



一汽-大众汽车有限公司  
FAW-VOLKSWAGEN AUTOMOTIVE CO., LTD.

# SUSTAINABILITY REPORT

2018 / 2019



/STRATEGY  
/ECONOMY  
/SOCIETY  
/ENVIRONMENT

# About the Report

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## CONTENT

This is the 5th Sustainability Report issued by FAW-Volkswagen Automotive Co., Ltd. and the previous report was released in October 2018. For convenience of reading and expounding, FAW-Volkswagen Automotive Co., Ltd. is also expressed as “FAW-Volkswagen”, “the company” and “we”.

## SCOPE

This report describes the sustainable performance of FAW-Volkswagen and its subsidiaries in China (see the chapter “Locations of Organizational Departments”) covering a period from January 1<sup>st</sup>, 2018 to December 31<sup>st</sup>, 2019. There is no substantial change of boundaries in terms of the scope of this report.

## CYCLE

This report will be issued every two years.

## COMPILING CRITERIA

This report has been prepared in accordance with the GRI standards: Core option. It is a compilation of the actual situations related to FAW-Volkswagen. It consists of 4 core chapters: Strategy, Economy, Society and Environment. Please refer to the indicator comparison table at the end of the report for the disclosed information of each indicator in this report.

## COMPILATION PRINCIPLES

In line with guiding principles that take the company's activities, impact, and the substantial expectations and interests of relevant stakeholders into full consideration, the content contained in this report is a true reflection of the company's active performance with regards to our economic, social, and environmental responsibilities as well as the company's full implementation of our sustainable development strategies. All information and data have been derived from official documents and statistical reports. It summarizes the sustainable development across all functions and their subsidiaries and provides the basis for stakeholders to make reliable and reasonable performance evaluations.



**創·享 绿色未来**  
 Advance with green future

# About the Authentication of this Report

FAW-Volkswagen's top management attaches great importance to its own sustainable development; therefore, the Secretary of the Board of Directors and CO are especially responsible for compiling the “Sustainable Development Report” and for obtaining external authentication. After its completion, TÜV Rheinland (Guangdong) Ltd., is authorized to conduct external verification of the Report. See the independent verification statement on page 91 of the Report.


**This report is printed on recyclable paper.**

# Organization Structure

## The Board of Management (BOM)

In April 2019, Dr. André Stoffels took over the position of First Vice President (Finance) of FAW-Volkswagen Automotive Co., Ltd. from Mr. Rainer Seidl.  
On September 1<sup>st</sup>, 2019, Mr. Andreas Dick took over the position of Technical Vice President of FAW-Volkswagen Automotive Co., Ltd. from Dr. Juergen Unser.  
On November 2<sup>nd</sup>, 2019, Mr. Jin Xianzhen took over the position of HR Vice President of FAW-Volkswagen Automotive Co., Ltd. from Mr. Wang Weizhong.



**Mr. Liu Yigong**  
Member of the Board of Directors, Secretary of the Party Committee and President

- Company Office
- Management Service
- Quality Assurance
- Supply
- Legal, Risk, Compliance



**Dr. André Stoffels**  
First Vice President (Finance)

- Finance Administration
- Controlling
- Treasury & Auto Finance
- Internal Auditing



**Mr. Jin Xianzhen**  
HR Vice President

- Human Resources
- FAW-Volkswagen Academy
- Safety Assurance
- Expatriate Coordination



**Mr. Andreas Dick**  
Technical Vice President

- Technical Engineering
- Product Management
- Planning
- Logistics
- Changchun Base
- Foshan Branch
- Qingdao Branch
- Tianjin Branch
- Powertrain Division
- VSC



**Mr. Dong Xiuhui**  
Commercial Vice President

- Sales Company-VW Brand
  - Marketing
  - Sales Planning
  - Network and Training
  - After Sales Services
  - Future Business Development
  - Jetta Brand Sales Division
- Vehicle Logistics

- Audi Sales Division
  - Marketing
  - Sales
  - Network and Training
  - Customer Services
  - Services Technique
  - FBU Sales Business
  - Future Business Development
- Chengdu Branch

As the top organization for daily management and decision making, FAW-Volkswagen's Board of Management (hereinafter referred to as BOM) consists of 5 members whose duties cover 5 systems respectively, are appointed by shareholders and act as a collective decision-making system. The BOM also takes charge of monitoring the company's core targets and each year will report the results to shareholders.



# Profile of FAW-Volkswagen



Founded on February 6th, 1991, FAW-Volkswagen Automotive Co., Ltd. (hereinafter referred to as FAW-Volkswagen) is a large joint-venture passenger vehicle manufacturer founded by China FAW Group Corporation, German Volkswagen AG, AUDI AG, and Volkswagen (China) Investment Co., Ltd. It is the first modernized passenger vehicle manufacturer established in China that corresponds with the economic scale.

After nearly 30 years of development, FAW-Volkswagen's production capacity layout is spread across Northeast China (Changchun), Southwest China (Chengdu), South China (Foshan), East China (Qingdao) and North China (Tianjin) with eight professional production plants.

From one brand and one product at the time of its founding, FAW-Volkswagen has become a mature domestic passenger car manufacturer covering A, B, and C classes. To date, more than 20 products have been launched under the three major brands of Audi, Volkswagen and Jetta, which includes the Audi A6L, Audi A6L e-tron, Audi Q5L, Audi A4L, Audi Q3, Audi A3 Limousine, Audi A3 Sportback, Audi Q2L, Audi Q2L e-tron, Magotan GTE, Magotan, CC, TAYRON, TAYRON R-Line, T-ROC, TACQUA, Sagitar, Golf, Golf GTI, Golf R-Line, GOLF SPORTSVAN, e-Golf, C-TREK, Bora, e-Bora, Jetta VS7, Jetta VS5, and Jetta VA3.

While on a course of rapid development, FAW-Volkswagen continues to enhance its technical R&D strength. At present, it has a modeling test workshop, platform test center, modeling and virtual reality center, measurement technology center, vehicle safety center, trial production center, and a number of functional laboratories. In August 2019, the first phase of FAW-Volkswagen Automotive Proving Ground, which is the largest comprehensive Automotive

Proving Ground in China, was completed and put into operation. The completion of the Proving Ground not only fills in the gaps of the Chinese automotive industry in the field of verification testing, but also fulfills FAW-Volkswagen's determination to build a complete automotive eco-industrial chain with practical actions, and will further take the company to a new level in market competition. The FAW-Volkswagen New Technology Development Center, for which the groundbreaking ceremony in Changchun was held in October 2019, is another crucial step for FAW-Volkswagen in the field of technology development and is also vital for FAW-Volkswagen's implementation of the "full value chain localization" strategy. After completion, the new technology development center will become the role model for industry development with industry-leading technical indicators and test conditions. It will further promote the transformation and upgrading of Changchun as well as the entire northeastern automotive industry.

Using the Volkswagen Group's world-class MQB and MEB platforms, FAW-Volkswagen applies a wide range of leading equipment and technologies throughout various aspects of production, which essentially ensures the precision and stability of FAW-Volkswagen's products at every production stage.

