



福耀集团
FUYAO GROUP

FUYAO GLASS INDUSTRY GROUP CO., LTD.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT



使命创造未来
A Clear Vision of Tomorrow

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不忘初心

砥砺前行

曹汝旺

About this Report

The report is approved by the Board of Directors. Fuyao Glass Industry Group Co., Ltd. warrants that the content of this report does not contain any false representations, misleading statements or material omissions.

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, 2017. Some content can be traced back to past years or extend to FY2018. 1 yuan, 10,000 yuan, 100 million yuan in this report refer to Renminbi 1 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, unless otherwise stated.

Definitions

For shorter form of expression, Fuyao, Fuyao Group, Company, the Company, and We refer to Fuyao Glass Industry Group Co., Ltd.

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) as well as G4 Sustainability Reporting Guidelines (G4 Guidelines) released by Global Reporting Initiative (GRI), Guidance on Social Responsibility GB/T 36000-2015 released by State Administration for Quality Supervision and Inspection and Quarantine and Standardization Administration of China, Guidance on Social Responsibility Reporting GB/T 36001-2015, Guidance on Classifying Social Responsibility Performance GB/T 36002-2015 and Guidance on Social Responsibility ISO 26000 released by International Standard Organization.

Source of Data

All information and data in this report is from formal documents, statistic reports and financial report, etc. of the Company and reviewed by relevant departments.

Report availability

This report can be viewed on the Company's official website at www.fuyao.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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1.1. Company Profile

1.1.1 Company Information

Fuyao Glass Industry Group Co., Ltd. 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, 1992. 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 via the A+H pattern.

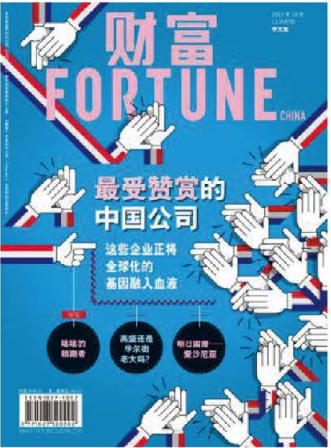
1.1.2 Main Business and Operation Pattern

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 26,181 employees worldwide (22,427 and 3,754 inside and outside mainland China respectively), and 44 affiliates including 30 manufacturers inside mainland China and 14 overseas, manufacturers in a number of provinces and cities including Tianjin, 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, Australia, Germany and Hong Kong. Fuyao Group has become the largest automotive glass supplier globally and its products have gained certification and adoption by world's top and major auto makers, including Bentley, Mercedes-Benz, BMW, Audi, General Motors, Toyota, Volkswagen, Ford and Chrysler. It delivers OEM (original equipment manufacturer) support and auto glass solutions worldwide, which has won the honor of Global Excellent Supplier by auto manufacturers.

Winners of the first China Top Factory/ China Excellence in Operations (GEO) Award co-sponsored by A.T. Kearney and Auto Business Review were revealed on January 19. Fuyao Group Shanghai Automobile Glass Co., Ltd was awarded 2016 China Top Factory Quality Excellence Award for its outstanding performance in customer satisfaction, quality, economy, agility and value creating.



FORTUNE China announced on October 11 that Fuyao Group had been named one of 2017 Most Admired Companies for the eighth year in a row, occupying the 7th place up from the 14th in 2016 and the 2nd in auto and parts industry.



Fuyao Group stayed on the list of CCTV Top 10 Chinese Listed Companies which was released on December 12. As CCTV Business data showed, Fuyao Group A-shares grew by 46.08% as of November 30 2017, with rate of return much higher than the average 3.1%.



In November, Fuyao Group was awarded academician workstation. Zhang Bo, academician of Chinese Academy of Sciences and a well-known expert in Computer Science and Engineering, would be in charge of the workstation and work with Fuyao on the Project of Overall Research Planning of Building Intelligent Fuyao.

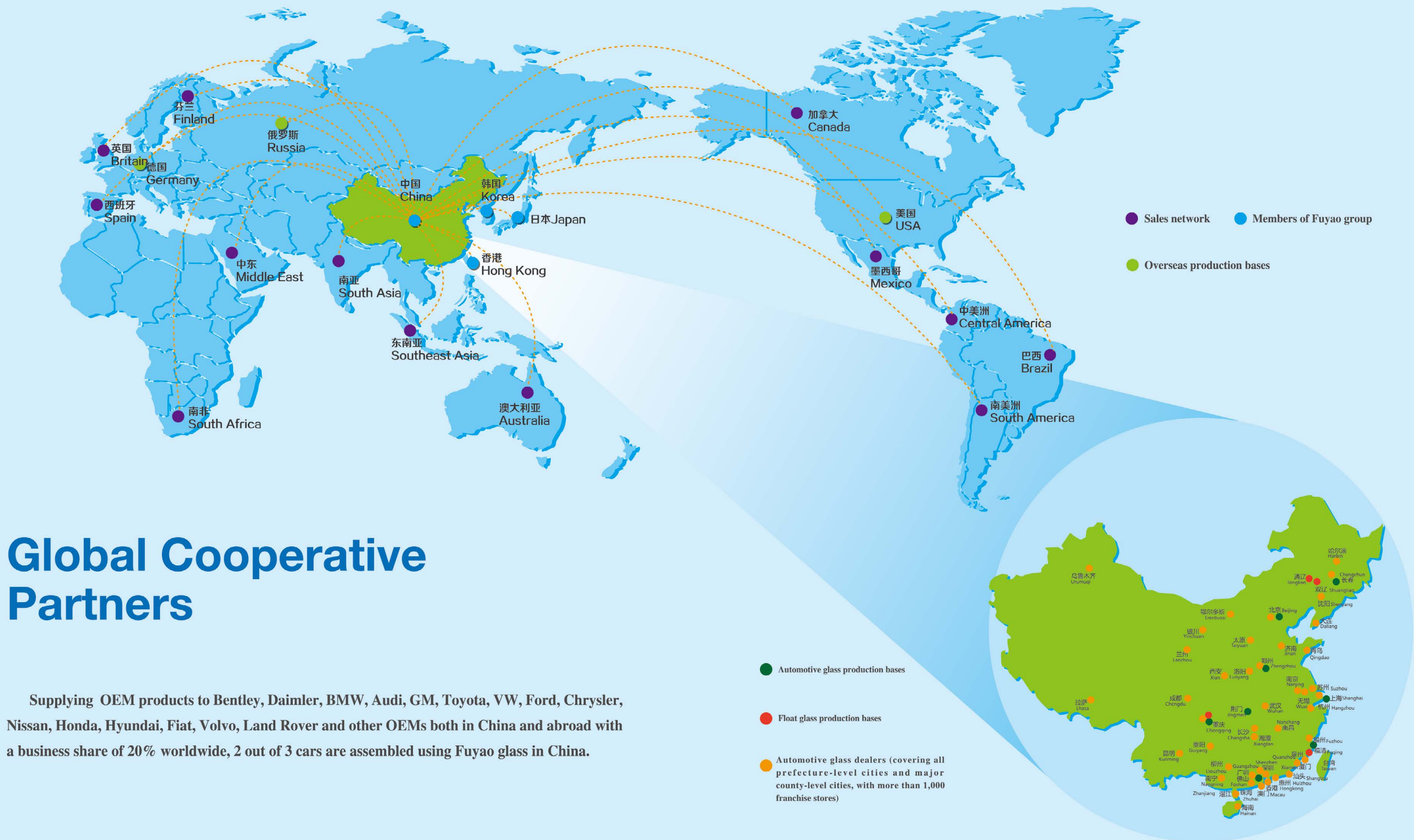


1.1.3 Development Concept

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 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, 2017, the Company has 3,356 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.

As of the year ended December 31, 2017, the total assets of the Company amounted to RMB31.704 billion. During the Reporting Period, the Company achieved a revenue of RMB18.716 billion, representing an increase of 12.60% as compared with the corresponding period last year; realized a profit before tax of RMB3.68 billion, representing a decrease of 6.12% as compared with the corresponding period last year, which was mainly due to an exchange loss of RMB388 million (the exchange gains were RMB459 million in 2016) resulting from the RMB appreciation, and without taking this factor into account, the profit before tax for the Reporting Period represented a year-on-year increase of 17.52%; and realized annual profit attributable to equity holders of the Company of RMB3.149 billion, representing an increase of 0.14% as compared with the corresponding period last year. In 2017, earnings per share was RMB1.26; the tax paid was RMB2.52 billion; actual amount of remunerations paid to employees totaled RMB3.374 billion; interests paid to creditors including banks, short-term financing bills and medium term notes holders totaled RMB229 million; and society contribution value per share was RMB3.7.



Development History

发展历程



Listed on the Shanghai Stock Exchange

1987

Fuyao Glass established with the aim to become China's leading glass producer



1993

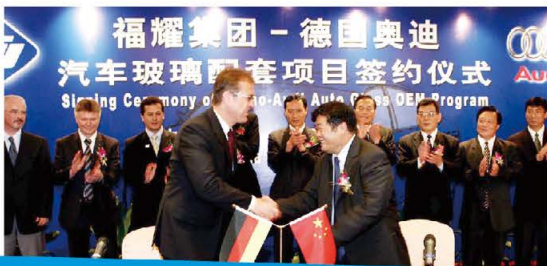


1994

Actively developed overseas business in Hong Kong and the US, and Fuyao Glass Industry Group Co., Ltd. was established in the following year.

Fuyao won the first anti-dumping case after China's acceding to the WTO; a first in Chinese business history. Fuyao established its float glass programme, to take the lead in the supply of automotive glass

2001



2005

Fuyao successfully signed a supply contract with Audi and stepped into the age of globalization, marking Fuyao as a company trusted by the automotive giants for its reliability, quality and technological expertise



2009

Fuyao chairman Cao Dewang was named Ernst & Young World Entrepreneur Of The Year 2009. He was picked from among the 43 entrepreneurs vying for the title. This is the first time that a Chinese entrepreneur received this award

In the presence of then Chinese President Hu Jintao and then Russian President Dmitry Medvedev, Fuyao Group's Chairman Cao Dewang and Kaluga Governor Anatoly Artamonov signed an investment project cooperation agreement in the Kremlin, where Fuyao committed to invest \$2 million to build an automotive safety glass plant in Russia. Fuyao completed construction on its Russian project and went into production at the facility in 2013, and Russian Prime Minister Dmitry Medvedev sent Fuyao a congratulatory letter extending his warm wishes

2011

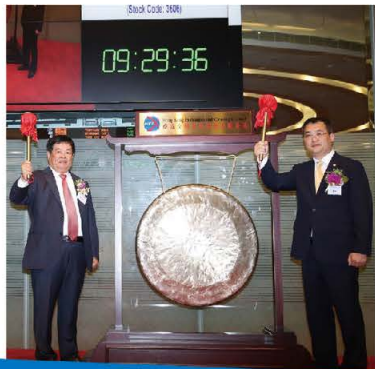


U.S. automotive glass manufacturing plant is located in the state of Ohio. Fuyao's U.S. project is officially activated.

