

Qingling Motors Co., Ltd.

(Stock code: 1122)

2016 Environmental, Social and Governance Report



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Information about this report

About this report

Qingling Motors Co., Ltd. (code:1122) hereby issues the Environmental, Social and Governance Report of the Company and its subsidiaries (collectively the “Group”) to demonstrate the Company’s concepts and practices in environmental, social and governance areas to its stakeholders.

The Board of Directors of the Company assumes full responsibility for the environmental, social and governance strategy and reporting. The Board is responsible for evaluating and determining the Company’s ESG -related risks and ensuring that the Company has developed an applicable and efficient system to manage and internally control ESG-related risks. Management provides a confirmation to the Board on the effectiveness of these systems.

Reporting scope

This report includes the Company and its subsidiaries during the period from January 1, 2016 to December 31, 2016.

References

In line 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), this Report is organized into two subject areas (Environmental and Social), reporting on the aspects and indicators with regard to the environmental and social impacts of the Company’s businesses and operations.

Report availability

This report is available in an electronic version that can be viewed on the website of HKEx (<http://www.hkex.com.hk>) and the website of the Company (<http://www.qingling.com.cn>).

Subject of statement

The Qingling Motors Co., Ltd. is referred to as Qingling Motors, Qingling, the Company or We for easy statement.

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1. Corporate Information

1.1. Company profile

Qingling Motors Co. Ltd. is principally engaged in the production and sale of Isuzu light, medium and heavy-duty commercial vehicles, which includes trucks of 1.5 tons to 15 tons and tractor of 40 tons, pickup trucks, sport-utility vehicles and diesel and petrol engines of 77 hp to 380 hp.

The Company was established by Qingling Group and Isuzu Company in 1985. The Company was the first sino-foreign joint venture in Chongqing since the city's reform and opening up. The Company issued stock shares in HKEx in 1994 and issued convertible bonds abroad in 1997.

The Company has products for high-end customers of both domestic and foreign market. Domestic market: firstly, customers of key industries such as oil, post, communication, finance, electric, tobacco and so on; secondly, customers of modified vehicles with high value added; thirdly, other customers such as municipal-service, sanitation, fire-fighting, cold storage, airport services and so on. Foreign market: key customers are famous multinational corporations from Japan, Europe, and America.

Productivity per worker, per capita sales, and per capita profit of Qingling is greater than other national automobile enterprises. Qingling won the National Quality-Benefit Enterprise and the special award for National Advanced Quality-Benefit Enterprise from 1999 to 2001. Qingling won the first Chongqing Mayor Quality Management Award in 2016 and has been awarded as one of the Top 50 Industrial Enterprises of Chongqing for 16 years including 8 years at top of the list.

1.2. Substantial Assessment

1.2.1. Communications with Stakeholders

The Group adopts a diversified communication mechanism to communicate directly with all the stakeholders involved, including the government, shareholders, employees, clients, community and society, partners and environment, in order to proactively respond to their expectations of the Group.

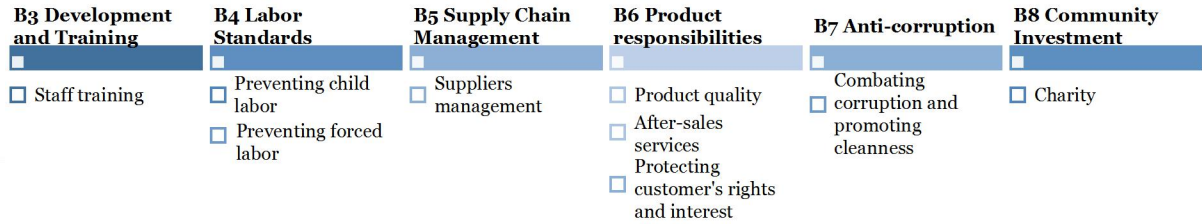
Stakeholders	Communication mechanism	Expectations and requirements
Government	<ul style="list-style-type: none">• Daily management• Meetings• Monitoring and conducting inspections	<ul style="list-style-type: none">• Compliance with laws• Pay taxes according to the law• Support local development
Shareholders	<ul style="list-style-type: none">• Annual general meetings(AGM)• Information disclosure• Activities promoting	<ul style="list-style-type: none">• Continued development and return to shareholders• Information disclosure and investor relations

	investor relations	<ul style="list-style-type: none"> • Corporate governance and risk control
Clients	<ul style="list-style-type: none"> • Call center • After-sales services • Repair station 	<ul style="list-style-type: none"> • High-quality products • High-quality services before and after sales • Protect consumers' rights and interests
Employees	<ul style="list-style-type: none"> • Position system setting • Trainings • Staff activities and staff care • Performance management 	<ul style="list-style-type: none"> • Remuneration and benefits • Good work environment and development platforms • Equal opportunities for promotion and development • Smooth communication channels
Partners	<ul style="list-style-type: none"> • Project negotiations • Supplier assessment and evaluations • Communications in cooperative process • Open bidding and tendering 	<ul style="list-style-type: none"> • Keep promises • Equal, open and fair procurement • Mutual benefit development
Community and society	<ul style="list-style-type: none"> • Charitable domination 	<ul style="list-style-type: none"> • Promote urban development • Raise public awareness • Promote development of harmonious community
Environment	<ul style="list-style-type: none"> • Standardized discharge • Energy conservation and emission reduction • New energy vehicles 	<ul style="list-style-type: none"> • Promote environment protection • Protect eco-balance

1.2.2. Substantial Assessment

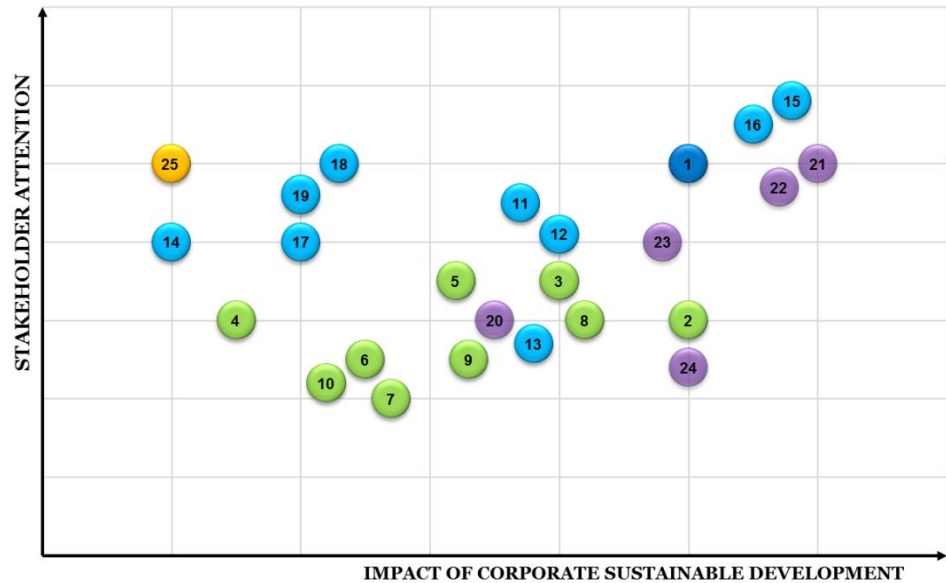
In accordance with the “ESG Guide” issued by the HKEx, The Group constructed the ESG substantial analysis model, which identifies and determines significant issues taking into consideration the stakeholders' concerns:

A1 Emissions	A2 Use of Resources	A3 The Environment and Natural Resources	B1 Employment	B2 Health and Safety
<input type="checkbox"/> Emission reduction <input type="checkbox"/> Addressing climate change <input type="checkbox"/> Waste reduction	<input type="checkbox"/> Energy conservation <input type="checkbox"/> Water conservation <input type="checkbox"/> Packaging materials conservation	<input type="checkbox"/> Vehicles standardized discharge <input type="checkbox"/> New energy vehicles <input type="checkbox"/> Noise reduction	<input type="checkbox"/> Protecting staff rights and interests <input type="checkbox"/> Promotion channels <input type="checkbox"/> Staff benefit <input type="checkbox"/> Staff activities	<input type="checkbox"/> Safe production <input type="checkbox"/> Occupational health



Through identification, assessment, and selection of issues regarding the required 11 aspects, the Group measures the impact of these issues on stakeholders and its business development, determines issues of significance, and provides disclosures and responses in this report.

The Group's Indicators	No.
Investor relations	1
Emissions reduction	2
Addressing climate change	3
Waste reduction	4
Energy conservation	5
Water conservation	6
Packaging materials conservation	7
Vehicles standardized discharge	8
New energy vehicles	9
Noise reduction	10
Protecting staff rights and interests	11
Promotion channels	12
Staff benefit	13
Staff activities	14
Safe production	15
Occupational health	16
Staff training	17
Preventing child labor	18
Preventing forced labor	19
Suppliers management	20
Product quality	21
After-sales services	22
Protecting customer's rights and interests	23
Combating corruption and promoting cleanness	24
Charity	25



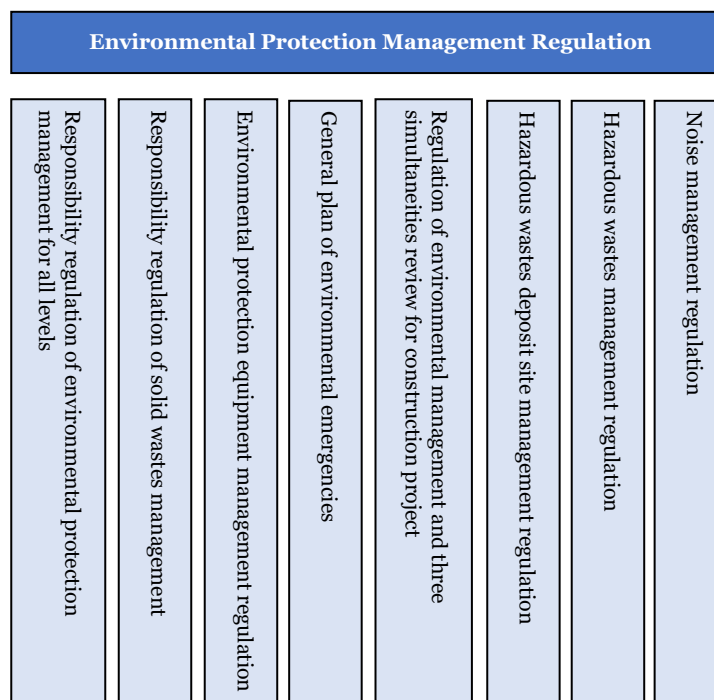
Substantial Assessment Result

2. Environmental protection

In accordance with the *Environmental Protection Law of the People's Republic of China*, the Group established a sound environmental protection mechanism to manage daily work.

2.1. Emissions

The Group established a Department of Safety and Environmental Protection to take charge of environmental management, formulated environmental protection mechanism with Environmental Protection Regulation at its core, and set up a relevant responsibility system. The Group regularly invited competent authorities and qualified third-parties to test emissions. If any problem was found, relevant measures were implemented to meet the standard.



2.1.1. Waste gas

Waste gases of the Group mainly include volatile organic compounds (“VOCs”) in coating process and industrial dust in the frame welding process. In accordance with the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, *Emission standard of Air Pollutants for Surface Coating of Automobile Manufacturing Industry* in Chongqing (DB50/577-2015) and other laws and regulations, the Group installed relevant environmental protection equipment to collect and treat waste gas and discharge after reaching the standards.

Case: Coating gas treatment project in axle assembly shop

To meet new emission standards and new environmental protection laws and to improve air quality in and around the factory, the Group used a technology of adsorption concentration& catalytic combustion in the coating line of axle assembly to collect and treat waste gases. The collecting rate in each waste gas source is more than 90%. Collected waste gases were discharged to the



Waste gas treatment project

atmosphere after treatment and reaching the standard of II period in *Emission standard of Air Pollutants for Surface Coating of Automobile Manufacturing Industry in Chongqing* (DB50/577-2015).

2.1.2. Waste water

Waste water of the Group mainly includes manufacturing waste water from the production process and sewage from living and working in the factory. In accordance with the Water Pollution Prevention and the Control Law of the People's Republic of China, Water Quality Standards for Discharge to Municipal Sewers and other relevant discharge standards, the Group constructed 3 waste water treatment stations, two of which were used to treat coating waste water, and one of which was used to treat machining waste water. Treated water was discharged to natural water after reaching discharge standards. Sewage from living and working was discharged into municipal sewers after being treated in the biochemical poll.

Case: Reconstruction of coating waste water treatment line

The Group reconstructed the coating waste water treatment line in 2016 and used the newest technology of Physicochemical Reaction + Hydrolytic Acidification + Catalytic Oxidation + Membrane Bioreactor (MBR) to treat chemical oxygen demand ("COD"), ammonia nitrogen, total suspended particulate ("SS") and other pollutants. Treated water was discharged after reaching national discharge standards to improve water quality around.