FAW-Volkswagen always believes in "Quality First," with an abiding pursuit of user satisfaction. With "Advance together" as the core brand development concept, it continuously improves quality to enhance user's satisfaction. It works to standardize service processes, raise service standards, and enhance pre-sales, sales and after-sales services, providing all-around care and support to customers throughout their journey. The company has also established an integrated customer relationship management system.

In addition, FAW-Volkswagen has also established a nationwide, highly efficient dealer network. It collaborates with dealers based on the principle of mutual benefit. Through diversified marketing approaches such as customer-centric 4S stores, 3S stores, city showrooms, and online marketing, it engages tens of thousands of salespersons to provide efficient and people-oriented services, building a strong marketing service matrix.

The rapid development of FAW-Volkswagen has driven the growth of the supplier system. Currently, there are over 750 suppliers of production materials serving FAW-Volkswagen, of which more than half of them are A-class suppliers. FAW-Volkswagen has also implemented an integrated supplier capability enhancement program and carried out comprehensive joint assessments of the supplier logistics system, cost control system, product development, project management system, etc. to promote the overall and balanced development of suppliers' main business capabilities. It also ensures that FAW-Volkswagen's product production chain is overseen by a comprehensive quality management system from beginning to end. Through recruitment from domestic campuses, society and overseas talent markets, FAW-Volkswagen has built a strong talent pool in the fields of technology and management. It respects employees' personal wishes for development. It continues improving the ability and value of employees, building up a good employer image both inside and outside the company, gaining wide recognition from professional organizations and the public. Up to 2019, the company has been accredited by the Top Employers Institute as one of the "Top Employers China" for eleven consecutive years, and has ranked the first among winners of the "Best Employers for Chinese College Students" in the automotive industry by ChinaHR.com for the ninth

consecutive year.

FAW-Volkswagen regards being the "The most outstanding auto company in China for customers, employees and partners, shaping the future of mobility" as its vision to actively fulfill its mission, "We offer first-class vehicles to exceed customer expectations. We provide innovative services to fascinate customers. We strive for environmental and social sustainability together with our employees and partners." FAW-Volkswagen actively fulfills its social responsibilities while realizing its own economic benefits. On the one hand, FAW-Volkswagen continues to provide consumers with reliable quality products and contributes to local economic development and prosperity of the automobile market. On the other hand, FAW-Volkswagen has always adhered to environmental protection and green concepts, supported charities, actively advocated traffic safety, and taken the lead in setting an example within the industry. This has helped win the favor of customers, industry support, and social recognition. Moreover, over the years, its corporate brands and product brands have repeatedly won many awards from the government, industry, and media.

Facing the new trends of industry development, FAW-Volkswagen officially released the company's "Strategy 2025" in 2017 in combination with the existing strategic system. The new "Strategy 2025" fully grasps the changing trends of the external environment and analyzes the company's situation. It focuses not only on business development, but also on management improvement to implement the company's long-term development plan in the future. FAW-Volkswagen is steadily moving forward steadily on the road of sustainable development.



# Localization of Organizational Departments

## Production Base



**Changchun**  
Changchun Base  
Car Plant 1  
Car Plant 2  
Powertrain Plant  
Pressing Center  
Sales Company



**Chengdu**  
Car Plant 3  
Chengdu Engine Plant



**Foshan**  
Car Plant 4



**Qingdao**  
Car Plant 5



**Tianjin**  
Car Plant 6

## Sales Divisions

**Shenyang**  
Regional Sales Division 1  
(Northeast China)  
  
Northeast Region  


**Beijing**  
Regional Sales Division 2  
(North China)  
  
North Region  


**Jinan**  
Regional Sales Division 3  
(Central China)  


**Shanghai**  
Regional Sales Division 4  
(East China)  
  
East Region  


**Guangzhou**  
Regional Sales Division 5  
(South China)  
  
South Region  


**Chengdu**  
Regional Sales Division 6  
(West China)  
  
West Region  


**Hangzhou**  
Southeast Region  


**Jetta Brand Sales Division**  


Changchun

Changchun Base

Changchun Base  
Car Plant 1  
Car Plant 2

Powertrain Plant  
Press Center  
Sales Company



Chengdu

Southwest Base

Car Plant 3  
Chengdu Engine Plant



Foshan

South China Base

Car Plant 4



Qingdao

East China Base

Car Plant 5



Tianjin

North China Base

Car Plant 6



# Greetings from the President

“ We look to the future and take on the mission together. ”

"Sustainable development is not only a goal of our future growth but also our core strategy."



2018 marked the 40th anniversary of China's reform and opening-up and the first year of FAW-Volkswagen's "Strategy 2025." During that year, FAW-Volkswagen's annual production capacity exceeded 2,000,000 vehicles for the first time with market share rising to 9.0%, making us the joint venture with the highest market share growth among the top 10 automakers. Terminal sales reached 2,051,976 units, up 2.6% year-on-year. Successively within half a year, the Changchun Audi Q Plant, East China Base, South China Base Phase II, and North China Base were completed and put into operation. This achievement allowed us to realize the perfect implementation of the strategic layout of FAW-Volkswagen's five national bases and has provided us with strong power for breakthrough in our production capacity.

In 2019, FAW-Volkswagen continued to deepen innovation throughout the entire value chain and successfully launched the Jetta brand. Terminal sales reached 2,129,976 vehicles with the market share rising to 10.0%, which was the highest level seen over the past decade. We not only led the market in terms of both production and sales but also were the first automotive company in China to achieve an annual sales volume of 2,100,000 units and the only automotive company whose production and sales volume both exceeded 2,000,000 units. At the same time, to focus on the company's business objectives over the next three years, we also initiated a new transformation project "Lead 2022," which will allow us to fully explore the market opportunities and focus on FAW-Volkswagen's future business development.

Our achievements were realized with FAW-Volkswagen's strong system as well as the trust and support of millions of consumers in China. Through high-quality products and services, FAW-Volkswagen has met the expectations and requirements of stakeholders, and also provided a strong foundation for the company's sustainable development.

At present, the "Automotive Four New Modernizations" are reshaping the automotive industry. Looking to the future, FAW-Volkswagen has made crucial strategic decisions to adhere to green sustainable development and actively promote the "Automotive Four New Modernizations." Under "Strategy 2025," we are fully implementing principles and ideas related to environmental protection in all operational areas. We are making efforts to provide our customers with more comfortable product experiences and take action to provide our employees with a greener working environment. Our efforts aim to set an example of environmental protection in the industry and help the nation boost the development of a more eco-friendly society.

In 2018, FAW-Volkswagen launched the "Green Partners" program, an "energy conservation and emission reduction" activity for supplier environmental management. The intention is to complete environmental and energy assessments of 100 suppliers considered to have potentially high environmental risks within three years. We will continue to strictly abide by our commitment to society, strictly implement international and national standards, maintain plants far from the protected areas, and abide by national environmental laws and regulations. We will also actively cooperate with international and national natural species protection initiatives as well as conservation efforts related to water bodies and biodiversity. Under the "Strategy 2025," we have established the GO TO ZERO strategic goal for zero-emissions plants. To achieve our zero-emissions strategic goal, we continuously save energy and reduce emissions by focusing on 12 environmental and energy-related areas. It is a contribution we will continue to make to society, the country, and the environment.