2014



IPO of H shares, entering into a new period of rapid growth.



2015

Integration of information technology and industrialization and Industry 4.0 settled in Fuyao.

2016



Fuyao remains a true world class company and value creator

Future



To maintain our position as a world-class, professional automotive glass supplier

Development Strategy

- **Strengthening profession**
To Play a supporting role to the automotive industry and to fabricate high quality automotive glass
- **Employing talent**
To create an international team with professional commercial capability
- **Pursuing excellence**
To create excellence through lean management
- **Innovation**
Advancing with the times, forward-thinking
- **Energy saving**
Creating model green factories on principles of sustainable development. Adhering to low and environmentally protective practices

Company Values

- **Diligence** — self-improvement, dedication
- **Simplicity** — honesty, humility
- **Learning** — perfecting skills, adapting to market needs
- **Innovation** — advancing with the times, forward-thinking

New Technology Product

We are committed to providing automotive glass with safety, comfort, low carbon environmental protection and smart

Low carbon Environmental protection

- Solar absorbing/reflecting glass
- Super UV& IR CUT glass
- Thinner auto glass
- Solar glass
- Variant light transmission glass

Smart

- Glass antenna
- Glass with brackets, such as rain/light/brake sensor brackets

Glass Assembly

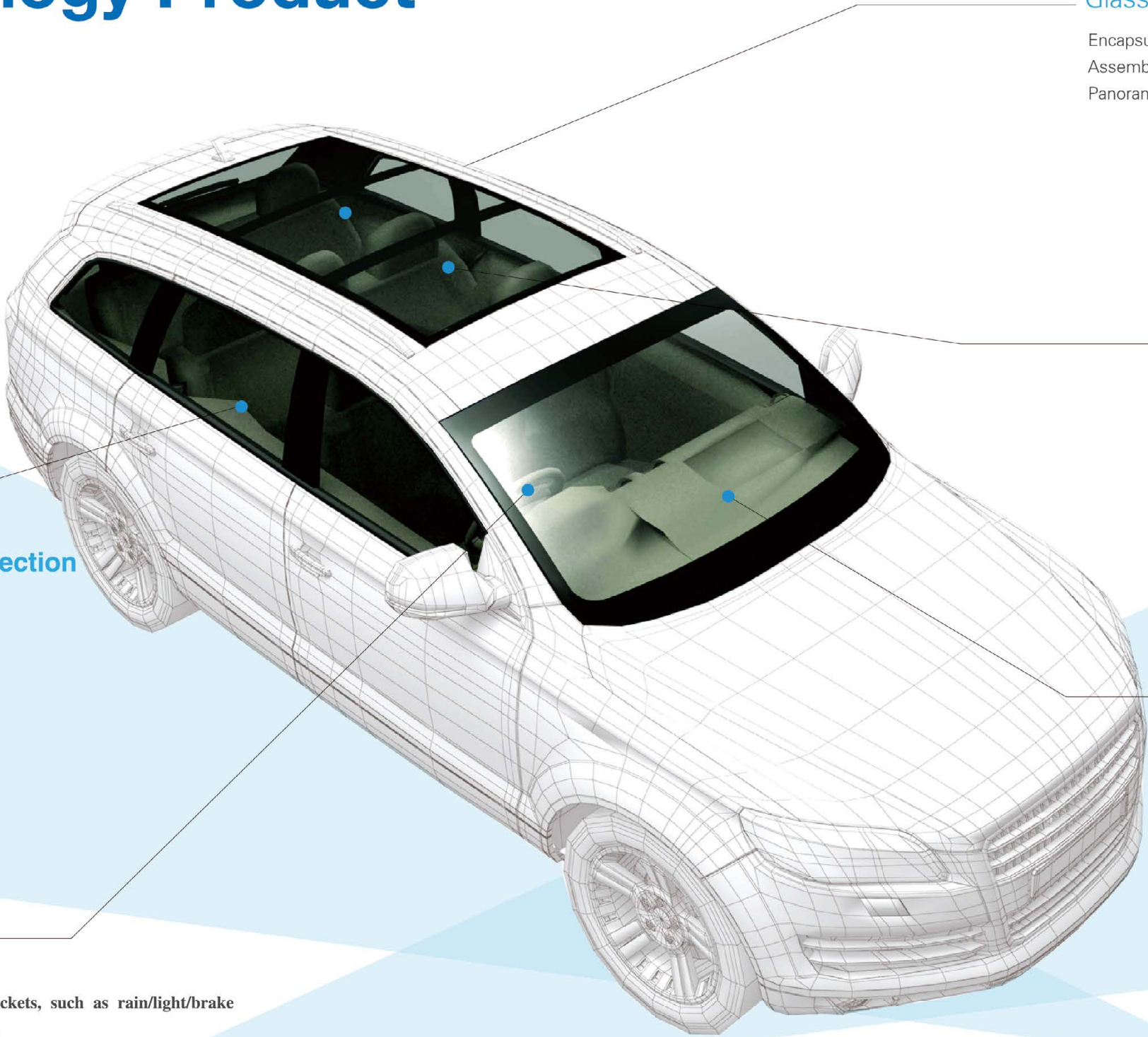
- Encapsulation
- Assembly encapsulation
- Panoramic sunroof

Comfort

- IR Coated Reflective glass
- Solar absorbing/reflecting glass
- Acoustic glass
- Super UV& IR CUT glass

Safety

- Wire heated/Coating heated glass
- Head-up display(HUD) glass
- Hydrophobic
- Semi-tempered laminated glass
- Anti-reflective glass
- Hydrophilic glass



1.2 Product and Services

The Company breaks down technical barriers in global automotive industry as it holds core technologies and equipment. It reinforced its design and R&D skills in products, equipment and processes, which enabled better innovation and production of auto glass and key manufacturing facilities. It owns world class technologies including new-type lamination and pressing technologies and functionalization of coating, surface and photo electricity and has developed more than 70% of its machining facilities. These independently made devices and technologies are considered advanced globally and conducive to filling in the technical gap domestically, which helps break technical barriers and bring the Chinese auto glass brand to the international market.

As it explores auto glass intelligence and functionalization, Fuyao Group puts premium on energy efficiency and environmental friendliness of its products, and has developed a series of low carbon auto glasses for solar cars, lightweight cars, coated heat reflective cars, etc., as part of its efforts in energy saving and emission reduction for the society.

镀膜热反射 IR Coated Reflective Glass

工作原理

在外面玻璃的内侧或内片玻璃的外侧，镀上若干层金属膜层，经过玻璃成型，合片之后形成热反射镀膜玻璃。当太阳光照射在玻璃上，金属膜层能够反射更多的太阳辐射，阻挡红外线射入车内，降低车内温度，提高车内舒适性。

IR reflective glass is produced by coating metal on the inner glass surface and lamination with PVB. The metal layer reflects sunshine and prevents IR entering the car to reduce the interior temperature and increase passenger comfort levels.

主要优点

驻车时，减缓车内温度升高。中午暴晒2小时，比正常车辆约低4°C
Reduces temperature inside the car when parked. (4°C lower after 2 hours under noon sunshine)

防晒，防辐射，节能降耗
Solar blocking, energy saving

有效减少夜间行车眩光刺激，提高舒适性和安全性
Reduces glare and increases safety and comfort

反射能量，冬暖夏凉
Cooler in summer and warmer in winter

隔热玻璃
为你撑起魔法盾
享受阳光拒绝伤害
UV-IR-CUT Glass

PDLC调光玻璃

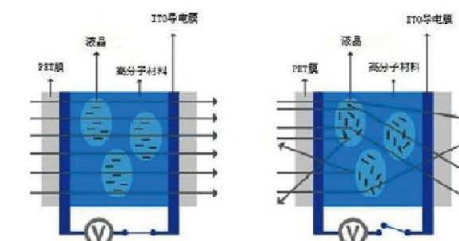
最私密的空间
最惬意的享受

PDLC调光放射玻璃 Dimming Lighting Glass

PDLC中文名叫聚合物分散液晶，是将低分子液晶与预聚物相混合，在一定条件下经聚合反应，形成微米级液晶微滴均匀地分散在聚合物网络中。在电场作用下，实现高透过率状态和低透过率状态间的可逆变化。

PDLC Chinese named polymer dispersed liquid crystal, it is low molecular liquid crystal and prepolymer mix, under certain conditions by polymerization, liquid crystal droplets formed micron level

Evenly dispersed in the polymer network. Under the effect of electric field, the state of achieving high transmittance and low transmittance mode between the reversible change.

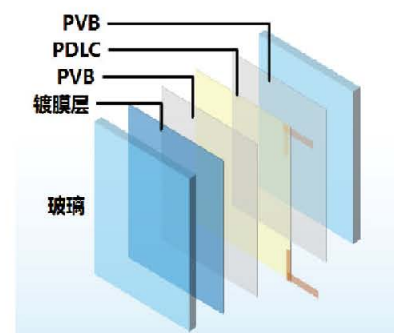


优势:

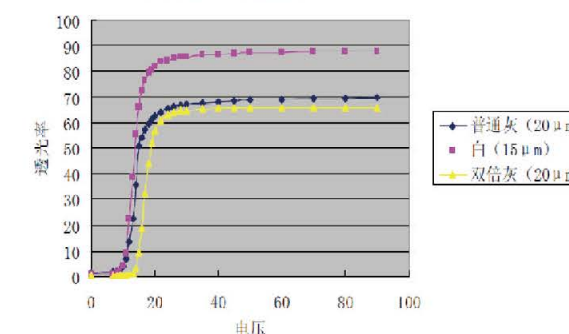
- 更好的节能性能
- 开关寿命: ≥ 900 万次
- 节能
- 个性化

Advantages:

- Better energy blocking performance
- Lifetime for switch: ≥ 9 million times
- Energy saving
- Personalization



PDLC电压透光率曲线



应用: 用于天窗, 后风挡和B柱之后的侧窗玻璃

Application: used for sunroof, backlite and the sidelites below the B pillar.