2.1.3. Greenhouse gases

The Group's greenhouse gases mainly include Scope 1: Direct emissions and Scope 2: Energy indirect emissions. Direct emissions are attributed to natural gas consumption from boilers and heat treatment in addition to gasoline and diesel consumption from cars. Indirect energy emissions are attributed to purchased electricity. Due to the fact that greenhouse gas emissions come mainly from energy consumption, the Group has taken measures to reduce energy consumption and to mitigate the emission of greenhouse gases.

As one of the pilot cities, Chongqing started carbon trading in 2014. As one of the pilot enterprises, the Group cooperated with competent authorities to complete a carbon emission report, carbon emission verification, quota application and settlement, and the Group took measures to reduce greenhouse gas emissions in accordance with Interim Measures for the Management of Carbon Emissions Trading in Chongqing.

2.1.4. Solid waste

Solid wastes of the Group mainly include non-hazardous industrial wastes and hazardous wastes from the production process, and domestic wastes from living and working in the factory.

Recycled parts of solid wastes such as iron, aluminum, carton, plastic, waste oil etc. are sold to qualified companies for recycle and reuse. Collection and treatment of other wastes are entrusted to the environmental sanitation department.

Hazardous wastes of the Group mainly include waste paint slags, waste oil drums, waste paint buckets, and waste sludge from waste water station. In accordance with the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, *Environmental Protection Rules of Chongqing* and other laws and regulations, the Group formulated the *Hazardous Wastes Deposit Site Management Regulation*, stored hazardous wastes in a special deposit site, and engaged a qualified company to treat the hazardous wastes in accordance with the *Hazardous Wastes Management Regulation*.

2.2. Use of Resources

2.2.1. Energy conservation

Energy used by the Group mainly includes natural gas used in boilers and the heat treatment process, gasoline and diesel used by test runs, and electricity used in living and working. In accordance with *Energy Conservation Law of the People's Republic of China*, the Group set up an Energy Management Department and an Energy Management position, and the Group also formulated the *Energy Conservation Management Regulation* to manage energy usage.

As a key energy consuming entity, the Energy Management Department of the Group sets an energy conservation target at the beginning of each year, submits monthly the *Energy Procurement, Consumption and Storage Sheet* to competent authorities, examines and measures energy conservation of the previous year for every year, and accepts management and inspections of relevant competent authorities.

The Group formulated the *Energy Consumption Quota* to set an energy consumption target for each process and require that energy usage in production should not exceed the target. The Group developed *Examination Items and Assessment Criteria of Energy Conservation Management* to examine energy use in each department and subsidiary company. Electricity

Responsibility of Energy Management Position
<ul style="list-style-type: none">Regulation construction and improvement, integrated planningEnergy usage arrangement and managementEnergy usage statistic and analysisEnergy conservation management

consumption and gas consumption per ten thousand output value was considered as one of the performance assessment indicators to encourage each department and subsidiary company to reduce energy consumption.

Case: Air compressor improvement

The Group purchased 3 screw air compressors with high energy efficiency, good reliability and lower noise to replace the old piston air compressor in 2016. 360,000 kWh electricity per year could be reduced after completing this project.



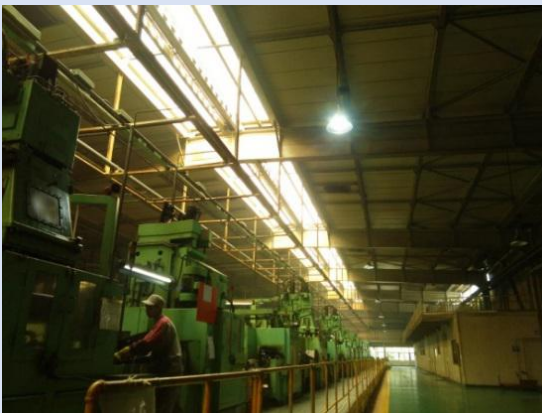
Piston air compressor



Purchased 3 screw air compressor

Case: Energy conservation of subsidiary company

Qingling Isuzu (Chongqing) Engine Co., Ltd. ("QIEC"), subsidiary company of the Group, formulated ***Equipment Energy Management and Assessment Regulation*** to take measures to save energy such as replacing 400W metal halide lamp with 120W LED lamp in workshop lighting and replacing fluorescent lamp with energy-saving lamp in site lighting.



Workshop lighting reconstruction



Site lighting reconstruction

2.2.2. Water conservation

In accordance with the *Water Law of the People's Republic of China* and other relevant laws and regulations, the Group submits monthly the *Water Consumption in Industrial Enterprise* to competent authorities. Water consumption was included in the examination process of energy management; any problems found were subjected to strict assessment. Water consumption per ten thousand output value was considered as one of the performance assessment indicators to motivate each department and subsidiary company to save water.

Case: Water conservation of subsidiary company

QIEC took a series of actions in 2016, including:

- Reduce: reduce waste, reduce costs;
- Examine: point examine and patrol to avoid losses;
- Simplify: simplify and optimize to improve energy efficiency;
- Be thrifty: be diligent and thrifty to reduce expenses;
- Improve: improve and innovate to increase productivities.

Through these actions, QIEC made efforts to save every drop of water. QIEC reduced water consumption in each step of production and examined water pumps and valves in daily patrols in order to reduce water consumption in the entire company.