Bravely moving forward to achieve our greatest goals. FAW-Volkswagen has made headway in the NEV space. Through 2019, we launched a variety of NEV products in most market segments, which included the e-Bora, e-Golf, Audi e-tron, and Audi Q2L e-tron. In 2020, we will launch six NEV models to enrich our product portfolio. At the same time, the Foshan MEB factory as the vital technical support of the company's electrification strategy has finished reconstruction. It is now capable to produce 600,000 electric vehicles yearly. The new MEB battery workshop, which was constructed at the same time, provides strong support for more profound sustainable development.

Serving the public sincerely and advancing with responsibility. Over the past two years, FAW-Volkswagen has actively implemented our corporate social responsibility initiatives with a focus on five major areas, namely, the children care, traffic safety, green environmental protection, targeted poverty alleviation, and disaster relief. We have successively carried out public welfare projects and activities that demonstrate our corporate citizenship. Some of the initiatives have included "Advance towards Ecological Civilization Salute to Environment Protection Pioneer" Environment Protection Sponsoring Plan, disaster relief, China's New Future Initiative, FAW-Volkswagen Audi Shanghai Baby's Home, and Audi Children Ice and Snow Education.

Be united and advance together. The "Strategy 2025" puts forward higher requirements for the practice of FAW-Volkswagen corporate social responsibility. The goal of "sustainable development" has risen to a new height, and "harmonious development" has become an important strategic measure of the company. While strengthening the strength of the system, the company takes on greater responsibilities to promote the common development of customers, employees, suppliers, dealers and other related stakeholders. We focus on the harmonious coexistence of the social and natural environment. It has become a critical historical mission for FAW-Volkswagen to lead the automobile industry's high-quality development and help the cause of social responsibility. In the future, FAW Volkswagen will continue to lead the harmonious development of people, cars and society, pursue the shared values and the win-win coexistence between enterprises and society, and lead China's automobile industry to a new stage of high-quality development.

Member of the Board of Directors, Secretary of the Party Committee and President of FAW-Volkswagen Automotive Co., Ltd.

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# 01

# STRATEGY

In 2018-2019, based on "Strategy 2025," and keeping in line with mid-to-long term strategic planning, FAW-Volkswagen achieved good performances across various business areas. With the improvement of corporate operation efficiency and quality as well as enrichment of product portfolio, a customer-centric quality system is being established and the brand image continues to improve. We officially launched the Jetta brand, NEV products were launched one after another and we have continued to expand our NEV full value chain operation capabilities. With the roll-out of mobje mobility services, the development of our connectivity business and the establishment of MOS Intelligent Connectivity Technology Co. Ltd., we have defined clearer position within the mobility business. With advancements in Human Resources, Procurement, as well as Research and Development, digital transformation projects have been implemented according to plan and have laid a solid foundation to realize the company's mission: "We offer first-class vehicles to exceed customer expectations. We provide innovative services to fascinate customers. We strive for environmental and social sustainability together with our employees and partners."

**Strategy 2025**  
Common Development  
Harmonious Growth





# Corporate Strategy and Responsibility

## Origin: FAW-Volkswagen's "Strategy 2025"

As people's mobility way continues to evolve, China, the world's largest automotive market is also constantly changing and developing. Looking to the future, the government has continued to increase its regulation and control of the automotive industry. New generations of consumers are rapidly rising. New brands are constantly entering the market, and new features such as NEV, connectivity, intelligent connectivity, and autonomous driving are becoming increasingly prominent. Simultaneously, the after sales market has continued to change, and competition is intensifying. Considering this, how will FAW-Volkswagen face these market changes? It requires precise identification of potential crises, seizing opportunities, and laying out a longer-term development strategy. The strength of the overall system is the cornerstone of the company's long-term development. Under the guidance of the "Strategy 2025," FAW-Volkswagen has "optimized" the entire value chain, and local R&D strengths have reached new heights. We have initiated a new model of cooperation within the automotive industry and united the entire value chain to "innovate" and release the full potential of their internal momentum. It can be said that "Strategy 2025" also puts forward higher requirements on the practice of corporate social responsibility. Our goal to achieve "sustainable development" has also been taken to the next level, and emphasis on "harmonious development" has become an important strategic approach for the company. While continuing to focus on producing high-quality cars as well as consolidating the strengths of the system, we will take greater responsibility in the promotion of the common development of customers, employees, suppliers, dealers, and in the harmonious coexistence with society and the natural environment. This has become an important historical mission for FAW-Volkswagen to be a leader in the high-quality development of the automotive industry as well as to support social cause.

In the medium and long term, FAW-Volkswagen will focus on the following five areas:

First, maintain effective organizational operations, FAW-Volkswagen will accelerate decision-making, promote the high-quality implementation of strategies, and speed up the creation of a modern automotive enterprise.

Second, maintain high-quality business operations by enhancing products and product power. FAW-Volkswagen continues to improve the customer experience and ensure the reasonable profitability of the traditional vehicle business.

Third, maintain robust business growth for non-traditional businesses that have already been developed, like spare parts, used cars, new energy vehicles, the Jetta brand, etc. The company will speed up their development, and bring new profit growth.

Fourth, accelerate the layout of new businesses and face the future industry ecology. FAW-Volkswagen will accelerate the layout of new businesses such as connectivity and mobility as well as explore the feasibility of overseas exports.

Fifth, construct harmonious and joint development to provide solid foundation for the company's long-term development. FAW-Volkswagen will continue to strengthen functions such as procurement, personnel, and R&D capabilities, as well as promoting the transformation towards digitalization. FAW-Volkswagen also put forward green development strategic measures, put corporate social responsibility into its corporate strategic framework, fully reflecting the determination and responsibility of its unwavering commitment to corporate social responsibility.

