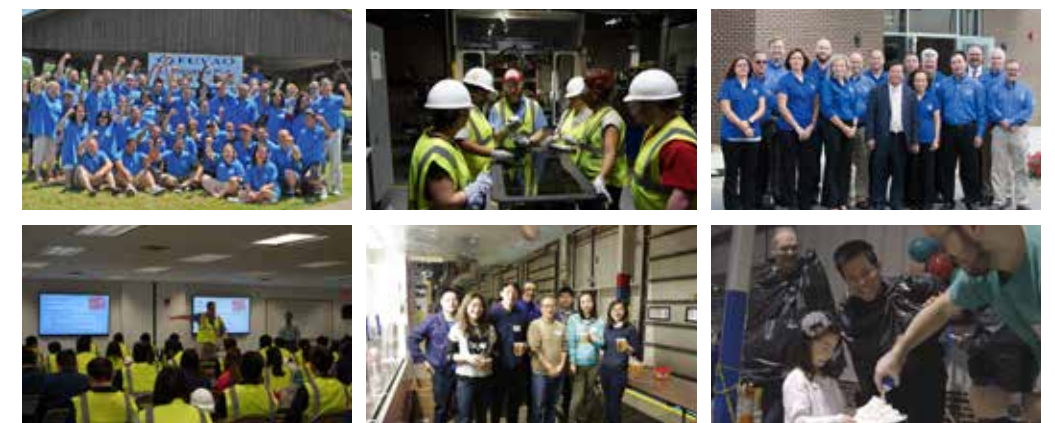
Fuyao Group has production bases in 16 provinces nation-wide, and overseas production bases and business entities in countries and regions including United States, Russia, Japan, and South Korea, Germany and Hong Kong. Every subsidiary and Fuyao employee has become an integral part of local community while providing driving force to local economy. The Company believes that only by connecting closely with local community and achieving both social and economic benefits will the Group grows into a "Provincial century enterprise".

### Case: Revitalize a "Rust Belt" in US

Fuyao Group marketed its brands into international market by opening marketing institutions in North America in 1995. The Company pays special attention to blending into and maintaining healthy and sustainable synergy with local employees and community.

In 2010, Fuyao Group built back-end processing factories in the United States, Germany, etc., and provided technical support and services for local car makers in proximity. In 2013, Fuyao Group moved production bases to Russia and the United States to achieve a higher level of synergy and win-win situation with international customers. In 2014, Fuyao Group announced to build factories and then reached a consensus with local trade union which continued to function. Since 2014, Fuyao Group has hired more than 2,000 people in Moraine; a glass recycling company is about to move into the newly-built factory nearby and a restaurant has set up a store near the factory. Vitality has been breathed into the city of Moraine by factories Fuyao Group has built.

In 2015, Fuyao Group granted \$7 million to the University of Dayton, sent veteran experts from domestic factories to offer technical trainings to local employees in America and offered American staff the opportunities to acquire practical skills in its China's locations as well. The July of 2015 saw the first piece of automobile glass manufactured in local factory, which was commemorated by a great ceremony when this very piece of glass was placed beside the last car the General Motor made seven years ago in the Carillon Historical Park. It gave historical significance to this piece of glass and ushered in a new era for local manufacturing industry. That night, Moraine town hall voted in favor of renaming the road where lied Fuyao's factories to the Fuyao Avenue, as a way to show gratitude for Fuyao Group's contribution to the prosperity of local economy.





### Case: Reinvigorate local industry

On Friday 11th March 2016, at 4 pm local time, John Kasich, the state governor of Ohio and Republican presidential candidate, paid a visit to Fuyao Glass America Inc. in Moraine, Ohio and his interaction with nearly 1,000 voters brought the event to climax. Fuyao is one of the largest economic development projects during Kasich's governorship, which created 2,000 jobs and reinvigorated local industry after General Motor. 1,000-odd locals gathered in the factory of Fuyao Glass America and listened to the address of the presidential candidate.



### (3) Community construction

On the eve of the Chinese New Year of 2016, Fuyao Group held a spring couplet event in the community it operated to deliver wishes. The Company organized staff who won the Company's calligraphy contest to write New Year couplets which were then given away to residents.

Fujian Wanda Automobile Glass Industry Co., Ltd renovated the square near the premises and built 5 loop synthetic racetracks, a half football pitch, outdoor tennis court, volleyball court, badminton stadium and amusement park, etc., which were put into service in March 2016, providing fitness sites for residents nearby.



### (4) Support cultural and sports undertakings

On 26th March 2016, 20 employees from Fuyao Glass (Chongqing) Co., Ltd took part in the 5km race under the aegis of the International Expo Center of the Liangjiang District and got good result.