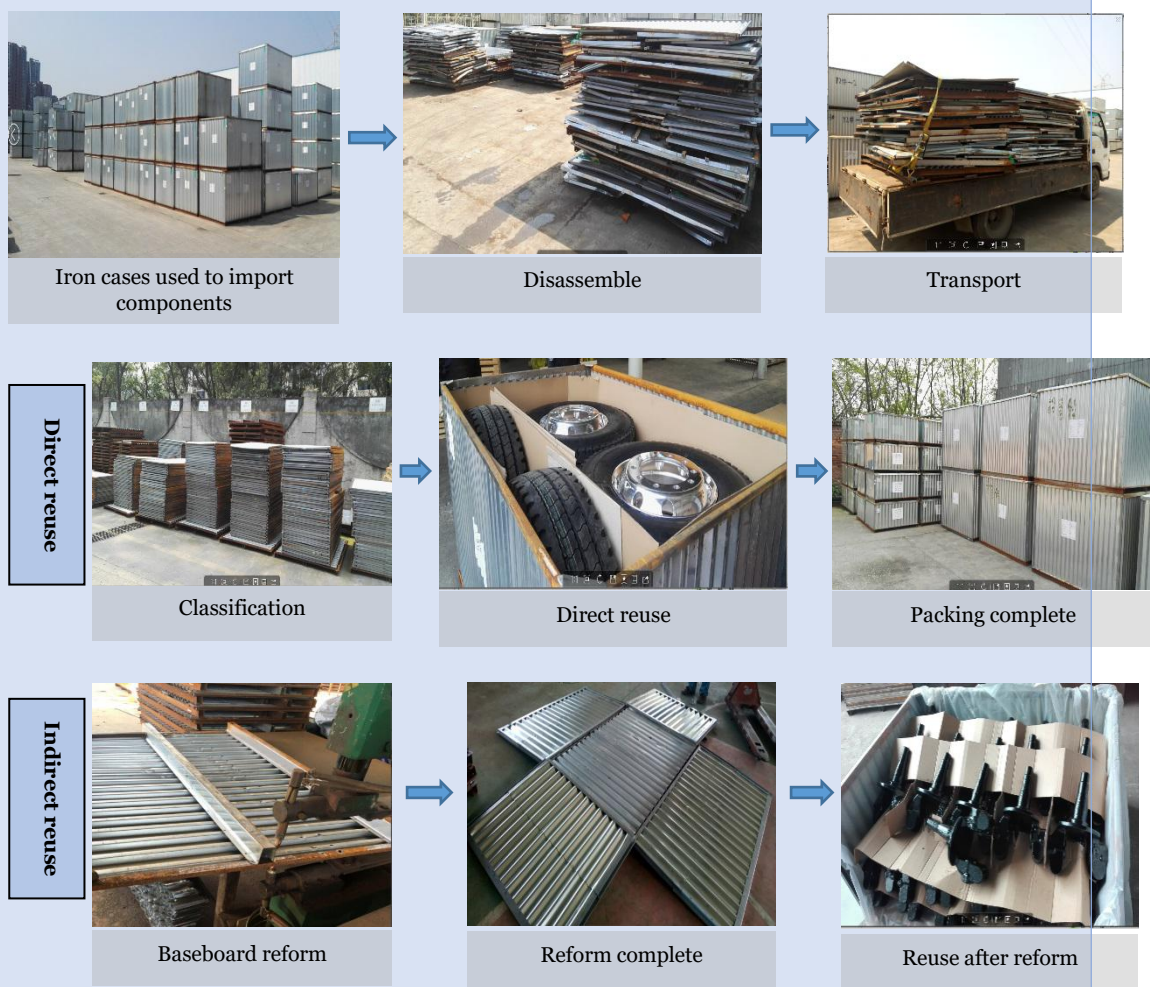


2.2.3. Packaging materials conservation

The Group's packing materials mainly included iron cases and cartons used for components. The Group formulated the *Management Regulation on Logistics Containers and Packing* and calculated the demand of packing materials according to the packing plan and packing quota of each product. Demand calculations were sent to suppliers at the beginning of every month. Currently the demand can be calculated on weekly or even daily basis, according to the production plan. This would effectively reduce packing materials waste.

Case: reuse iron cases

The Group directly and indirectly reused packing iron cases used to import components. Reused iron cases occupied more than 70% of total used iron cases in 2016.



2.3. The Environment and natural resources

2.3.1. New energy vehicles

Since 2015, a series of national policies have been issued concerning new energy vehicles. According to these policies and following the guidelines in *Strategic Emerging Industries Development Action* in the 13th Five Year Plan, The Group expanded the research and development team for new energy vehicles. It also increased investment to develop vehicle

integration and vehicle control technologies and to establish and improve the research and production system of pure electric commercial vehicles. The Group received new energy vehicles production qualification and took measures to develop mass production.



New energy vehicles lab

Test car

2.3.2. Emission reduction technologies

The Group researched and developed emission reduction technologies in traditional energy vehicles. Improvements and innovations in the engine body, fuel injection, and combustion systems, integration of advanced post processing technologies such as selective catalytic reduction (SCR), diesel particulate filter (DPF) and diesel oxidation catalyst + particulate filter (DOC+PF) were used in commercial vehicles of the Group to reach or exceed phase 5 vehicle pollutants emission standard and fuel consumption limit value. High level emission reduction technologies were researched to meet phase 6 vehicle pollutants emission standard in the future.

Feature: emission reduction technologies of traditional energy vehicles

1. High pressure common rail	2. Lean burn	
	3. Efficient exhaust gas recirculation (EGR)	4. Variable geometry turbochargers.
5. DOC+PF	6. DPF	7. SCR



Whole series of commercial vehicles reaching phase 5 standard

2.3.3. Noise reduction

In accordance with the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*, the Group formulated the *Noise Management Regulation* to control noise pollution. The main noise sources of the Group are from the air compressor room and the power testing room. The Group installed sound insulation materials on the ceiling and walls, and the Group also used double glazing sound proof doors and windows to reduce noise pollution. The Group required that constructions and noisy production near residence zones should be arranged from 6 am to 10 pm. The Group regularly invited qualified third-party institutions to measure factory boundary noise in order to control the noise under the limit value in *Provisions on the Division of Applicable Area for Environmental Noise Standard in Urban Areas of Chongqing*.

3. Staff care

In 2016, the Group continued to provide employees with a desirable work atmosphere, good promotion channels and training system. Various measures have been taken to safeguard staff occupational health and safety as well as legal rights and interests, and a number of staff activities have been arranged to add color to their leisure time, thus aiding the growth of both the staff and the company.

3.1. Employment

In accordance with the *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China* and other relevant laws and regulations, the Group formulated the *Position System Management Regulation* and *Remuneration System Management Regulation* and other management regulations.

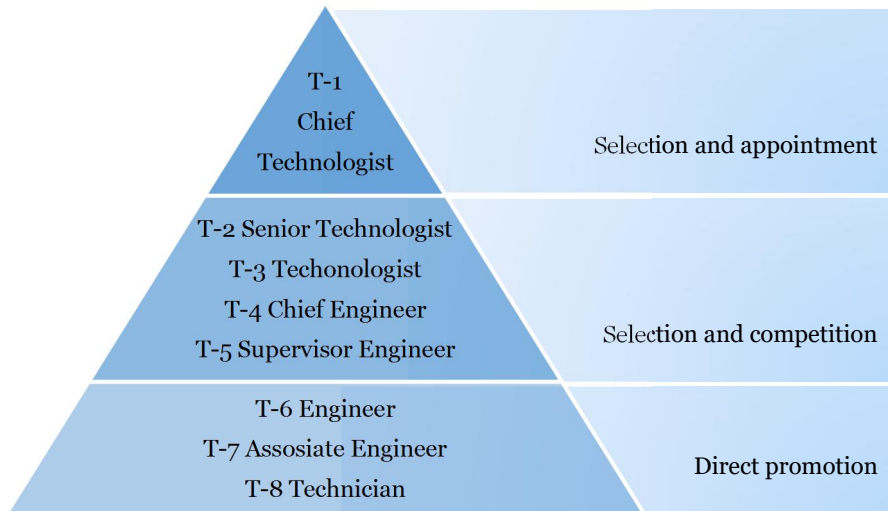
3.1.1. Recruitment and Dismissal

The Group recruited employees from social recruitment and campus recruitment. The campus recruitment followed *Campus Recruitment Plan* made at the beginning of every year. The social recruitment followed *Social Recruitment Management Regulation* formulated by the Group. The Group clarifies conditions of dismissing the labor contract from company side and employee side in the labor contract.