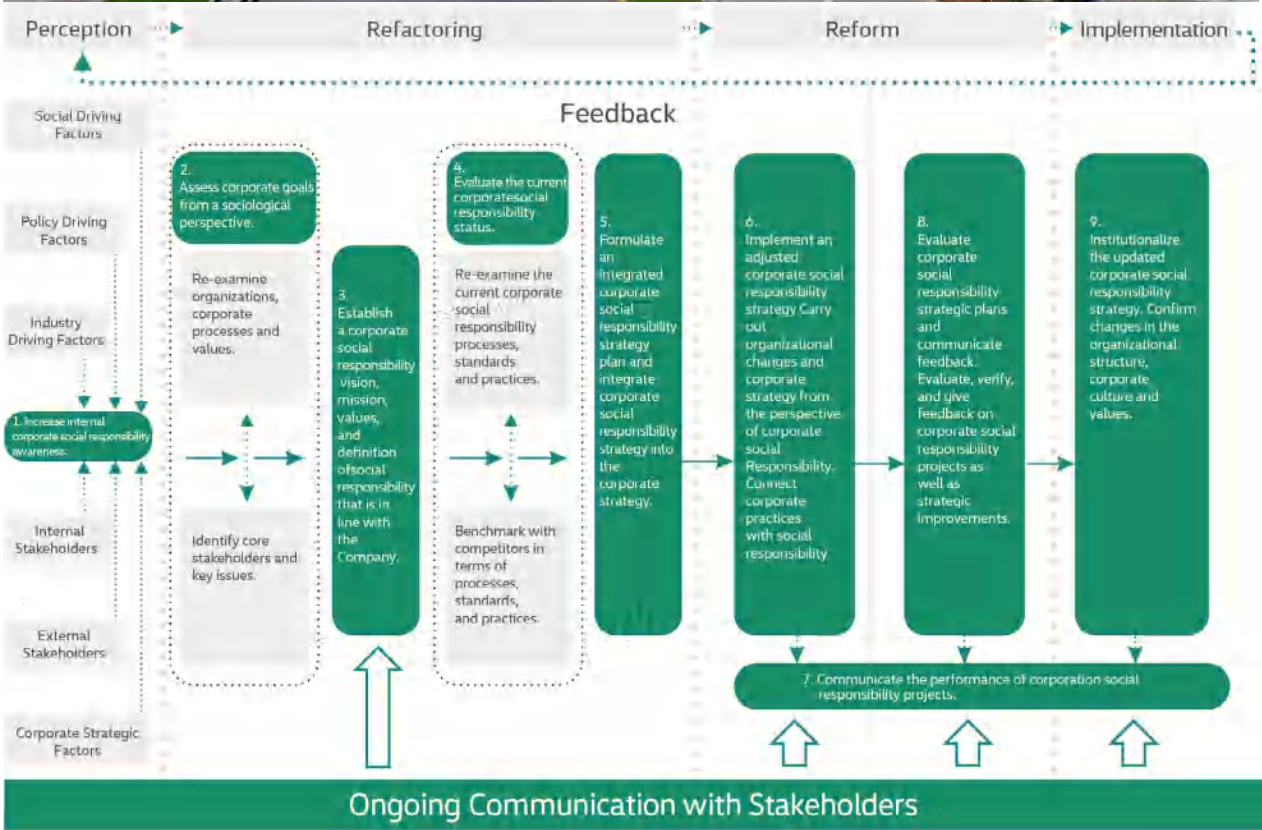
In 2020, under the guidance of "Strategy 2025" and taking "Lead 2022" project as an opportunity, FAW-Volkswagen will take new initiatives in 5 areas: market expansion, new business layout, product competitiveness, lean cost management, and lean capital structurization. The combination of the production, research and development, procurement, quality assurance, marketing, and talent systems forms a robust system that supports the sustainable development of the company and lays a solid foundation for FAW-Volkswagen to move to new heights and to realize the company's "Strategy 2025."

## Harmonious Advancement

Building a solid foundation for the company's long-term development while making green and digital development a reality.



FAW-Volkswagen's Corporate Strategy 2025 Analysis



FAW-Volkswagen's Corporate Social Responsibility Strategy Mechanism

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## Strategic Corporate Social Responsibility

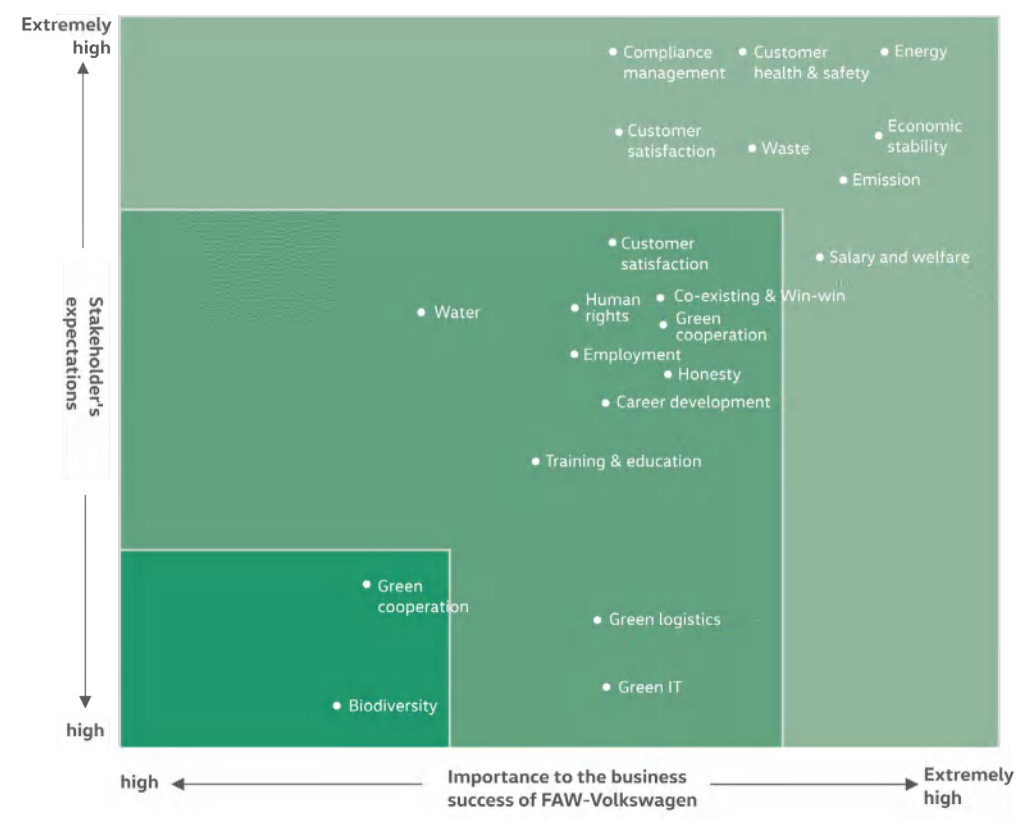
As an advocate and practitioner of strategic corporate social responsibility, FAW-Volkswagen, following the United Nations Global Compact, incorporates social issues into corporate strategies and practices. The company seeks and resolves social issues, recognizes the urgent needs of today's society. Taking this as a basis and combining the corporate system capacity, it makes positive innovations in corporate social responsibility strategies and projects, draw attention of both internal and external relevant stakeholders to this matter and encourage them to actively participate, in order to pursue the shared values in the co-existence between the company and society and their win-win relationship.

Faced with the ever-changing industry and social situations, FAW-Volkswagen has set up a corporate social responsibility strategy formulation mechanism according to classic theoretical models and corporate practices. The mechanism includes four steps: perception, refactoring, reforming and implementation. Through the identification of driving factors of the corporate social responsibility, key relevant stakeholders and core issues, the company has done self-inspection

and evaluations of key internal processes and institutional settings and actively adjusted the strategic direction and process institutional settings. The aim is to create corporate social responsibility brand projects and continuously innovate corporate social responsibility strategies and practices.

Based on the corporate social responsibility strategy formulation mechanism, FAW-Volkswagen makes in-depth analysis of the internal and external environment in which corporate social responsibility initiatives are carried out. In accordance with the expectations of corporate business success and relevant stakeholders FAW-VW, the company identifies and screens out substantive topics of great value to both the company as well as its relevant stakeholders. These topics include social responsibility, efficient energy utilization, economic stability, environmental protection, customer health and safety, customer satisfaction, compliance management and the relationship between suppliers and dealers. They guide the company to conduct corporate social responsibility work in a targeted manner.