On 15th April 2016, the 2016 Dongfeng Honda Football Invitation Tournament kicked off on the football pitch of Dongfeng Honda Automobile Co., Ltd. in Wuhan, Hubei. Fuyao football team comprising 21 football lovers from its subsidiaries competed with 12 teams of Dongfeng Honda's domestic distributors and suppliers such as Dongfeng Motor Parts & Components and Hubei Huiheng. The spirit of striving, solidarity and discipline of the Fuyao staff gained unanimous appreciation by Dongfeng Honda management and other teams and was rewarded the only Sports morality award.

On 23rd April 2016, 50 staff representatives of Fuyao Group Beijing Futong Safety Glass Co., Ltd attended the Tongzhou staff walking event organized by the trade union of Tongzhou Beijing. Fuyao staff and staff from other companies of Tongzhou covered 10km which interpreted the connotation of "Life is movement".

On 9th May 2016, Fuyao Group Shanghai Automobile Glass Co., Ltd was honored the Outstanding Entrepreneur for Constructing Harmonious Labor Relations on the International Labor Day conference organized by the General Trade Union of Jiading Shanghai. The Company sent 20 representatives to attend the "Labor is the greatest pride" chorus of the conference and gave full expression to the optimism and aggressiveness of the Shanghai Fuyao Staff.

On 12th -13th May 2016, Fuyao Group Beijing Futong Safety Glass Co., Ltd attended the 8th Staff Cup sports games of Zhangjiawan Town, Tongzhou, Beijing. 50-odd employees competed in a number of matches, which was an athletic way of befriending and communicating with local community and other companies.

On 25th June 2016, the 2nd Citizen Sports Games took place where the Fuyao sponsored the 2016 Jiading Fuyao Cup "Who's the MVP" badminton match.







## (5) Care for the elderly and children

- On 28th May 2016, Fuyao Group held a Children' s Day celebration event and invited professional bakers to offer tutoring on making pastry such as sandwiches, pizzas and puddings. Children of the community attended the event accompanied by their patrons and spent a sweet and warm day.
- On 1st August, 2016, 4 party members including the Secretary of CPC Branch of Fuyao Group Shanghai Automobile Glass Co., Ltd attended the activities in Fangtai seniors' home in Jiading Shanghai under the aegis of the Social Work Party Committee of Anting Town, Jiading District, Shanghai, when they gave away high-temperature soothing gifts to the elderly.

## (6) Environmental protection

- The Fuyao staff decided to make low-carbon and green automobile glasses and made a generous investment in the R&D project of core smart, green and multi-functional automobile glass technology, which yielded a range of low carbon and environment-friendly automobile glasses, such as sun protection and energy efficient automobile glasses, UV-CUT glasses blocking 99% ultraviolet and solar glasses, so as to create wonderful and comfortable day-to-day automobile experience.
- On 13th March 2016, staff of Fuyao' s subsidiaries in Fuqing, Shanghai etc., planted trees such as cherry trees, crape myrtle trees, fruit trees and great bougainvillea, which then brought great vitality.
- On 30th March 2016, Fuyao Group Beijing Futong Safety Glass Co., Ltd employees attended the 100 Model Worker Planting Event under the aegis of the General Trade Union of Tongzhou Beijing and planted trees in the Forest Park in the eastern suburb.
- Fuyao never stops on the road of environmental protection. In June 2016, the Company published a special edition of its internal magazine Fuyao Staff dedicated to the theme of environmental protection and "a clear and green world" , with the aim to mobilize all Fuyao staff to practice the concept of harmony of human-beings and the nature as well as green development, and make concerted efforts to fulfill environmental responsibilities.



## (7) Industrial pioneer

- On 25th October 2016, a dozen of journalists of the Information Office of General Administration of Quality Supervision visited Fuyao Group for the interview of "Quality inspection, enterprise visits and quality testing" . The Group management talked with the journalists and shared Fuyao experience.
- As the dual trial unit of the application of the new model of smart manufacturing of the Ministry of Industry and Information Technology, Fuyao Group was invited to the 18th China International Industry Expo where Fuyao' advanced automobile glasses, technologies and concepts could be displayed.
- In 2016, Fuyao Group visited OEMs such as Honda, Fuji Heavy Industries, Dongfeng Nissan, Guangzhou Automobile, and Jianghuai Automobile to communicate on the car body, technology, quality, procurement etc., onsite as well as introduce and promote Fuyao' s new glass technology. Through this event, OEM staff and those interested (end users) could get more insights into automobile glasses and Fuyao, thus getting more inclined to choose Fuyao.