3.1.2. Employment and promotion

Position system, job level system, promotion channels, development paths and so on were clarified in the *Position System Management Regulation*.

Based on different position roles and responsibilities as well as required knowledge and skills, the Group classified all positions into six categories including management, sales, technology, function, production and guarantee. Different job level numbers and names are designed according to demand of company development and employee career development.



Job levels and promotion channels of technology category

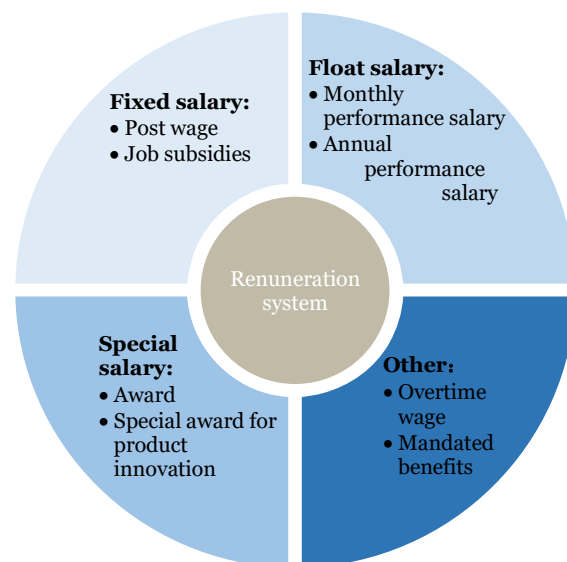
The Group provided employees with diverse promotion channels:

- **Development in the position:** Employees could be promoted to certain job level in the position by gaining experience and upgrading knowledge and skills;
- **Development across the position in the category:** If there are vacancies, employees could be promoted to the positions with same or higher job level in the same category;
- **Development across the position across the category:** If there are vacancies, employees could be promoted to the positions with higher job level or with demand of his/her experience in another category.

Furthermore, employees could be promoted by direct promotion, selection and competition and selection and appointment in different categories and different job levels.

3.1.3. Remuneration and benefit

The Group formulated a good remuneration system in the *Remuneration System Management Regulation*, which clarified the procedure of identifying a salary, adjusting salary, and paying salary. An employee's salary was based on individual performance, department performance, and the Company's benefit.



The Group paid social insurance contributions for employees in strict compliance with national and local laws and regulations. Furthermore, employees could receive benefits listed below:

Orientation health checks,
shopping vouchers in festivals,
cake card on birthdays

High temperature subsidies,
health care subsidies, toxic and
harmful position subsidies for
employees in special positions

Difficult employees grant,
condolence money to
employees bereaved of
immediate family

Staff canteen subsidized by the
Company and staff dormitory

3.1.4. Working hours and holidays

Employees of the Group work 5 days a week and 8 hours a day in accordance with national regulations. Employees are entitled to statutory holiday and annual leave. The Group arranged employees' annual leaves according to annual production plan.

3.1.5. Employee activities

The Group arranged diversified activities for employees such as matches of tug-of war, basketball, badminton and table tennis, and the Group organized employees to join matches in Chongqing.



Tug-of-war



Basketball match



Photography competition



Badminton match

3.1.6. Anti-Discrimination

In terms of recruitment, the Group holds on to the principle of equality, fairness and openness and chooses the most qualified candidates. In strict compliance with national and local regulations, the Group allows 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.

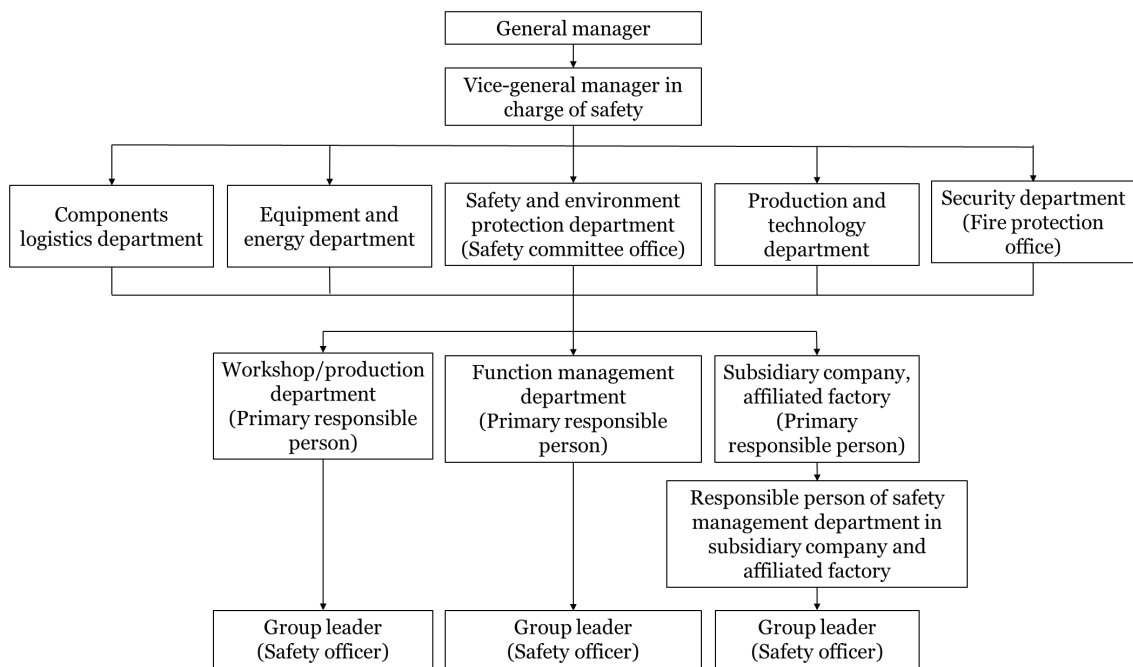
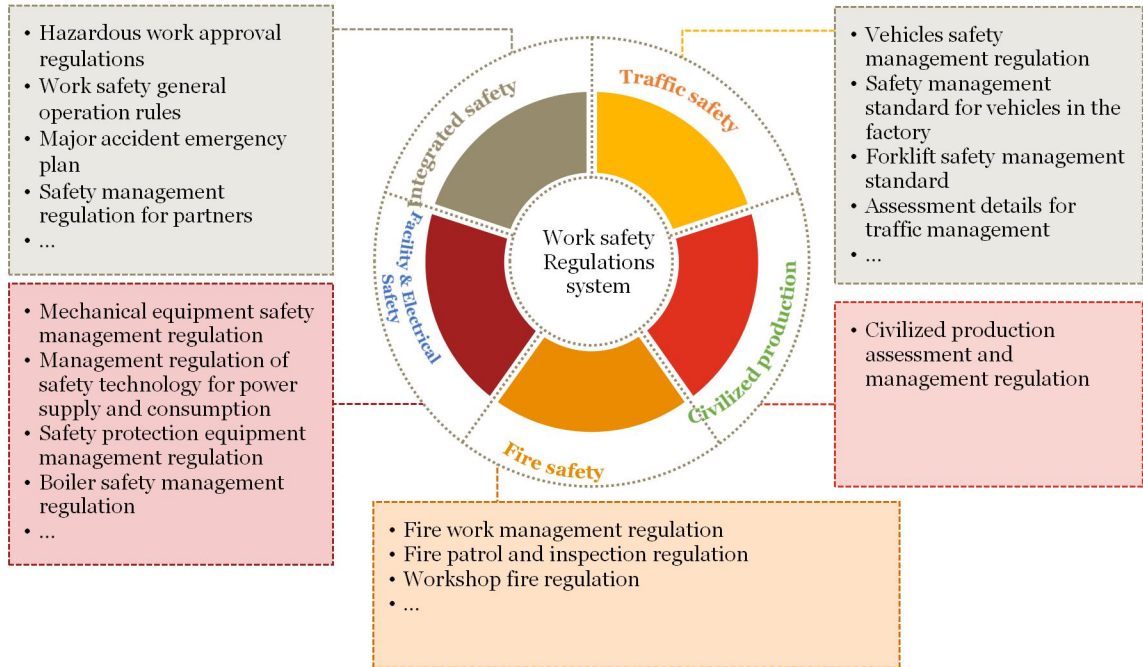
3.2. Health and safety