According to the above strategy formulation mechanism setting, FAW-Volkswagen has further upgraded its corporate social responsibility strategy and taken the corporate social responsibility strategy into the "2.0 Era." The corporate social responsibility vision of FAW-Volkswagen's corporate social responsibility strategy 2.0 is "harmonious coexistence of people, cars, society and the environment". The mission is "Be the leader and executor of corporate social responsibility with vision, action and responsibility sense, gather everyone to help the harmonious development of society." It adheres to the social responsibility values of "being social-demand-oriented, making multi-dimensional and multi-level layout, involving all brands and all systems in social responsibility cause, realizing the win-win coexistence of enterprises, society, and the environment." With "Lead the

future with you" as the corporate social responsibility slogan, the company implements basic responsibility and social responsibility and will lead all sectors of society to participate in public welfare undertakings and create a greener, more sustainable, efficient and harmonious future for the internal and external stakeholders of the company.

Under the guidance of the corporate social responsibility vision, mission, and values, FAW-Volkswagen has established a responsibility system covering basic responsibility and social responsibility. The basic responsibility is reinforced through high-quality operations management, high-quality industry contributions, high-quality products, high-quality employee responsibility, and high-quality environmental management. At the same time, not only the brand but also the entire system have been practicing social responsibility in the following five fields: children care, traffic safety, environmental protection, targeted poverty alleviation and disaster relief.



# Management of Sustainable Development

## Corporate Development

### Sustainable Development

- FAW-Volkswagen "Strategy 2025"
  - Shareholders
    - China FAW Group Co., Ltd.
    - Volkswagen AG
    - Audi AG
    - Volkswagen Group China
  - Management of Sustainable Development

### Economic Development

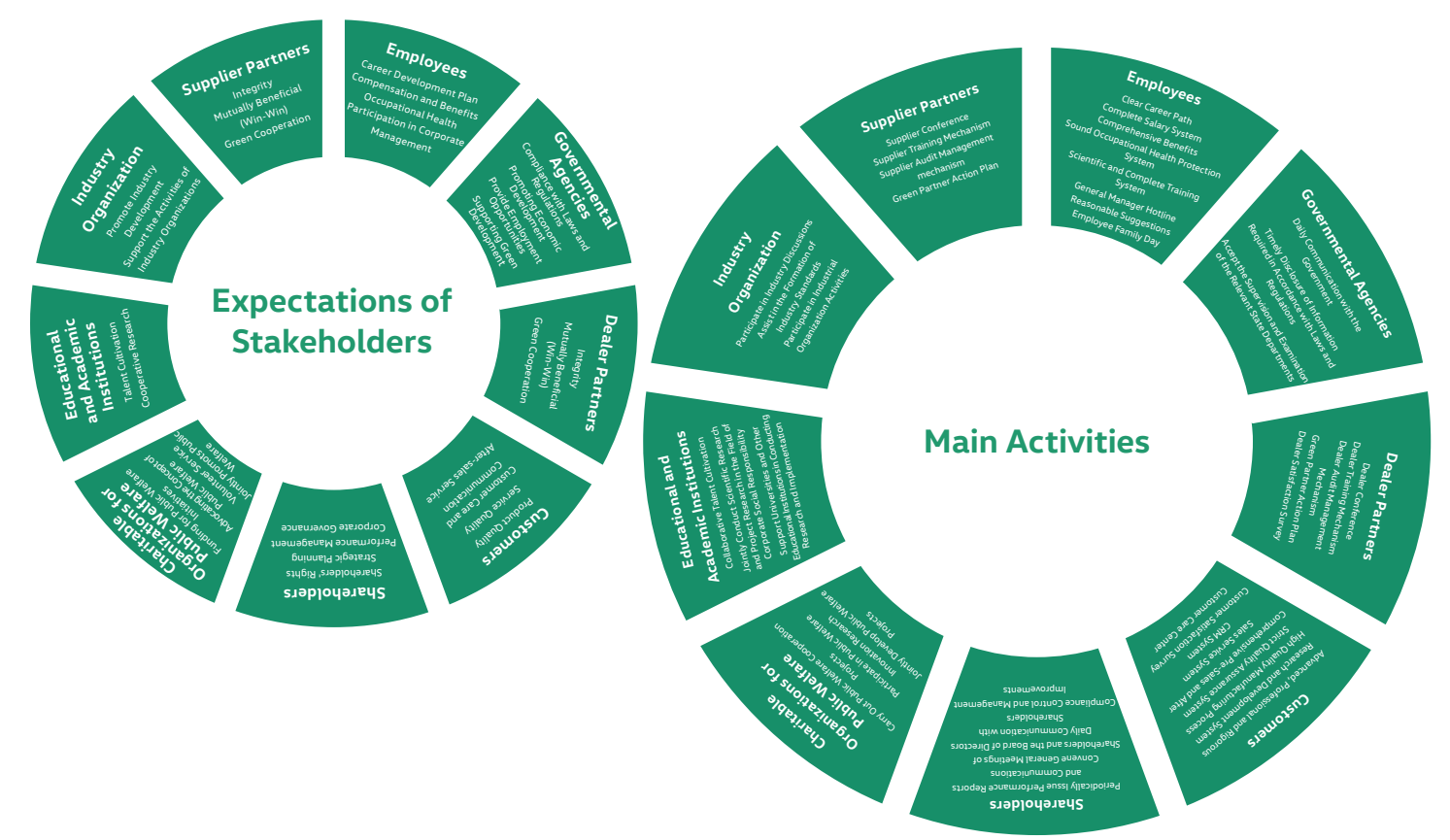
- Supplier relationships
  - Supplier partners
- Dealer relationships
  - Dealer partners

### Common Development

- Employees responsibility
  - Employee
    - China Foundation for Poverty Alleviation
    - China Environmental Protection Foundation
    - Aiyu Charity Foundation
    - All-China Women's Federation
    - Chuanmeng Public Welfare Foundation
- Product liability
  - Customer
    - Ministry of Commerce
    - General Administration of Quality Supervision, Inspection and Quarantine
    - Ministry of Industry and Information Technology
    - State-owned Assets Supervision and Administration Commission of the State Council
    - National Development and Reform Commission
    - Ministry of Ecological Environment
  - Governmental agencies
    - China Consumer Association
- Social responsibility
  - Charitable organization for public welfare
    - Public service partners
      - China Southern Airlines
    - Educational and academic institutions
      - Tsinghua University
      - Jilin University
      - Harbin Institute of Technology
      - Dalian University of Technology
      - Beijing Institute of Technology
      - Changchun Automobile Industry Institute
      - Yibin Vocational & Technical College

### Green Development

- Green production
  - Green product
    - Industry organization
      - China Association of Automobile Manufacturers (CAAM)
      - China Passenger Car Market Information Association
      - Global Reporting Initiative
      - China Society of Automotive Engineers (SAE-China)
      - China Automotive Technology and Research Center (CATARC)
- Green logistics





# Corporate Social Responsibility Project Matrix

## Brand Project

FAW-Volkswagen has been an active participant in corporate social responsibility initiatives. It has taken various actions in five major areas including, the welfare of children, traffic safety, green environmental protection, targeted poverty alleviation, and disaster relief. It has successively launched public welfare projects and activities including the "Advance towards Ecological Civilization Salute to Environment Protection Pioneer" Environment Protection Sponsoring Plan, Disaster Relief, FAW-VW Audi Shanghai Baby's Home, Audi Children Ice and Snow Education, etc.