# COMMUNITY HONORS FUYAO GAINED IN 2016

## 2nd China Quality Award

On 19th August 2016, Fuyao Group, as one of the representatives of the winning enterprises of the 2nd China Quality Award of Fujian Province, attended the meeting on the quality improvement and promotion of supply side structural reform of Fujian Province.



## 5th Jingmen Mayor Quality Award

3 p.m. on 17th August 2016, Hubei Automobile Glass attended the "Quality Conference" organized by Jingmen government, and was conferred the medal of "5th Jingmen Mayor Quality Award" and address the conference on behalf of winners.



## Annual Model Unit

Beijing Automobile Glass was honored the Annual Model Unit of the Zhangjiawan Town Tongzhou, Beijing.



## Zengcheng District Honest Enterprise

Guangzhou Automobile Glass was honored the "Zengcheng District Honest Enterprise"



## Chongqing Harmonious Labor Relation AAA Enterprise

Chongqing Wansheng Float Glass was honored the title of "Chongqing Harmonious Labor Relation AAA Enterprise"



## 10th Corporate Responsibility Award

Cao Dewang was honored the "10th Corporate Responsibility Award" by People's Daily Online



## Fujian Charity Contribution Special Award

Cao Dewang was honored the "Fujian Charity Contribution Special Award"



## China's 50 Most Admired Companies

Fuyao Group gained position in the Fortune magazine's annual ranking of the China's 50 Most Admired Companies in 2016



## Charity Award

Fuyao Group was honored Hong Kong "Charity Award"



## 2016 National Quality Benchmark

Fuyao Group's effort in continuous improvement was given 2016 national "Quality benchmark" by the Ministry of Industry and Information Technology



# CONCLUDING REMARKS

Since the inception, Fuyao Group has been staying true to its inherent sense of mission and upholding the core concept of "Self-development and beneficence" . Fuyao Group promises to carry forward the fine enterprise culture and view energy conservation, environmental protection, protection of staff rights and interests, operation improvement and charity efforts as integral to Company' s growth and further reinforce environment responsibility and social responsibility management, thus improving its overall ability to discharge duties and better practicing the sustainable development concept of "Innovating, going green, sharing and contributing" :

Environmental responsibility. We will continue to deem environmental protection and sustainable development as the core corporate social responsibility, strictly comply with national environmental protection laws and regulations, improve environmental management policies, minimize impact on environment due to operational activities, and strive to promote resources recycling and meet standards for the duration of production and operation process, thus creating a green and harmonious environment.

Supply chain responsibility. We will stay true to high quality, carry out transparent procurement, and require suppliers to save energy, meet environmental and technical standards, as well as uphold human-orientation and charity, so as to raise their awareness of social and environmental responsibilities, thus pushing ahead the industry towards sustainable development.

Product responsibility. We stick to the product quality and customer services guidelines of "Quality is the core of a brand, the foundation of development, and key to the survival of an enterprise. With full participation, we will use advanced technology and sound management practices to continuously improve the quality. We do not accept, make or deliver defective products without any condition, so as to stay true to our commitment: zero tolerance in product quality" , offer high quality products to customers, increase customer satisfaction and continually improve company' s operational environment. Its sales and service network nation-wide can respond to customers within 24 hours and offer timely and high quality services.

Staff responsibility. Fuyao Group stays true to the management philosophy of "Human-orientation and integrity" , adopts the honest culture value cycle of "Product-service-morality-responsibility" as its bedrock principle, and prioritizes the Company' s brand strategy of "Character, Product, quality, taste" with character in the first place. The staff of the Company uphold the principle of "unity, efficiency, cleanness, fairness" , view "diligence, simplicity, learning and innovation" as core values and maintain upright, righteous, independent, sincere, and positive with a view to qualifying as honest, trustworthy and principled Fuyao staff. The Company sticks to "fairness, just, openness" and maintains a scientific human resources management regime, fair and reasonable remuneration management as well as appraisal and incentive mechanism, and strives to construct a harmonious and win-win labor relations and facilitate the common development of employees and the enterprise; fully effectuates the production safety principle of "Safety first, focusing on prevention; encourage Group-wide involvement, and implement accountability; scientific management and continuous improvement" and creates a safe and healthy working and production environment for employees.

Community responsibilities. We will bear in mind social responsibilities and missions, strive to maintain solidarity and development, and carry out poverty elimination, disaster relief, environmental protection and cultural & sports undertaking sponsorship etc., to reciprocate the society and discharge its social responsibility.

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*A Clear Vision Of Tomorrow*

# ESG

REPORT

**FUYAO GLASS INDUSTRY GROUP CO., LTD.**

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