调光玻璃 PDLC Dimming
GLASS

HEAD-UP DISPLAY GLASS

HUD抬头显示玻璃

安全尽在前方



抬头显示玻璃 HEAD-UP DISPLAY(HUD)
GLASS

HUD抬头显示玻璃 Head-up display(HUD)

夹丝加热玻璃的工作原理:

HUD是抬头显示器- (Head Up Display) 的英文简称, 抬头的意思是指飞行员不需要低头就能够看到他需要的重要资讯。抬头显示器最早出现在军用飞机上, 降低飞行员需要低头查看仪表的频率, 避免因注意力中断, 而丧失对状态意识的掌握。从1988年开始用在汽车工业上, 驾驶员透过HUD往前方看的时候, 能够轻易的将外界的景象与HUD显示的资料融合在一起, 降低低头与抬头之间, 忽略外界环境的快速变化以及眼睛焦距调整产生的延迟与不适。

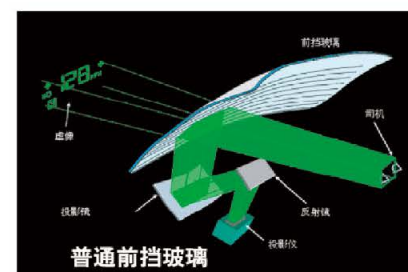
HUD (Head Up Display) is a technology first used in the aerospace industry; designed to allow pilots to view instrumentation without diverting attention from the view ahead. This technology began to be used on cars from 1988. It can reduce the frequency with which a driver needs to refer to the instruments panel, thus allowing quicker response to the changing traffic environment.

HUD的主要优点:

- 降低驾驶员低头查看仪表频率
- 避免外界的干扰分散驾驶员的注意力, 提高反映速度
- 释放双眼, 畅享驾驶, 提高舒适性和安全性

Main advantages:

- Reduced frequency of checking dashboard instruments
- Driver focused, for quicker reactions
- More comfortable and high safety

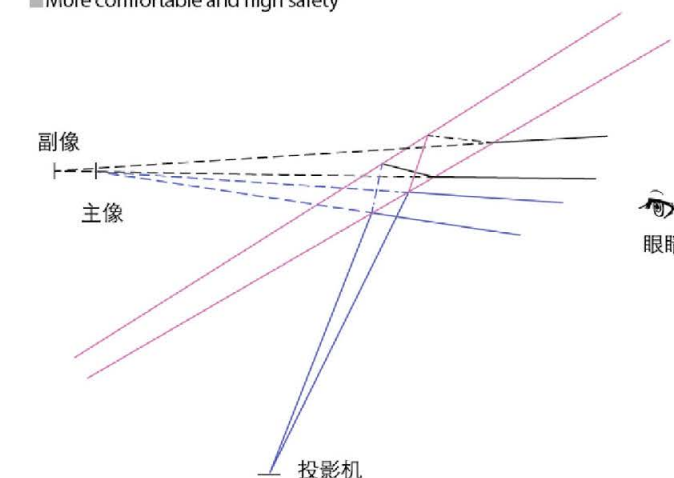


适用产品:

前档

Applicable product:

Before wind glass



Fuyao energy saving products

	Coated glass	Energy saving	Diagram
1	Coated glass	<div>1. Slow down temperature rise in a stationary vehicle. Temperature inside a coated glass car is 5-8 C lower than that of a non-coated one exposed to sun for 2 hours in a Summer noon.</div> <div>2. Sun screening, radiation-proof and energy saving;</div> <div>3. Mitigate trouble driving at night due to glare, which make the driver safer and more comfortable.</div> <div>4. Reflect sun ' s heat in summer and stop heat from escaping in winter, which ensures comfortable inside temperature.</div>	
2	Solar glass	The solar glass enables interruptible solar power supply, which fuels the fans to drive ventilation, lower temperature inside a parking car and reduce use of air-conditioners, so as to provide more comfortable driving experience and cut down on oil consumption.	
3	Lightweight glass	For every 1mm thickness decrease, cars with 4m2glass can be 10kg lighter and consume 8.6 L less fuels for 15,000 km mileage annually.	<div><p>厚度采用1.5+1.4替代现有的2.1+1.6，可减少玻璃重量的13.5%。</p></div>

With the increase in family income, new energy, intelligent and energy saving cars are gaining popularity and propelling economic transformation and upgrading; Fuyao Glass, as application technology accelerates, continues to develop new auto glass from the perspective of "safety and comfort, energy conservation and environmental protection, beautiful appearance, and intelligence and integration" and create more added value. Its leading position in the industry brings structural opportunities in auto glass sales and greatly improves health condition. Shown below are some of its quality products:

Quality products

Product name	Features	Diagram
Soundproof of glass	PVB is made from soundproof materials, which absorbs about 5 db sound from outside, thus providing more comfortable riding experience.	
UV-cut glass	Although it cannot reduce visible light, the UV-cut glass can absorb 99% UV rays, so as to protect riders from sunburn and skin cancer, as well as prevent interior decorations from aging and yellowing, making it more comfortable to ride.	<div><p>3.5mm超白玻璃+涂层 皮肤表面温度34°</p><p>UV-CUT 涂层 3.5mm超白玻璃+涂层+红外线涂层 皮肤表面温度32.4°</p></div>
Hydrophobic glass	Mitigate load, provide more comfortable driving experience and ensure better vision in rainy days, so as to improve driving safety standard.	
Wired glass	Adopt tungsten wire heating to ensure good transmittance and prevent distortion, thus providing clear vision with high fidelity and resolution ratio through the window.	
HUD glass	The HUD glass reduces the time the drivers use to rise and lower head, the impact of outside scene changes due to speedy moving and the delay and discomfort caused by eye focus adjustment.	

2.Social Responsibility Management

2.1.Responsibility

Concept

With the concept of “developing itself and pursuing the world” as its social responsibility, Fuyao Group has vision of “Making own glass for Chinese people” from its establishment. Fuyao Group struggles with the goal of “building the most competitive automotive glass supplier in the world. Fuyao Group upholds the enterprise's core values of hardworking, simplicity, learning, and innovation, sticks to the strategy of independence, research and development, openness. Fuyao Group has been the first company in Chinese automotive glass industry and world leading enterprise from a small factory.

Fuyao Group adheres to the goal of being loyal partner of global clients, model of global industry, best employer of global employees, trusted brand of global public. Fuyao paid back to society, cared about nature and environment, actively participated in the public benefit, took social responsibility, and achieved that the Company’ s economic benefits and social benefits are unified, and the development of the Company is in harmony with the development of society.

2.2.Materiality

Assessment

2.2.1 Communication with stakeholders

The Group communicates with stakeholders such as governments, shareholders, employees, customers, community & society, partners and environment by various communication systems and actively responds to their expectations to the Group.

Stakeholders	Stakeholder's expectation	Com munication system
Government	<ul style="list-style-type: none">Law complianceLegal tax paymentSupport in local development	<ul style="list-style-type: none">Daily managementMeetingSupervision
Shareholder	<ul style="list-style-type: none">Sustainable development, returns to shareholdersInformation disclosure, investor relationshipCorporate governance, risk control	<ul style="list-style-type: none">General Meetings of ShareholdersInformation disclosureActivities of investor relationship
Customer	<ul style="list-style-type: none">High-quality productsSuperior serviceConsumer rights protection	<ul style="list-style-type: none">Product quality managementCustomer satisfaction survey
Employee	<ul style="list-style-type: none">Salaries and welfare assuranceGood working environment and development platformEqual opportunities of promotion and development	<ul style="list-style-type: none">RecruitmentEmployees' right protectionProduction safetyStaff careStaff training
Partner	<ul style="list-style-type: none">Commitment fulfillmentFair, open and righteous purchasingWin-win development	<ul style="list-style-type: none">Supplier selectionSupplier management
Society	<ul style="list-style-type: none">Contribution to urban developmentPublic notion improvementContribution to community harmony	<ul style="list-style-type: none">CharityCreate jobsCommunity constructionCare for elder and children
Environment	<ul style="list-style-type: none">Environment protectionimprovement	<ul style="list-style-type: none">Emission managementResource reduction

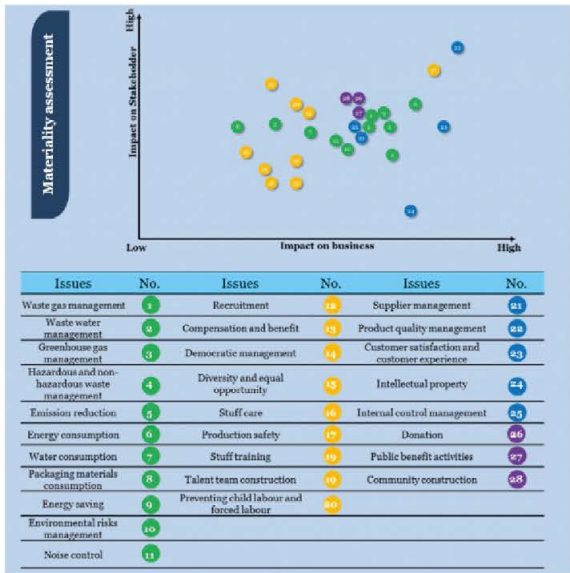
2.2.2 Materiality assessment

In accordance with the “ESG Reporting Guide” released by HKEx, Fuyao Group establishes the ESG materiality assessment model, identifies and determines the following material issues suitable for Fuyao Group based on stakeholders' concern:

A1 Emissions	A2 Use of Resources	A3 The Environment and Natural Resources
<ul style="list-style-type: none">Waste gas managementWaste water managementGreenhouse gas managementHazardous and non-hazardous wastes managementEmission reduction	<ul style="list-style-type: none">Energy consumptionWater consumptionPackaging materials consumptionEnergy saving	<ul style="list-style-type: none">Noise controlEnvironmental risks management

B1 Employment	B2 Health and safety	B3 Development and Training	B4 Labour Standards
<ul style="list-style-type: none">RecruitmentCompensation and benefitDemocratic managementDiversity and equal opportunityStaff care	<ul style="list-style-type: none">Procuton safety	<ul style="list-style-type: none">Staff trainingTalent team construction	<ul style="list-style-type: none">Preventing child labour and forced labour

B5 Supply Chain Management	B6 Product responsibility	B7 Anti-corruption	B8 Community Investment
<ul style="list-style-type: none">Supplier management	<ul style="list-style-type: none">Product quality mangementCustomer satisfaction and customer experienceIntellectual property	<ul style="list-style-type: none">Internal control management	<ul style="list-style-type: none">DonationPublic benefit activitiesCommunity construction



Through identification, assessment, and selection of issues regarding the required 11 aspects, Fuyao 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.