Among these initiatives, the "Advance towards Ecological Civilization Salute to Environment Protection Pioneer " Environment Protection Sponsoring Plan has so far provided more than 15 million Yuan in funding for 60 environmental protection projects. It has been a strong supporter of the development of environmental protection initiatives as well as the promotion of environmental awareness. FAW-VW Audi Shanghai Baby's Home has so far received 1,573 sick orphans, of whom 1,547 children have completed their treatment. A total of 37,127 Chinese and foreign volunteers participate in daily companionship activities of this project. When natural disasters hit, FAW-Volkswagen has always been one of the first automotive enterprises to help people in disaster-struck areas.

Facing the floods in southern China, FAW-Volkswagen donated 2,000,000 Yuan. When the mountain collapsed in Maoxian County, Sichuan Province, and the floods ravaged Jiangxi Province, FAW-Volkswagen donated 1,000,000 Yuan. When an earthquake struck Jiuzhaigou in Sichuan, FAW-Volkswagen donated another 1,000,000 Yuan. All of these actions were done to convey the power of love through practical actions.

In the future, FAW-Volkswagen will continue to devote itself to the development of corporate social responsibility and take further actions in environmental protection technology, targeted poverty alleviation and the children care areas. It will actively respond to the latest national policies and be a role model within the industry.

In the field of automotive environmental protection technology, the company cooperates with top educational institutions of automotive and related fields, jointly recommend and select environmental protection technology proposals with high potentials in automotive industry. In this way, it actively promotes the development of new automotive energy sources, energy saving and emission-reducing technologies to help create a more environmentally conscious society. The initiatives demonstrate the responsibility sense of the company.

In the field of targeted poverty alleviation, the

company actively responded to the national policy of "Poverty alleviation through helping get scientific knowledge" and has carried out targeted poverty alleviation projects within the company base. The company has contributed to the improvement of the underdeveloped education in this area by providing specific courses and other supports to less developed areas.

Regarding the children care, the Audi brand will continue to devote itself to FAW-VW Audi Shanghai Baby's Home, Children Ice and Snow Education and the Spring Buds Dream Program, to drive more social strength to support the physical and mental health development of children while also demonstrating the love and responsibility of the company.

FAW-Volkswagen released its environmental VI system in 2018, visualizing the concept of environmental protection and integrating it into the corporate culture, and released its unique environmental protection logo.

## Five Bases Three Major Brands Uniting Together

When it comes to corporate social responsibility, FAW-Volkswagen actively implements basic responsibility into daily production and marketing practices with the cooperation of the five bases located in Changchun (northeastern China), Chengdu (southwestern China), Foshan (southern China), Qingdao (eastern China) and Tianjin (northern China). At the same time, FAW-Volkswagen integrates social responsibility projects of the three brands to build a social responsibility system in order to ensure that their social responsibility initiatives are not only integrated but also coordinated with each other.

## Corporate Social Responsibility Forum

While implementing its own corporate social responsibility initiatives, FAW-Volkswagen also focuses on the research of innovative models of corporate social responsibility strategies and projects and calls on all sectors of society to participate in public welfare undertakings. Taking the FAW-Volkswagen Corporate Social Responsibility Forum as a platform, FAW-Volkswagen gathers relevant authoritative institutions, public welfare organizations, academic experts and international organizations to jointly offer advice and suggestions regarding the development of corporate social responsibility and promote the development of social responsibility with a leader role.

## Corporate Social Responsibility Exchange Meeting

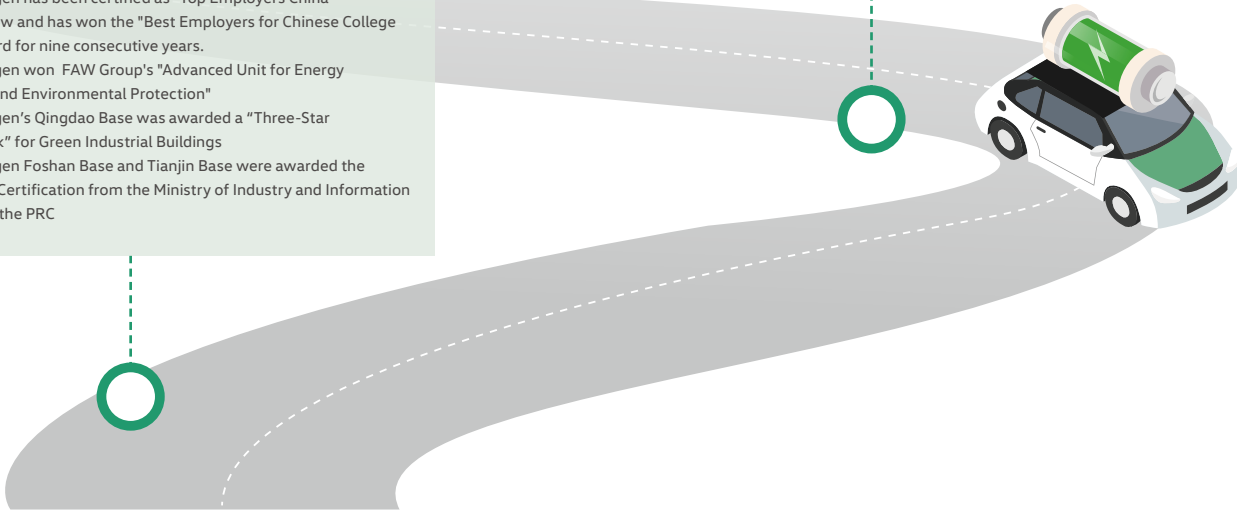
On the one hand, the responsibility exchange meeting allows FAW-Volkswagen to show the social responsibility efforts of corporations which encourages even more participation in social responsibility initiatives. On the other hand, it also allows FAW-Volkswagen to summarize and share what it has been doing in this area and gives an opportunity to identify areas for improvement in the future. It deepens the sense of responsibility among employees and encourages them to participate in more public welfare initiatives.