In accordance with the *Labor Law of the People's Republic of China*, *Work Safety Law of the People's Republic of China*, *Prevention and Control Law of Occupational Diseases of the People's Republic of China*, *Provisions on Supervision and Administration of Work Safety in Chongqing* and other relevant laws and regulations, the Group made efforts to provide employees with a healthy, safe and comfortable work environment

3.2.1. Work safety

As an automobile manufacturer, work safety is the most important thing to the Group. The Group created a well-formulated work safety system through a series of safety regulations:

- Organize an environmental and work safety meeting at the beginning of every year to summarize the works of last year and arrange works of the current year;
- Organize safety regular meetings to make a safety management plan.



Organization system of work safety

The Safety Committee was established to oversee work safety. The director of the committee is chairman of the Group; the vice directors are made up of the general manager, the managers in charge of production, and safety and chairman of the labor union; and members are managers of each department.

The Group got the title of Work Safety Advanced group in 2016 for outstanding work in safety. In addition, the Group obtained the certificate *First Grade Enterprise on Work Safety Standardization (Machinery)* from the State Administration of Work Safety.



Feature: fire safety

The Group formulated a series of fire safety management regulations and established a fire safety management organization composed of a fire safety committee, security department and fire officers. The Group signed fire safety responsibility agreements with production departments and subsidiary companies to establish a fire safety responsibility system. Fire hydrant, fire hose, fire extinguisher and other fire equipment were installed in the factory and auto alarm and fire extinguishing system were installed in important areas. The Security Department inspected fire work more than twice a day and inspected all the fire protection points to reduce fire risks. The Group conducted fire drills and fire safety trainings to improve employees' fire protection awareness and firefighting skills.



Fire drill in components warehouse of After Sale Department



Liquid nitrogen fire and explosion protection training and drill in QIEC



Fire drill in Energy Management Department



Fire safety training

3.2.2. Occupational Health

The Group formulated a series of management regulations about occupational health and labor protection including *Responsibility Regulation on Prevention and Control of Occupational Hazard*, *Emergency Plan of Occupational Hazard Accident*, *Management Regulation on Labor Protection Articles*.

The Group entrusted qualified institutions to assess occupational hazard factors every three years in accordance with *Provisions on the Supervision and Administration of Occupational Health at Work Sites*, and implemented recommendations and measures in the assessment report. Comprehensive inspections in work sites with occupational hazard factors were conducted every year in accordance with *Provisions on Regular Inspection of Occupational Hazard Factors for Employers*. If the test result showed that concentration or intensity of the occupational hazard factors exceeded the limit value, improvement measures should be taken to reduce harm. The Group arranged for employees working at the work sites with occupational hazard factors to check their occupational health every year and the checking results were provided to them without delay. The Group installed notice board showing regulations on prevention and control of occupational diseases, operation rules, emergency measures for occupational hazard accidents, test results of occupational hazard factors at work sites and relevant protection measures.

3.3. Development and training

The Group formulated the *Employees Training Management Regulation* and established a special training system.

- Main training contents were ideological quality education and technical management knowledge;

- Main training methods were centralized theoretical training and technology and skill training on-the-job;
- Main trainees were leaders, professionals, group leaders and operators.

Skill levels, job types and basic conditions of joining the trainings and exams for high-skilled workers are clarified in Regulation on Training, Exam, Assessment and Promotion of High-skilled Workers.

Company level trainings were conducted more than 5,000 man-time, and subsidiary company and department level trainings were conducted more than 10,000 man-time in 2016.



3.4.Labor Standards

In accordance with *Labor Law of the People's Republic of China and Provisions on Prohibition of Child Labor*, the Group checked ID cards and academic certificates of candidates in the process of recruitment, and asked employees to fill out date of birth before labor contracts were signed to avoid child labor.

To avoid forced labor, the Group strictly abided by the working hour mechanism stipulated by law, controlled overtime work, and protected employee rest entitlement and mental health. When overtime work during statutory holidays was required, the Group arranged compensatory rests or paid for work done overtime based on local minimum wage according to national regulations.

Furthermore, the labor contract clarified that employees could dissolve the labor contract if the Group forced employees to work by means of violence, threat and illegal restriction of personal freedom.