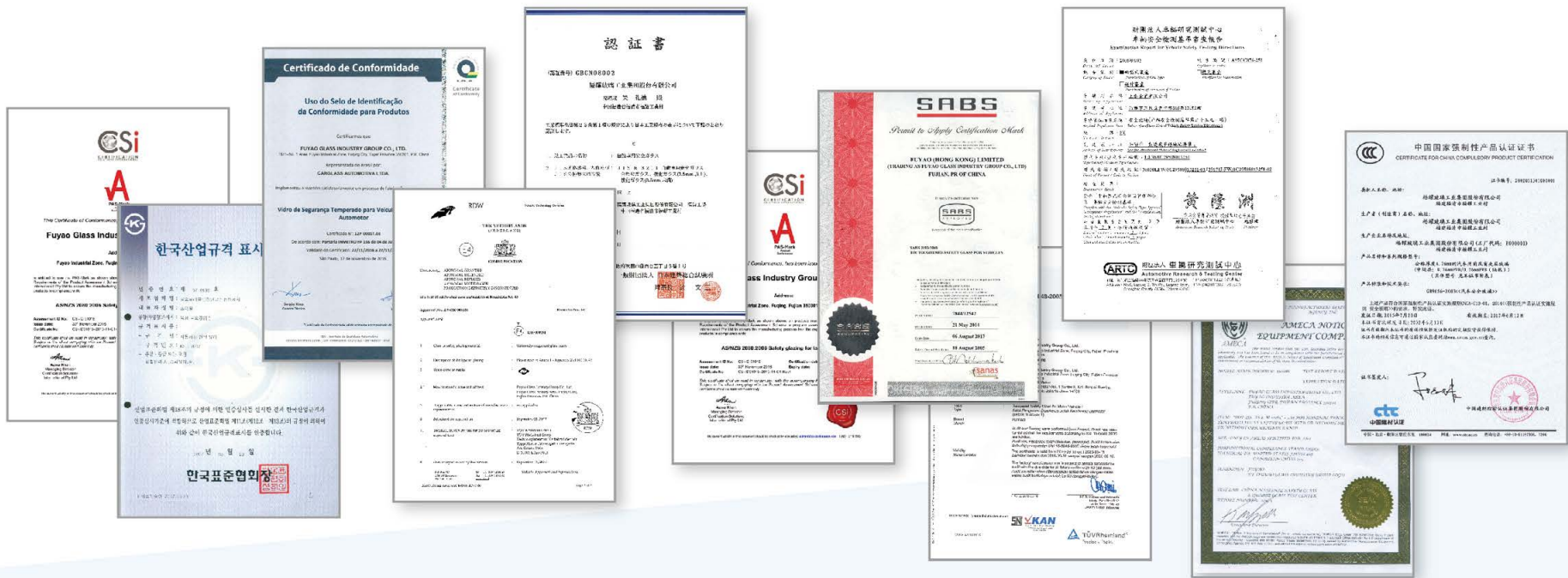
3.Client

3.1.Product Quality

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.

The products 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 Excellent Supplier Gold Award and 2017 Chrysler Excellent Quality Award and GM Excellent Quality Award, etc., which are attributed to full implementation of quality management policies and requirements by all staff of all positions throughout the whole process.



3.1.1Product 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/TS 16949, ISO 14001, and OHSAS 18001 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.



Customer

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 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.

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@fuyao-group.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.

As per the Provisions for Customer Complaints, dealing with customer complaint should follow the rule 1-3-7 principle, which is: within one working day upon receiving complaint, contact with customer should be initiated to get the whole frame of the situation, then an emergency plan should be attached; within 3 working days, a preliminary findings including validated provisional measures should be provided; within 7 working days, an official survey report including the statement of current progress and rectification directions from now on should be provided. If the customer has specific requirement regarding response time, then it will be carried out as customers require. Customer and related parties are the foundation where an enterprise can grow efficiently and sustainably. Based on adequate feedbacks, Fuyao Group has taken all parties' interests into full consideration in the aspect of quality decision making, complied with relevant laws and regulations as well as secured the rights and interests of end-users.

Fuyao Group complies strictly with national laws and regulations related to product quality accountability to avoid customer losses and property losses. As of December 2017, the Company did not receive any products returned for safety and health reasons.

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

3.2 Intellectual

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.

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.

To protect customers' rights and interests, and ensure that all products they buy are quality and genuine, Fuyao Group has 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 71,150 pieces of counterfeited glasses worth of RMB 14.29 million in 2017. 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.



3.3. Internal Control Management

3.3.1 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.

3.3.2 Set up corruption governing framework

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



3.3.3 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 Internal Audit Supervision 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.

3.3.4 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.

3.3.5 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.

3.3.6 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:

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

1

2. 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

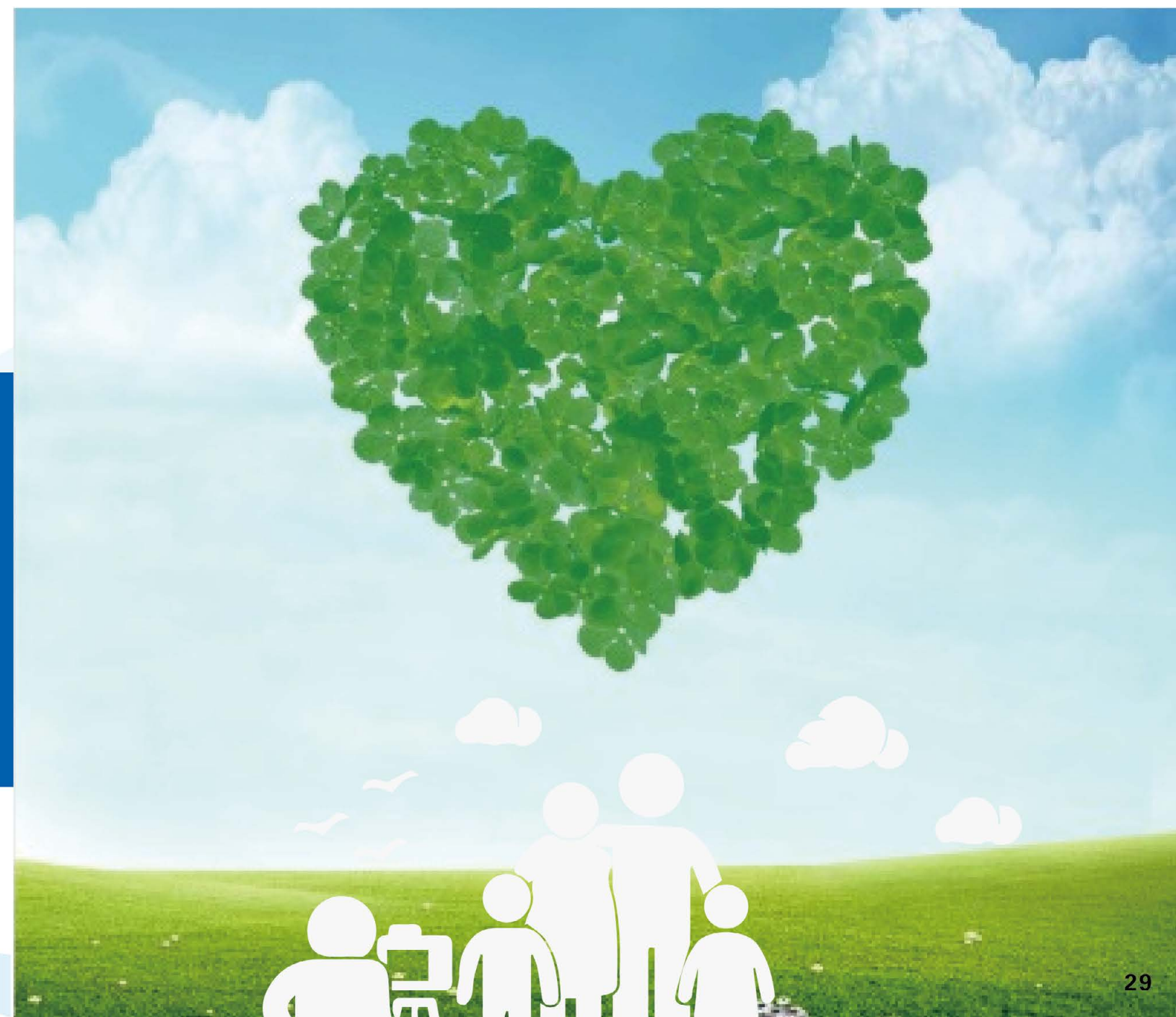
3. The Company's audit department keeps informants' information in confidence and has formulated mechanism to protect and encourage whistle blowers.

3

▲ In 2017, no fraud or bribe-taking occurred in the Company.