### 2018 Company Accolades

- FAW-Volkswagen Audi A4L Won China "2018 Safety Car" Award
- FAW-Volkswagen won FAW Group's "Advanced Unit for Energy Conservation and Environmental Protection"
- The company was honored with the "Environmental Protection Award for Public Welfare Enterprises of the Year"
- FAW-Volkswagen Changchun EA211, Chengdu Base, Qingdao Base and the Tianjin Base were all awarded the Three-Star Operation Design Mark for Green Industrial Buildings
- The company won the Volkswagen Group China (VGC) Waste Reduction award for "Best Innovation"
- FAW-Volkswagen Chengdu Branch Won the title of "China's Most Respected Enterprise"
- Mou Shaozhi was awarded the 2017 "Boyuan Award"
- Su Limin Won the Title of "Most Beautiful Auto Maker"
- The company was named "Best Joint Venture in China 2017"
- Audi Brand and Volkswagen Brand won the "2018 China Auto CRM Award"
- FAW-Volkswagen Audi was the reigning double champion of J.D. Power's Sales Satisfaction and After-Sales Service Satisfaction awards
- Tao Yongwei, an employee of the Chengdu Branch, won the title of "Technical Expert of a Central Enterprises"
- Chengdu Branch won two major awards for being a "Model Enterprise" and for the "Model Person"
- Dr. Li Dan, Director of Technical Development for the company, was awarded the "Outstanding Person Award" by China Automotive Industry to Commemorate the 40th Anniversary of Reform and Opening-up
- FAW-Volkswagen continues to hold the title "Top Employers China"
- FAW-Volkswagen Audi and Volkswagen Brands Won "2018 China Auto Service Golden Wrench Award"
- FAW-Volkswagen team won the all-around championship for the 2018 Season-Winner of the Manufacturers Cup Championship and the 4WD Team Cup Championship

### 2019 Company Accolades

- FAW-Volkswagen Won the Special Award of "Top Ten Achievements of Changchun's 40th Anniversary of Opening Up"
- Volkswagen's all new sub-brand won the "2018 World Auto's Most Anticipated Brand Award"
- FAW-Volkswagen Magotan won "Safety Car of 2019 Award"
- FAW-Volkswagen Tayron won the Auto Oscar Festival's award for "SUV of 2019"
- Audi A4L won the only platinum certification by China Auto Eco-Evaluation for a luxury car brand in 2019
- The company's management and party building work have once again been featured on the FAW Group's "Red List".
- FAW-Volkswagen Audi was named J.D.Power's 2019 China New Car Quality Research SM(IQS) Champion
- FAW-Volkswagen was awarded eight "China Automobile User Satisfaction Evaluation Awards" by the China Quality Association in 2019
- FAW-Volkswagen Audi was yet again the reigning double champion of J.D. Power's Sales Satisfaction and After-Sales Service Satisfaction awards in 2019
- FAW-Volkswagen Audi and Volkswagen Brands won the "2019 China Auto Service Golden Wrench Award"
- FAW-Volkswagen has been certified as "Top Employers China" 11 times in a row and has won the "Best Employers for Chinese College Students" award for nine consecutive years.
- FAW-Volkswagen won FAW Group's "Advanced Unit for Energy Conservation and Environmental Protection"
- FAW-Volkswagen's Qingdao Base was awarded a "Three-Star Operation Mark" for Green Industrial Buildings
- FAW-Volkswagen Foshan Base and Tianjin Base were awarded the Green Factory Certification from the Ministry of Industry and Information Technology of the PRC

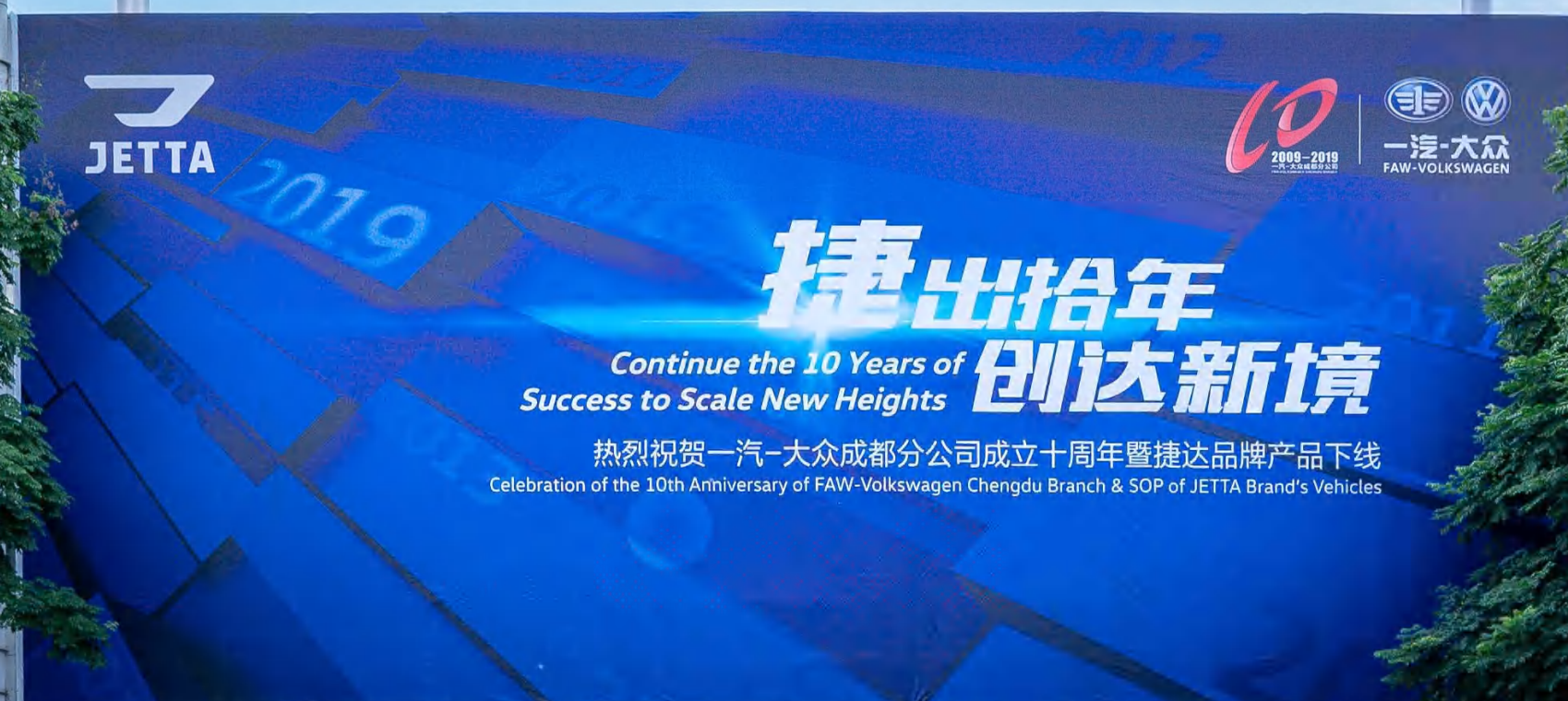




# 02

## ECONOMY

In 2018-2019, with the full support of the shareholders, dealers, suppliers, consumers, and all sectors of society, FAW-Volkswagen has seen its production and sales buck the trend, achieve many breakthroughs, and even surpassed the 2 million vehicles mark for two consecutive years. The company was able to fully demonstrate its strong system capabilities and the persevering spirit of FAW-Volkswagen people.



**Lean Production**  
Continuous Value Creation  
**Win-Win Cooperation**





# Continuous Value Creation

From 2018 to 2019, FAW-Volkswagen successively introduced new or updated products, further consolidating its dominant position in the automotive industry. At the same time, it has continuously strengthened the influence of SUV models and new energy products to enhance brand influence even more. This strategy has seen remarkable results-exceeding 2 million sales for two consecutive years. In 2019, FAW-Volkswagen became the first and only passenger car manufacturer in the country to produce and sell in excess of 2 million units. In 2018, the company's operating revenue reached RMB 345.9 billion, which increased to RMB 358.8 billion in 2019. (Refer to the annual financial report)

In 2018 and 2019, Volkswagen Brand continued to promote the "Win-Win 2.0" manufacturer strategy. Faced with China's passenger car market shrinking for two consecutive years, Volkswagen brand sales were able to go against the trend by implementing all new systems, and making significant efforts. In 2019, sales exceeded 1.398 million vehicles (1,398,088 vehicles), which was a year-on-year increase of 0.5% (1,391,088 vehicles in 2018). The total market share reached 6.6%, which was an increase of 0.5 percentage. In addition to completing internal sales targets, the joint venture maintained a good competitive advantage.