4. Operation practice

4.1. Product quality

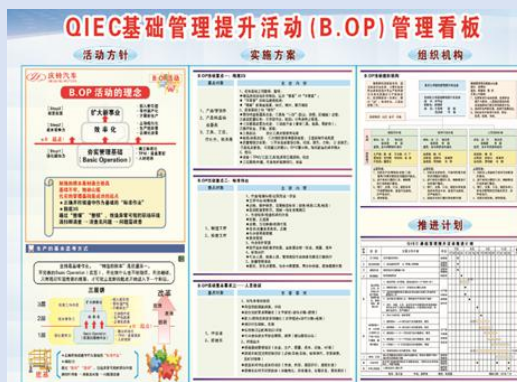
In accordance with *Product Quality Law of The People's Republic of China* and other laws and regulations, the Group formulated quality policy and quality target, defined basic structure and requirements of quality system, and established perfect quality management system according to ISO/TS16949: 2009 Quality management systems - particular requirements for the application of ISO 9001:2008 for automotive production and relevant service part organizations.

The Group specified name, management level of quality inspection, inspection items, technical requirements, inspection measures and frequency for each process in *Work Instruction of Inspection*. The quality department inspected the manufacturing process irregularly and entrusted the physicochemical center of the Company to test physical and chemical factors of products if necessary to ensure product quality.

Feature: quality month of QIEC

QIEC conducted quality month activities from September to October 2016 to improve quality management level and enhance employees' awareness and ability of quality management, which included:

- Conducted basic Operation promotion activities (B.OP) and strengthened site basic management;
- Conducted operator trainings from all vehicle types and all processes;
- Analyze quality problems from market, found problems and improved taking problems and markets as the orientation;
- Conducted improvement activities in product quality and inspection.



B.OP activity

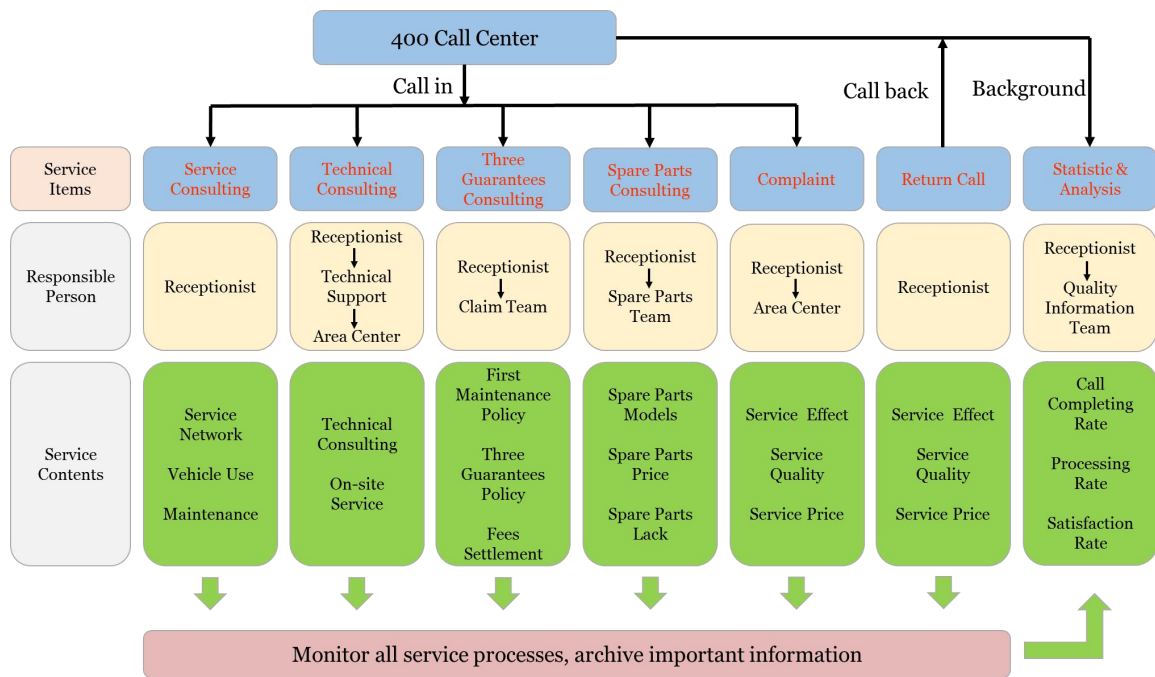


Site training

4.2. Customer services

The Group formulated *Management Regulation on Application and Review for Three Guarantees Services and Settlement of Three Guarantees Fees* and *Management Regulation on Processing Three Guarantees Information*, which clarified application and review for three guarantees services, review of three guarantees fees and processing three guarantees information.

The Group opened the 400-994-8811 national service hotline to receive and handle consulting, complaint and other services for clients. Working process, personnel responsibilities, standardized language and internal and external management regulations were clarified in call center management regulations to improve customer services.



In accordance with *Regulation on the Administration of Recall of Defective Auto Products* and other domestic and foreign laws and regulations concerning the recall of defective auto products, the Group formulated *Management Regulation on Recall of Defective Auto Products*, which specified the requirements and the process of recall as well as department responsibilities, in order to establish the recall process and proactively recall (or passively recall) defective products.

The Group formulated the *Customer Satisfaction Survey Process*, conducted customer satisfaction surveys on quality, service, delivery date, product appearance, reliability, price and so on every year by questionnaire, telephone, fax, or verbally. Survey results were analyzed to understand shortcomings of the Group, and measures were taken to improve customer satisfaction.

To protect customer privacy, the Group formulated the *Customer Profiles Management Regulation* which defined customer information as company trade secret and required adequate protection and management of customer information. The Group adopted a hierarchical approach to manage customer information, and only authorized employees were allowed to view the information.