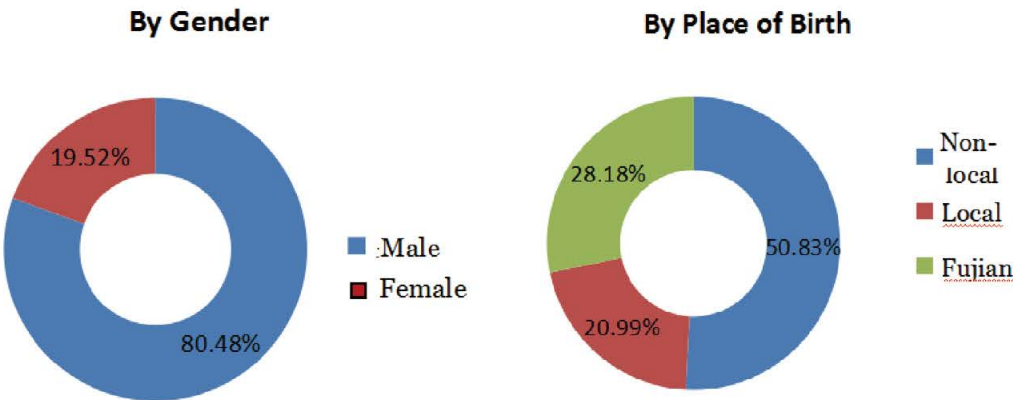
4. Staff Care

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

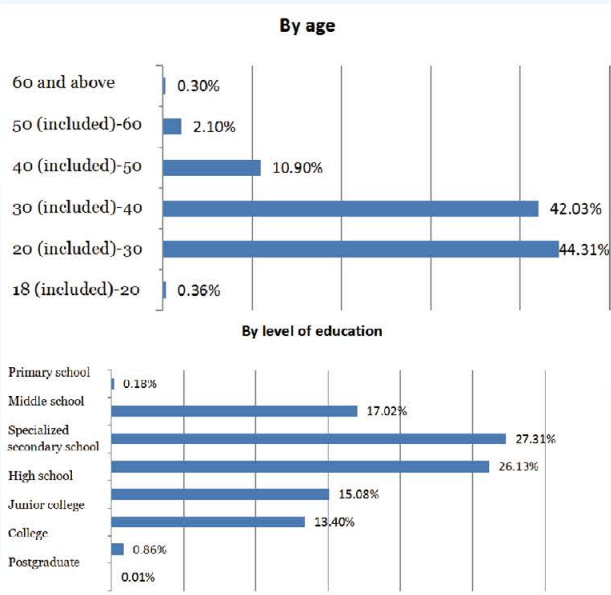
In strict conformity with applicable laws and regulations including the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, Fuyao Group formulated the Recruitment Management Policy in order to regulate the recruiting procedures, improve talent selection 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".



4.2. Staff Rights and Interests

4.2.1 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.

4.2.2 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.

4.2.3 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.

4.2.4 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.

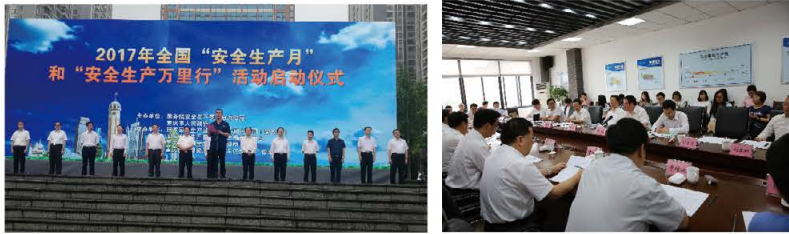


4.3.Safe Work

To guarantee employees' occupational health and safety, the Fuayo 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.



The 2017 national "Safe Production Month" and "Safe Production and Thousand Mild Travel" event kicked off in Chongqing. Chongqing Automobile Glass took active part in and supported these activities and the general manager of Chongqing Float Glass, as an exemplary role of the Company, read the Initiative in the opening ceremony. State Administration of Work Safety and Chongqing municipal government arranged symposiums in Chongqing Float.



In January 2017, general managers of subsidiaries of the Group signed the Safety Commitment, making a commitment to the Group and staff to take on the role of responsible person of the Company's safety by building the mindset of "Safety is critical to Production",

As quick response to policies, Fuyao Group carried out a range of "Safe Production Month" promotions and trainings.

The Company works hard to ensure the fire safety and safe production in places where many people work and prevent fire from occurring. To improve staff responding ability in case of emergency, and elevate their skills of aiding themselves and other people, subsidiaries of Fuyao Group arrange various emergency drills regularly, such as fire drills and chemical leak drills. Professional departments (such as local fire brigade) are invited to provide onsite guidance.

The Group provides good working environment from the source and conducts onsite occupational health environment maintenance and inspection.

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 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.

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.



Shenyang Automotive Glass fire drills



Working environment inspection



First Aid Training



Safe Drills

The Development And Training

4.4 Staff Training and Development

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. On the job trainings include specific trainings on environmental, health and safety management system etc., required by laws and regulations to staff at all levels. To accomplish Company's globalization and five-year strategic planning, the Fuyao Group carries out trainings such as future senior management trainings, core staff trainings, main process technical trainings, lean talent trainings, quality engineering trainings, to senior management, key technicians and core staff. Trainings and staff development ensure source of talents for enterprise transformation, rapid growth and higher operational efficiency. 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".

4.4.1 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.

The total training hours in 2017 is 407879 hours and the average training hours per trainee is 2.15/month.

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 professional competency and career development.

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 duties 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.



4.4.2Talent 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 deputy system to facilitate talent team building.

It is specified in the Company's Deputy Management 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.

4.4.3Talent 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 concept training



Project robust design (Taguchi methods) training

Employee Life

4.5 Staff Life

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 RMB 770 thousand in 2017.

In September 2017, "Fuyao Kid Class Happy Sailing" installed a cozy children reading corner and classroom, allowing them to accept education near the workplaces of their parents, ridding staff of the trouble of kindergarten drop-off and pick-up routine, which would have cost them more money and time, so that they can care less about their children and concentrate on their work.

Build new Fuzhou Play the pioneering role—exemplary work contest of Fuzhou workers Fuyao Glass session (skill and knowledge contest)



"Spark of Thought" debate



Women' s Day "Female Lifetime Balance" lecture

4.6 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.

4.6.1No 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.

4.6.2No 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 local regulations. Employees shall have the freedom to leave posts for proper reasons such as going to washroom or drinking water on duty and enter and exit the dormitory and plant off duty. Provided that routine operation is not compromised, employees are also free to move around on the premises without being interfered by administrative personnel or guards. When hiring an employee or after he/she is hired, the Company shall not retain the employee' s resident ID card or other papers.

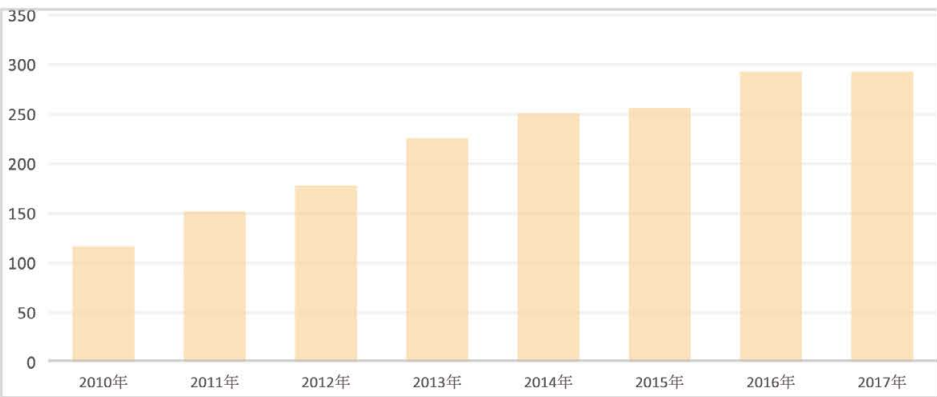


5. Cooperation with Suppliers and Partners

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.

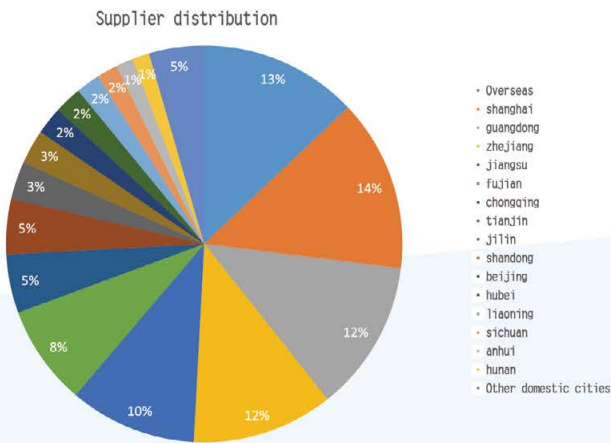
The Company passes environmental and social risk policies to its suppliers via various channels and ways, such as delivering the governing philosophy of "Undertaking social responsibilities, executing protection provided by law, avoiding pollution and damage to environment and promoting harmonious development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

Fuyao signed 293 supply agreements in 2017.



Deliver the philosophy of sustainable operation when signing supply agreements

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 has established modern production bases in a dozen provinces and cities in China, as well as America, Russia and Germany, and has established 4 design centers in China, America and Germany. A firm and sustainable partnership with suppliers is one of the key secrets of Fuyao's market competitiveness. Base on manufacturing base, we actively cultivate suppliers with global supply capacity, and promote reasonable distribution and optimization in supply resources.

Fuyao Group organizes subsidiaries to hold supplier conferences 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.

In the coming years, Fuyao Group will channel resources to its signature intelligent supply platform which features “Innovation, Coordination, Win-win, Open, Green” , so as to achieve globalized supply chain management and supply resource sharing, give play to the industrial cluster effect of win-win and synergy, and create Fuyao end-to-end global supply chain value business ecosystem.

On June 26, 2017, Fuyao Group SRM Going Live Ceremony was carried out in Fuyao Fuqing headquarter.



September 25 to 26 2017, Fuyao Group SRM system went live in Guangzhou.

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.

6. Environment Protection

6.1 Environmental management system

One Enhancement: To enhance environmental awareness constantly.

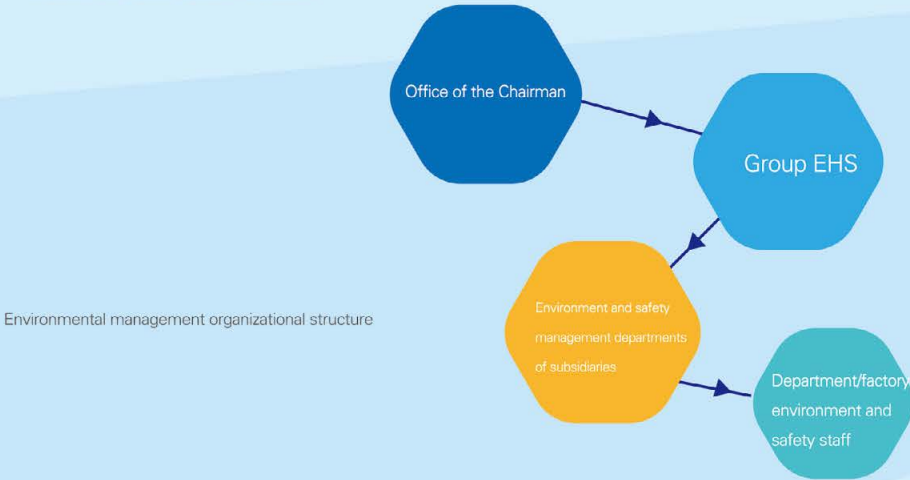
Two Observations: To observe environment protection laws and regulations strictly, and minimize the negative impacts of production and operation activities upon environment as a law-abiding enterprise; To observe the internal supervision and examination, and fully implement all measures and targets regarding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

Seven Proactivenesses:

- a) To be proactive on strengthening operation and management of green facilities and in compliance with pollutant discharge standards;
- b) To be proactive on reducing the emission concentration ;
- c)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;
- d) To be proactive on reinforcement on clean production audit, technological transformation, clean production promotion, and elimination of severely outdated production technologies; facilities and products;
- e) 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;
- f) To be proactive on formulation of environmental risk emergency plans to respond to environmental accidents;
- g) 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.

6.1.1Environmental 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 Chairman, 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:



6.1.2Environmental protection targets and fulfillment

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.

Implementation status

In 2017, 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.

6.1.3Promoting 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.

6.1.4Environmental protection training and environment information communication

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.

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 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.



Fujian Wanda Automobile Glass Industry Co., Ltd. Environmental management system certificate

6.2.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.

6.2.1Management 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.


Shown below are total emissions types and respective emissions data of Fuyao Group for the reporting period:

Waste water



Waste water discharge(in tonnes)	513.5	32.8
COD (in tonnes)	291.6	10.2
N-NH3 (in tonnes)	23.8	2.6
Suspended Solid (in tonnes)	195.5	50.9

Waste gases



SO2 (in tonnes)	0	479.1
NOx (in tonnes)	0	1038.2
Particle matter (in tonnes)	0	48.1



1) Standard emission and monitoring measures of Fuyao Group

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.

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 several subsidiaries of Glass (Hubei) Co., Ltd, which enabled data sharing with provincial, municipal and county-level environmental authorities and real-time supervision of the society.

In 2017, subsidiaries of Fuyao Group managed and discharged waste water and waste gases in compliance with regulatory rules and standards, according to test reports on source of pollution from local environmental inspection departments and internal regular test results.

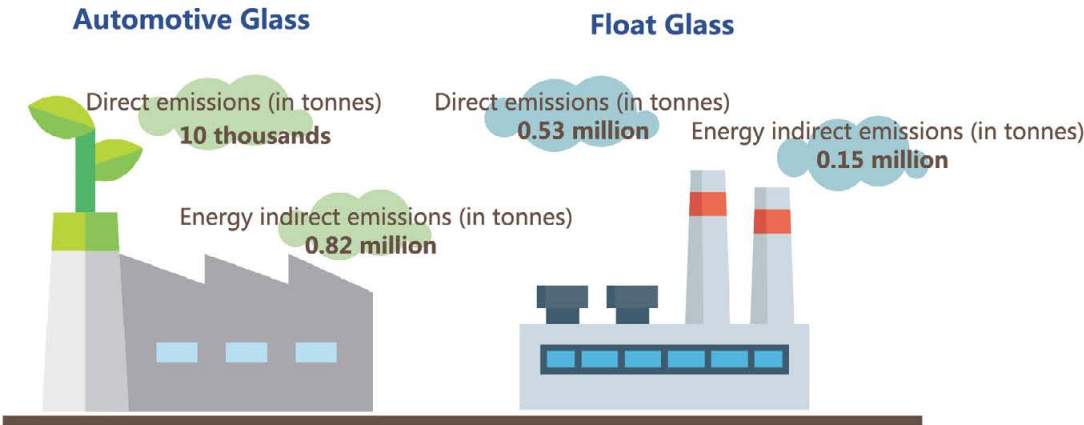
2) Fuyao Group waste and emission reduction measures[

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.

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.



Emission intensity

Automotive Glass	0.0075 tonnes/sq.m. product
Float Glass	0.78 tonnes/tonnes of product

3) Fulfillmentof 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 2017, all the domestic affiliates under operational control passed the clean production audit.

4) Fulfillment of total emission reduction

In 2017, 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.

5) Waste discharge fee payment

In 2017, 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.

6.2.2Greenhouse 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.

Shown below are greenhouse gas emissions and intensity of Fuyao Group for the reporting period:



6.2.3Hazardous 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 2017, 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.

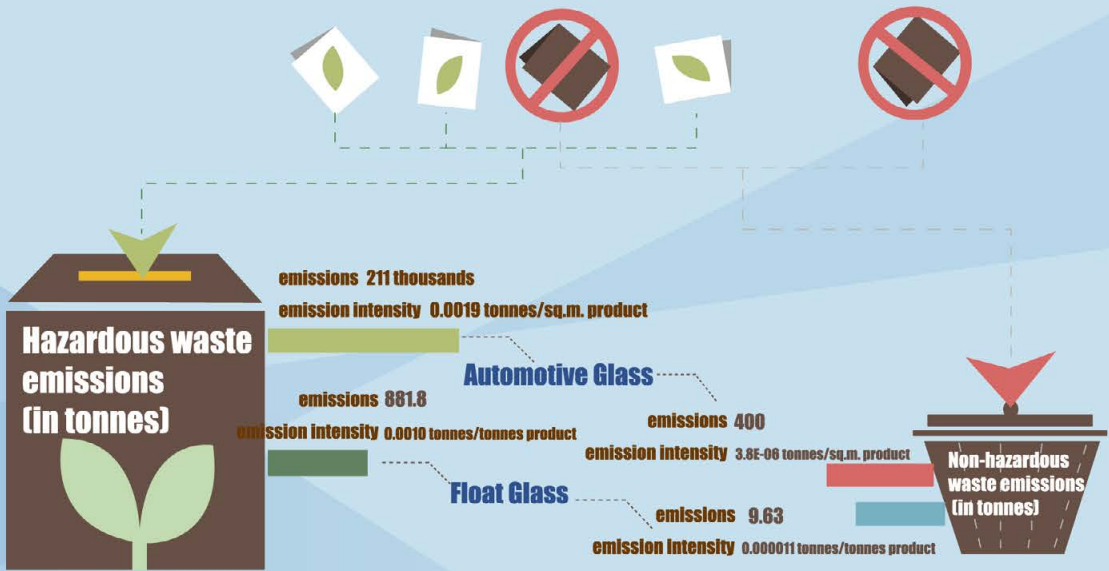
Non-hazardous waste disposal

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.

Shown below are hazardous and non-hazardous waste emissions and intensity of Fuyao Group for the reporting period:



Hazardous waste emission intensity物

6.3 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.

In terms of other raw materials, the Company adopted clean energy production measures when new projects or technology upgrade are undergoing. Processes and equipment with higher resource efficiency and less pollutions are adopted to reduce raw material consumption.

Shown below are direct/indirect energy consumption and intensity of Fuyao Group for the reporting period:



A2.1	Automotive glass	Float glass
Natural gas (MWh)	28,972.45	2,630,482.32
Diesel (MWh)	15,442.28	5,772.48
Gasoline (MWh)	439.18	0
Direct energy consumption (MWh)	44,853.91	263,6254.8
Direct energy consumption intensity	0.004 MWh/sq.m.product	3.03 MWh/tonnes of product
Purchased electricity	1,466,998.08	221,299.36
Purchased heat	2,360.92	0
Indirect energy consumption (MWh)	1,469,359.00	221,299.36
Indirect energy consumption intensity	0.013 MWh/ sq.m.product	0.25 MWh/ tonnes of product
Total energy consumption (MWh)	1,514,212.90	2,857,554.17
Energy consumption intensity	0.014 MWh/ sq.m.product	3.28 MWh/ tonnes of product
Total water consumption (in tonnes)	6,086,000	1,493,300
Water consumption intensity	0.05tonnes/ sq.m.product	1.72 tonnes/ tonne of product

Cases

Case 1:Energy saving of Fuqing Float Glass

Project objective: Install efficient and oil free centrifugal air compressor.

Project result: The new air compressor saved 16.22% energy compared with helical-lobe compressor, which could save electricity fees more than RMB 1 million per year. It efficiently improved quality of glass surface because the compressed air contained no water and no oil. It could be spare machine for nitrogen station and could provide compressed air to nitrogen station so as to ensure stable production.

Case 2:Water saving project of Fuqing Automotive Glass Factory One

Background: The Company pursued higher cost-effectiveness in 2017. Improving energy efficiency of water, electricity and gas etc. could save the Company’s variable costs and boost product margins.

Project implementation and result: The Company saved up to 2000 tons of water per month by improvement measures in fire pipe, autoclave water supply pipe, deionized water, cooling tower and air conditioner etc. thus reducing resource loss and emission fees. The factory will continue to promote energy saving by adopting water analysis and electricity consumption map for each workshop to save electricity.

Case 3:Guangzhou Automotive Glass energy saving project:

The toughened package waste heat recovery project included transformation of the heating system of 4 solidification lines, installation of heat exchangers, and adoption of variable frequency centrifugal fans to channel waste heat from the bending process to solidification chambers, where waste heat will be used first and then electricity.

Injection molding machine energy saving transformation: upgrade the driving system of injection molding machines to conserve energy, which halves overall electricity consumption.

Air compressor energy consumption reduction: optimize pipe network of air compressors and adopt intelligent devices to reduce gas loss and consumption intensity.

Case 4:Chongqing Automotive glass energy saving project:

The warming and cooling of the two thermal high-pressure autoclaves is time- and energy-consuming; autoclave upgrade is on the agenda to reduce energy consumption and improve efficiency.

Air pressure autoclave energy saving upgrade: save energy and improve process cycling time. Electricity consumption will be saved by 5-10% upon completion.

Case 5:Float boiler upgrade and installation project

Replace the heat absorbing and releasing ends of coal boilers with the plug-in waste heat exchangers of Taiyuan Company to generate steams which goes into existing inlet pipes of the steam drums. 2 waste heat boilers will be installed.