4.3. Intellectual property right management

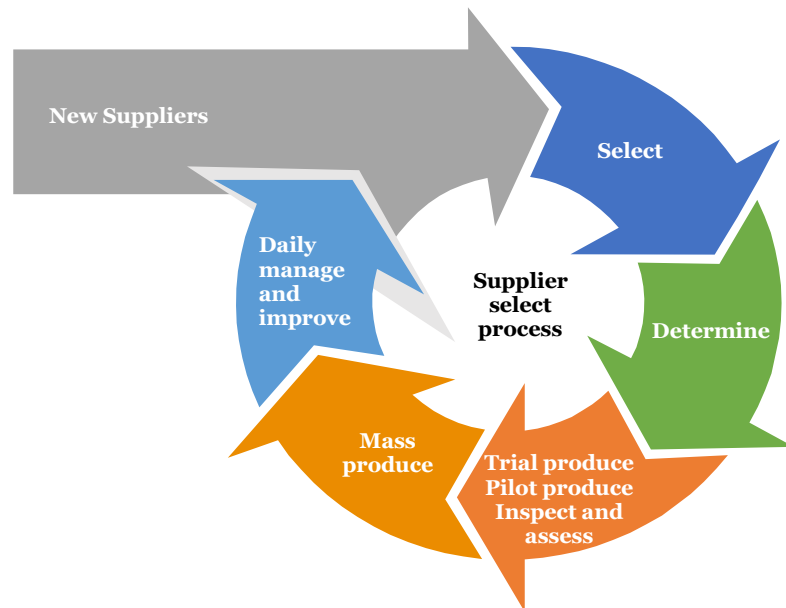
In accordance with the *Advertising Law of the People's Republic of China* and other applicable laws and regulations, the Group formulated the *Advertisement Management Regulation* to manage and regulate advertisement, ensure true and legal advertising, prevent breach of laws and maintain brand image.

The Group formulated the *Brand Management Regulation* to manage company name, label, trademark, service mark, domain name and so on of the Group and specified brand authorization, trademark management and brand maintenance.

4.4. Partners

The Group formulated *Management Regulation on Purchase and Assessment of Trial Producing and Testing for New Components, Management Regulation on Purchasing New Materials, and Supplier Assessment and Selection Process* to establish the supplier selection process.

The Group conducted on-site investigation in the select and determine process and required suppliers to meet the requirements in national and local environmental laws, regulations, and relevant industrial environmental standards. The Group delivered its responsibility concepts in environment and society to suppliers to guide them towards continuous improvement, thus achieving commitments in both environment and society.



4.5. Anti-corruption

In accordance with *Company Law of the People's Republic of China*, *Law of the People's Republic of China on Tenders and Bids*, *Anti-Unfair Competition Law of the People's Republic of*

China, *Interim Provisions on Banning Commercial Bribery* and *Anti-Money Laundering Law of the People's Republic of China*, the Group formulated *Management Regulation on Tenders and Bids*, *Regulations about Reaffirming Honest Working Disciplines for Leaders*, and *Interim Provisions on Business Entertainment* and other regulations to provide an institutional guarantee for the honest work of employees of all levels.

Employees holding important positions signed the *Honesty and Self-discipline Commitment* and promised to comply with all regulations regarding honesty and self-discipline, perform position duties carefully and be honest and fair.

The Group signed the *Sunshine Procurement Agreement* with suppliers when signing the contract, which specified that both sides should comply with relevant laws, regulations and provisions regarding honest working, just conduct, fair and open procurement and prevention of illegal activities in seeking unlawful benefits.

The Group formulated the *Internal Audit Regulation* and *Internal Audit Implement Measures*, and established the Audit and Supervision Department to audit and supervise the company headquarter and each subsidiary company and relevant personnel independently and objectively. Employees who materially violated national economic and finance laws or company regulations were punished according to relevant regulations, and they were transferred to judicial authorities if a crime was suspected.

4.6. Community investment

The Group formulated the *Charity Events Management Regulation* to specify the capital source, capital management, types of main events, summary and propaganda, and assessment of charity events and also to conduct charity activities uniformly and normatively.

The Group constantly paid attention to community demand, and did the best to serve and repay society. The Group contributed to social development and improvement to fulfill its social responsibilities.

Appendix I: ESG Reporting Guidance Index

Aspect	General Disclosure	Index
A1 Emissions	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</i></p> <p><i>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</i></p> <p><i>Hazardous wastes are those defined by national regulations.</i></p>	2.1. Emissions
A2 Use of Resources	<p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i></p>	2.2. Use of Resources
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	2.3. Environment and Natural Resources
B1 Employment	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	3.1. Employment
B2 Health and Safety	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	3.2. Health and Safety
B3 Development and Training	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i></p>	3.3. Development and Training
B4 Labour Standards	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to preventing child and forced labour.</p>	3.4. Labour Standards
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	4.4. Partners

B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1. Product quality 4.2. Customer services 4.3. Intellectual property right management
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.5. Anti-corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	4.6. Community investment

Appendix II: Readers Feedback Form

Thank you for reading the Qingling Motors Co., Ltd 2016 ESG Report. In order to provide more valuable information to the Group's stakeholders and improve its ability and level of fulfilling social responsibilities, we would welcome any feedback or suggestions you might have about this report.

You can send this form to any of the following:

E-mail address: hk1122@qingling.com.cn

Mailing address: No.1 Xiexingcun, Zhongliangshan Jiulongpo District, Chongqing, China

1. How would you rate your opinion of the Qingling 2016 ESG Report?

☐Very High ☐High ☐Neutral ☐Low ☐Very Low

2. How would you rate your opinion of the economic, social and environmental responsibilities of Qingling?

Economic responsibility	<input type="checkbox"/> Very High <input type="checkbox"/> High <input type="checkbox"/> Neutral <input type="checkbox"/> Low <input type="checkbox"/> Very Low
Social responsibility	<input type="checkbox"/> Very High <input type="checkbox"/> High <input type="checkbox"/> Neutral <input type="checkbox"/> Low <input type="checkbox"/> Very Low
Environmental responsibility	<input type="checkbox"/> Very High <input type="checkbox"/> High <input type="checkbox"/> Neutral <input type="checkbox"/> Low <input type="checkbox"/> Very Low

3. Please rate the effectiveness of this Report in reflecting the economic, social and environmental impact Qingling has brought about through its social responsibility practices?

☐Excellent ☐Good ☐Fair ☐Poor ☐Terrible

4. How would you rate your opinion of the clarity, accuracy and completeness of the information, data and indicators this Report has disclosed?

Clarity	<input type="checkbox"/> Very High <input type="checkbox"/> High <input type="checkbox"/> Neutral <input type="checkbox"/> Low <input type="checkbox"/> Very Low
Accuracy	<input type="checkbox"/> Very High <input type="checkbox"/> High <input type="checkbox"/> Neutral <input type="checkbox"/> Low <input type="checkbox"/> Very Low
Completeness	<input type="checkbox"/> Very High <input type="checkbox"/> High <input type="checkbox"/> Neutral <input type="checkbox"/> Low <input type="checkbox"/> Very Low

5. Do you find this Report in easy-to-read contents and formatting?

☐Yes ☐Neutral ☐No

6. Feel free to share any comments or suggestions you may have on Qingling and this report:

Thank you very much for your gracious gesture and valuable time!