1. Save 5000 ton of softened water annually with no waste water discharged, and produce 1 more ton of steam per hour.
2. Coal boilers are out of service. A waste heat boiler has been installed to each production line which saves about 1200 tons of coal consumption, 22000 ton of softened water and 90000kwh electricity consumption.

Case 6:Fuyao Group rooftop PV project

Fuyao Group stated the rooftop PV project in 2017. It works with Huarun New Energy Company and invests 180 million to Fuqing stage 1 project. It produces 27.97 million KWH of power annually. Shanghai stage 2 project and Guangzhou stage 3 project have also been started. The PV projects of the three cities were in pilot run in December 2017 and are expected to produce 70 million KWH of power annually.



6.5 The Environment and Natural Resources

Subsidiaries of Fuyao Group have set up Environmental Emergency Response Plan to deal with potential environmental and environmental risks and report to local environmental protection authorities for the record.

Trainings and drills are conducted annually. In case of major environmental accidents, companies will implement the emergency plan and report to local environmental authorities.

To ensure standard noise emission and the occupational health of staff, Fuyao Group installed soundproof devices and sound-absorbing cotton to prevent noise.

7.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 RMB 11 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 RMB 200 million to aid drought-stricken areas in southwest and pioneered the Donation Accountability mechanism, which has pushed ahead China’s charity law system.

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 RMB 769,500 in 2017.

In 2017, 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. RMB 20.7083 million has been donated for public undertakings. Among them, Fuyao North America made a donation of 1 million dollar to Heren Charitable Foundation America. The Group established beneficent funds for staff and made a total donation of RMB770,000. The Group, to show its care, handed out RMB 500 per person for the elderly over 80 in Fujia Village, Benxi city, Liaoning province during spring festival, totaling RMB 16,000; donated RMB500,000 to Lingshi temple of Fuqing city, RMB 4.8 million to Gaoshan Heren Park, Fuqing city, RMB 500,000 to Hong Kong Fuzhou Shiyi Association; RMB 150,000 to Longlou Education Charity Association of Wenchang city, Hainan province, to support rural education.



Fuzhou Dewang library

7.1 Leading role

“Great goodness is for politics while minor goodness for philanthropy”. In Cao’s views, donations are merely expression of “minor goodness” while to discharge your duties is “great goodness”. In 2013, Mr. Cao, 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.

In 2017, Mr. Cao attended the Fifth Session of the Twelfth National Committee of the Political Consultative Conference, and submitted the proposal of strengthening parental education by legislation. “Metaphorically speaking, parental education is root, family education is trunk, school education is branch, social education is leaf and the growth of student is fruit. Only the deep-rooted tree could be lush, leafy and fruitful”, in Cao’s views. During his 5 years’ term as the 12th CPPCC national committee chairman of the Federal Reserve Board, his proposal of supporting micro and small business, protecting the wetland and implementation of food security had received wide concerns of the society. He said, “As a member of the CPPCC, we are obliged to speak up for the people at the bottom of society, help the vulnerable groups, and care for our future generations from a bigger picture.”

On December 5, 2017, Fuzhou Municipal Library (Tak Wong Library) thanks to Mr.Cao’s RMB 400 million donation was official opened with a view to benefiting the public as Fuzhou citizens’ study. This 11-storey library covers 58,000 square meters, houses 1 million books and accommodates 3,000 people. People can not only borrow books, but also have access to Fuzhou local masterpieces, Fuzhou Intangible Cultural Heritage Halls, Fuzhou cultural research zones, etc., proving itself as a large urban cultural platform which is first-class not only in Haixi but also in China and enjoys great popularity among the public.

In 2017, Heren Charitable Foundation established via 300 million shares of Fuyao Glass Industry Group Co. Ltd. held by Mr. Cho Tak Wong made a donation of RMB207 million, including RMB12.5 million to Fujian government to establish files and cards of targeted poverty alleviation medical insurances in response to the call of the CPC Central Committee and the State Council, so as to carry out the spirit of poverty alleviation work conference and implement the targeted poverty alleviation plan of “tens of thousands of enterprises help tens of thousands of villages”; RMB 10 million to 32 villages in Guizhou, Hubei and Fujian’s old revolutionary areas to support these villages; RMB4 million to Changdu city Xizang province for supporting the construction of human and livestock drinking and irrigation projects;RMB4 million to Xinjiang Uygur Autonomous Region Education Department to purchase water purifiers for 80 primary and secondary schools in poverty-stricken areas in southern Xinjiang so that teachers and students can have access clean water.



Heren Charitable Foundation donated water purifiers to 80 primary and secondary schools in poverty-stricken



Heren Charitable Foundation donated RMB 3.21 million to Guyuan city Ningxia province to help poor students,

7.2 Create jobs

The foundation ceremony of Fuyao Group headquarter in Europe in the 8.5 hectare land in Mühlpad Rheinland-Pfalz Germany promised 350 job opportunities in the future. Germany media commented, "Chinese define the new speed of construction" . The Mayor Ralph Steinbrenner praised the project as efficient and successful in a record-breaking way in terms of regional planning, land use planning, construction planning, land use conversion analysis and land development. He believed that Fuyao Group will soon become one of



the top three local employers, and contribute to local economic development. Besides, the interior minister of Rheinland-Pfalz, Thomas Strobl expressed their best wishes for Fuyao Group on behalf of the German Christian Democratic Party. He said, "This is a prosperous region already, but it also needs more companies like Fuyao Group to bring dynamism and opportunity" .

Fuyao Suzhou project started on September 22. The project is planned to build a "super factory" which integrates R&D, production and sales, and its production automation reaches the top level domestically. The planned investment of Fuyao Suzhou project is RMB 2.2 billion and the total area of 470 mu. It will take 1 year to build production workshop with the annual output of 4 million sets and 16 million packages of glass, the glass research center, mould center, 9-storey office building and staff apartments. After the project is put into operation, the employee number will reach 3,000 and the estimated annual output is RMB 5 billion.



7.3 Community



On March 18, in the America Moran Fuyao factory, 1,300 employees and their family members attended the largest United Way donation mobilization and spring barbecue in Dayton. Everyone enjoyed the free and delicious hamburgers, hot dogs, Chinese chow mein and salad prepared by the Company and the raised money was donated to the United Way foundation. After this event, America Fuyao donated the leftover to local food relief station in Dayton.



We invited America Fuyao staff representatives to China during the Chinese New Year, to attend Fuyao New Year activities and enjoy the Chinese New Year atmosphere. Fuyao Chinese employees presented calligraphy and calligraphy to their American colleagues.



On May 12, Guangzhou Automobile Glass held "Mother's Love" Mother's Day theme event. The employees put up pictures of "mom and me" on the photo wall, and took a photo with the photo wall as a special gift to and thanks for the great motherly love.



On June 7, a total of 62 students and teachers from Minjiang College Physics and Electronic Information Engineering Department visited and studied in Fuyao Fuqing factory. All the teachers and students were curious about the equipment and technology, and asked questions about each process.



On June 29, Fuyao American staff went to a local food relief station to volunteer and rebuilt the small garden destroyed by the hailstones, and distributed the oatmeal breakfast to families in need.



7.4 Support cultural and sports undertakings



On March 25, 18 employees from Fuyao Chongqing Automotive Glass participated in Chongqing Liangjiang New Area Encircles Guobo long-distance running.



On May 20, Shanghai Automotive Glass team participated in 2017 Shanghai Jiading "Dazhongcheng Cup" ping-pong team match. After a day of intense competition, Shanghai Automotive Glass won the first place.



On June 20, Shanghai Automotive Glass worked with Anting town to carry out voluntary blood donation, which was supported by the staff.



On July 27, Fuyao Germany dispatched 2 teams to participate in "Stimme Company Run" event held in Heilbronn.



On September 13, more than 100 medium and small investors, brokers, educators, the media, etc., across the country came to Fuyao Group for the "I am a shareholder — small and medium investors walk into public company" activity. The chairman of the Fuyao Group, Cho Tak Wong, finance director Chen xiangming and secretary of the board Li Xiaoxi exchanged views on concerned issues with investors.



On December 17, in Fuqing "Qingrui Cup" marathon mixed relay race, "Yao Pao" team from Fuyao won the fifth place. "Yao Pao" team was set up in June 2016 and committed to the principle of "Sport, Health and Happiness". It has 2 running spots in Shizhushan scenic region and Fuqing autoglass sports stadium and organized members for long distance running training weekly and nearly 200 members joined.

7.5 Care for the elderly and children

Fuyao Group has equipped children's reading corner and children's training room, to solve staff children's kindergarten transportation problem. The children's training room carry out curriculum like children's dance, children's painting, creative arts, happy composition, taekwondo, calligraphy and street dance, mainly to cultivate children's artistic interests and hobbies.



7.6 Environmental protection



On March 10, Shanghai Automotive Glass organized excellent staff to plant trees in factories and living areas and staff took the "Greening environment starts from me" concept to actively participate in environmental protection activities.



On June 20, Trumpchi carried out the second batch of Source Protection wetland preservation action. Fuyao Guangzhou subsidiary went to Maduo county, the source of the Yellow River with an altitude of 4200. The wetland "emissaries" conducted land reclamation, grass seed planting, fertilization and pest-control work under the guidance from experts. The main feature of Sanjiangyuan national park management system is "harmonious coexistence between man and nature", which is also consistent with the green production goal of Fuyao which is energy saving, consumption reduction and pollution reduction.

7.7 Industrial pioneer



On February 28, Fuyao Group participated in Auto Glass technical seminar among BYD research Institute, Nanjing Mazda, Guangzhou Honda, FAW Car, FAW-Volkswagen, BAUC Motor, Great Wall Motors and Beijing Hyundai to share the state of the art technologies of automotive glass.



On October 22, Tianjin Automotive Glass and Hebei Building Construction Material Vocational Technical College mechatronics department carried out the "Modern Apprenticeship" experimental class jointly. Students are admitted into the enterprise when entering school, with dual identity of students and apprentices, trained as a "prospective employees" of the Group, and employed in cooperative enterprises after graduation.



The chairman Mr.Cao gave a keynote presentation at the Automotive Industry Innovation Forum- China Embrace the World. Combining entrepreneurial experience, he talked about his life creed, management and operation experience. He said, as the pilot unit of Made in China 2025, Fuyao Group carried out cooperation scientific research to break through the dilemma of intelligent manufacturing and intelligent management and make contribution to the country's intelligent manufacturing and Made in China 2025.



On December 12, Faw-volkswagen, Audi and the media visited Fuyao sites explored the making of Fuyao's high quality. A set of high standards and high requirements of parts manufacturing and supply system was shared with the society.



On December 13, "Fuyao Sail Program" was established in Guangzhou Light Industry Technician College to train talents for the society through school-enterprise cooperation.



ABOUT FUTURE

Being a worldwide leading enterprise of design, development, manufacturing, supply and service of automotive glass and automotive grade float glass, Fuyao adheres to its brand development strategies of keeping technology leadership and fast response to the market. During the Reporting Period, Fuyao continuously provided products and services of automotive safety glass which embodied the intelligence and care of all Fuyao staff to the world's automobile manufacturers and maintenance market, and provided global automobile users with intelligent, safe, comfortable, environmentally friendly and fancy Total Solutions relating to automotive safety glass, and in the meantime, improved the happiness of both drivers and passengers.

In 2017, the world economy continued its rebounding progress, but was inhibited from recovery by some uncertainties. As a significant year for the implementation of the "13th Five-Year Plan", the year 2017 witnessed smooth and healthy development of China's automobile industry with record-breaking production and sales. Playing a "supporting role" in automobile industry, the Company lived up to the expectations and managed to fulfill its missions, further increasing its market share and enhancing its brand reputation and influence.

In 2018, under the more skeptical domestic and overseas economic environments and in the face of both opportunities and challenges, the Company will further push ahead big data application and smart manufacturing and devote greater efforts to conduct lean manufacturing, aiming for quality and efficiency upgrade, product cost reduction and productivity improvement; develop new technology products from the perspective of "safety and comfort, energy conservation and environmental protection, beautiful appearance, and intelligence and integration" so as to increase the added value of its products; pay closer attention to the organizational construction and personnel training and gear the training program to the staff performance, thus further optimizing the personnel training systems; and strengthen its management over intellectual rights, branding and compliance matters so as to improve the comprehensive competitiveness of the Company.

Assuming great responsibilities in the future, Fuyao will stay true to its goal since inception and continues to conserve energy, reduce emissions and protect the environment. It will also monitor, settle and remedy issues of environmental management, improve staff responsibility and risk mindset of environmental protection, and works hard to guide more companies and the society to implement social responsibility encouraged by its philosophy of "Diligence, Simplicity, Learning, Innovation", so as to make Fuyao a greater international brand that can represent Chinese industry and lead the sector, as well as contribute more to the nation and the society.

Honors

January 2017

- ★The industrial standard of Automotive Thermal Reflection Coated Laminated Windscreen formulated by Glass Fuyao Group won the first place of 2016 Fujian Standard Contribution Award by Fujian Provincial Government.
- ★Fuyao Group was honored as 2016 Excellent Supplier by BOS, Germany.
- ★Fuyao Group was honored 2016 Top Listed Company and Chen Xiangming, Fuyao's finance director, was awarded the Best Finance Director.
- ★Guangzhou Fuyao Glass Co., Ltd. was awarded South China Supplier 1.3 Factory Special Contribution Award by FAW-VW in 2016.
- ★Fuyao Group Shanghai Automobile Glass Co., Ltd was awarded 2017 China Top Factory Operation Excellence Award A.T. Kearney and Auto Business Review.
- ★Fuyao Group Shanghai Automobile Glass Co., Ltd was honored as 2016 Excellent Supplier by Changan Mazda.
- ★Fuyao Glass (Hubei) Co., Ltd. was awarded 2016 Excellent Quality Performance Award by Chery Automobile and 2016 Excellent Supplier Award by GMMC.
- ★Chongqing Wansheng Fuyao Glass Co., Ltd was awarded 2016 Quality Client Award by Chengdu South Glass.
- ★Fuyao Group Changchun Co.,Ltd was ranked as Level A supplier by BOS Germany.

February 2017

- ★Fuyao Group was honored as one of the 2016 Fuqing Top Ten Taxpayers by Fuqing Municipal Government.
- ★Fujian Wanda Automobile Glass Industry Co., Ltd. was honored as 2016 Fuzhou Honest Industrial Enterprise by Fuzhou Human Resources and Social Security Bureau

March 2017

- ★Fuyao Group was awarded 2016 Delivery-on-time Supplier Platinum Award by GM Customer Care & Aftersales.
- ★Fuyao Group was awarded National Product and Service Quality Integrity Exemplary Enterprise by China Quality Inspection Association.
- ★Fuyao Group was awarded Excellent supplier by SAIC-GM.
- ★Guangzhou Fuyao Glass Co., Ltd. was awarded Structure Reform Promotion Award and Price Excellence Award by Guangqi Toyota Automobile.
- ★Fuyao Glass Chongqing Co., Ltd was awarded the 6th Mayor Quality Management Award by Chongqing Quality and Technology Supervision Bureau.

May 2017

- ★Fuyao Group was awarded 2016 Excellent After-Sale Award by Fujian Benz.
- ★Fuyao Group (Shanghai) Automobile Glass Co., Ltd. was awarded 2016 Excellent Supplier by Chery LandRover.

June 2017

- ★Fuyao Group Changchun Co., Ltd. was awarded Zhihe Golden Stone Award by Fawcar in event of its 20th anniversary.
- ★Guangzhou Fuyao Glass Co., Ltd. was awarded 15th Anniversary Companion Award by Guangqi Honda and Dongfeng Honda Engine.

July 2017

- ★Fuyao Group Changchun Co., Ltd. was titled 10 Year Mutual Improvement Supplier by FAW Jiefang J6.
- ★Fujian Wanda Automobile Glass Industry Co., Ltd.: Quick Mold Change Workshop of the Factory 4 was honored 2017 Fujian Excellent Quality Management Group; Accessory Workshop of Factory 3 won the 1st place of 2017 Fujian Excellent Quality Trustworthy Workshop Award; Lamination Workshop of Factory 5 won the 2nd place of 2017 Fujian Excellent Quality Trustworthy Workshop Award.

August 2017

- ★Fuyao Group was ranked among Securities Journal Top 100 Main Board Listed Company Value.
- ★Fuyao Group was titled as 2017 First Batch Fujian Provincial Sci-tech Enterprise by Fujian Department of Science and Technology.

September 2017

- ★Fuyao Group was awarded 2016 Excellent Quality Award by Chrysler.
- ★Fuyao Group was awarded 2016 Excellent Quality Award by GM.
- ★Fuyao Group was included among the list of 100 Manufacturing Services Model Enterprise Cultivation by Fujian Commission of Economy and Information Technology.
- ★Fuyao Group was awarded the National Quality Honesty Model Enterprise by china Association for Quality Inspection.
- ★Chongqing Wansheng Float Glass Co., Ltd. and Fuyao Group Changchun Co., Ltd. were included in the first green manufacturing model list of "Green Factory" by Ministry of Industry and Information Technology of the People's Republic of China in 2017.
- ★Fuyao Group was included in 2017 China Top 100 Listed Company Honest Enterprises by China Listed Company net.

October 2017

- ★Fuyao Group was named one of "Fortune" magazine's 2017 Most Admired Companies for the eighth year in a row, occupying the 7th place.

November 2017

- ★Fuyao Group was titled the 2nd batch of Manufacturing Industry Champion Enterprise Individual Award for its automotive safe glass by MIIT.
- ★Fuyao Group was included in the shortlist of National Business Daily 2017 7th China Listed Company Word-of-Mouth List Most Competitive Award.
- ★Chairman Cao Dewang was honored as 2017 Golden Pusher as a model for Chinese parenting by the Committee of Caring for the Younger Generation
- ★Fuyao Group was honored as 2017 Prominent Return to Stockholder Award and Top Social Responsibility Enforcer Award in 2017 Jinzhi Award Finance Listed Company Value Rank host by Finance as well as 2017 China Listed Targeted Poverty Alleviation Excellent Example.
- ★Fuyao Group Beijing Futong Safety Glass Co., Ltd. was awarded the 2017 Earnest Cooperation Award by Great Wall Automobile Xuzhou branch.
- ★Fuyao Group Shanghai Automobile Glass Co., Ltd was awarded 2017 China Top Factory Operation Excellence Award A.T. Kearney and Auto Business Review.
- ★Fuyao Glass (Hubei) Co., Ltd. was awarded 2017 New Motorcycle Type Mass Production Award by Jianghuai Automobile.
- ★Fujian Wansheng Fuyao Glass Co., Ltd was honored as 2017 Chongqing Integration of IT Application with Industrialization Management System Enforcer Model Enterprise by Chongqing Commission of Economy and Information Technology.
- ★Fuyao Group Shanghai Automobile Glass Co., Ltd was awarded the Non Public-Owned Enterprise Social Responsibility Contribution Award by Jiading Non Public-Owned Enterprise Social Responsibility Standard Certification of Shanghai Jiading Social Work Commission.

December 2017

- ★Fuyao Group was honored as 2017 CCTV Top 10 China Listed Company.
- ★Chairman Cao Dewang was awarded 2017 Chinese Brand Innovation Figure Award by People's Daily.
- ★Chairman Cao Dewang was honored as the Lifetime Honorary Curator of Fuzhou Municipal Library.
- ★Tianjin Hongde Auto Glass Co., Ltd. was honored as 2017 Xiqing District Harmonious Labor Relation Enterprise.
- ★Fuyao Group Changchun Co., Ltd. was honored 2017 Quality Excellence Award by Faw Jiefang and 2017 Best Supplier by Inteva Automotive Component (Changchun) Co., Ltd.
- ★Zhengzhou Fuyao Glass Co., Ltd. was awarded 2017 Quality Contribution Award by Haima Automobile.
- ★Fuyao Glass (Hubei) Co., Ltd.was awarded 2017 Excellent Supplier by DONGFENG Commercial Vehicle Quality Excellence Award by Dongfeng Peugeot Citroen Automobile, and 2017 Excellent Supplier by Jiangling Automobile.

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福耀玻璃工业集团股份有限公司
FUYAO GLASS INDUSTRY GROUP CO., LTD.



ESG REPORT

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