From 2018 to 2019, the Audi brand Use the chance of product switch and 30 years anniversary of entering China market to improve the entire value chain through brand enhancement, sales promotion, dealer profit enhancement, user experience improvement, and a new business layout. At the end of 2019, it proposed a "Co-existence, Co-creation, Win-Win" dealer relationship map, and worked hard to overcome difficulties to achieve a mutually beneficial situation.

In 2018, Audi brand dealers sold 660,888 vehicles (including FBU), which was up 11% year-on-year. Audi has been leading the luxury automotive market for 30 years and continued to hold its first-place position in the luxury car market in terms of sales volume and share. In 2019, the Audi brand continued to forge ahead and reached a cumulative sales volume of 688,888 vehicles, which was a year-on-year growth of 4.2%. At the same time, it also set a new annual sales record. Among the vehicles sold, 630,800 were domestically produced models, which was a year-on-year increase of 5%. 58,088 FBU were delivered, which represented a consistent, stable performance. Thanks to the excellent performance of FAW-Volkswagen Audi, the Chinese market continues to be the Audi brand's single largest market in the world.

As FAW-Volkswagen's third brand, the introduction of the Jetta brand is a new starting point for FAW-Volkswagen to provide more customers with a clearer market positioning and services as well as to provide more users with a quality driving experience in line with Volkswagen standards. The launch of two main Jetta models in 2019 further enriches the company's product matrix, and at the same time, sales have been quite impressive, with 49,089 vehicles sold in the five months after their launch.

It must be recognized that outstanding sales performance could not have been achieved without underlying support. In 2018, FAW-Volkswagen Changchun AUDI Q Plant, East China Base, South China Base Plant II, and North China Base were completed and put into operation. So far, the five locations and six plants have achieved strategic coverage nationwide, and the vehicle production capacity has increased by 1.05 million vehicles. It was a miraculous achievement for not only both shareholders but also for the more than 100-year-old automotive industry.

As of 2019, FAW-Volkswagen has been granted 254 patents. Among them, there are 7 invention patents, 214 utility model patents, and 33 design patents. A total of 59 projects and 129 project milestones were accepted in 2018. Among them, projects, such as New Magotan, SMV concept car, Jetta V55, e-Bora, Jetta V57, Audi A4L, Next Generation Sagitar, and 10 other models all achieved SOP in advance. In 2018, 11 new energy vehicle projects and 9 battery pack projects were launched in parallel. By providing a series of measures such as improving energy, reducing weight, and improving testing methods, the BEV1.4 energy density was increased to 121 Wh/kg. The changes made have resulted in significant technical reserves for future development.

As of December 2019, there were 2,014 employees involved in technology development, including 40 doctors, 1,110 master's degree holders, 13 Chinese experts/senior experts, and 58 foreign employees. The total number of employees has increased by more than 45% over the past 5 years. A strong R&D team is the cornerstone of FAW-Volkswagen's research and development capabilities.

In terms of connecting, focusing on the two major aspects of infotainment services and car control services, for the first time as seen on the Magotan, the FAW-Volkswagen Technology Development Department has developed a dual-system architecture from an information security perspective that is capable of natural voice control, intelligent recommendations, and remote car control services. Simultaneously, it also established an independent car networking ecology. In Jetta, for the first-time software and hardware were inseparably developed. First, scenario-based services were developed to provide users with smart navigation, smart car control, smart recommendations, and a smart life to achieve high-quality service goals.

In terms of autonomous driving, the technology development has completed the development of the L3 level autonomous driving concept, which is practical for dealing with traffic jams, overtaking, and sudden lane changes. This technology is currently being jointly rolled out in batches in collaboration with Volkswagen Germany.

When it comes to new energy, technological development initiatives have actively explored the field of fuel cell technology. The first hydrogen fuel cell prototype was completed and highly praised by shareholders. It also helped accumulate both policy-related



research and technology within this field.

FAW-Volkswagen is not afraid of any difficulties. Despite the overall slowdown in the domestic passenger car market and the challenges faced because of increasing competition. We firmly oppose unfair competition, adhere to antitrust and antitrust practices, and strictly abide by the relevant national laws and regulations. With our high-quality automotive products, consumer trust, word and innovative marketing initiatives, we have achieved outstanding market results. In addition, from 2018 to 2019, the total amount of cash invested and donated by FAW-Volkswagen as part of the company's corporate social responsibility contributions reached 12 million and 15.48 million respectively. In the future, FAW-Volkswagen will continue to adhere to our mission, "We offer first-class vehicles to exceed customer expectations. We provide innovative services to fascinate customers. We strive for environmental and social sustainability together with our employees and partners." To show our appreciation we are determined to continue giving back to society, and providing Chinese consumers with better automotive products and travel services.

## Case Study FAW-Volkswagen "ICV R&D Center " Officially Completed

In 2019, FAW-Volkswagen completed the construction of the largest automotive test site in Asia and the first ICV R&D Center in the industry. This facility will be responsible for the research and development of the full value chain of algorithm research, computer simulation, and real vehicle testing. It will provide a powerful research and development platform for the connected car and intelligent driving business. As one of the largest intelligent connected R&D centers in the industry, FAW-Volkswagen "Intelligent Connected Automobile Simulation R&D Center" (Phase I) consists of a building area of 2,604 square meters and the capacity for nearly 200 R&D personnel to engage in the development of intelligent driving and IOV (Internet of Vehicles). At present and in the future, this center will continue to carry out R&D activities that integrate the full value chain of algorithm research, software integration, computer simulation, bench simulation, HIL (hardware-in-the-loop), field tests and more. It provides the most powerful guarantee for the R&D platform for FAW-Volkswagen's IOV and intelligent driving business. As a forward-looking and strategic R&D investment focusing on the "Automotive New Four Modernizations" in the R&D field, and the creation of "Smart Way of Moving," FAW-Volkswagen "Intelligent Connected Automobile Simulation R&D Center" marks a major milestone in the advancement of the company's localized R&D capability promotion strategy. It is guaranteed to become an incubation platform and strategic breakthrough point for FAW-Volkswagen's localized R&D.

## Case Study MOS Intelligent Connectivity Technology Co. Ltd

In 2019, FAW-Volkswagen and Volkswagen China set up MOS Intelligent Connectivity Technology Co. Ltd., (MOSI). Controlled by FAW-Volkswagen, its core position is to engage in the intelligent connected business, to build inherent, integrated R&D, integrated operation capabilities, and to provide users with excellent, intelligent connected experience. The establishment of MOSI is an important step in the implementation of FAW-Volkswagen's "Strategy 2025," and also an important milestone in the strategic transformation of FAW-Volkswagen. It marks FAW-Volkswagen's formal digital debut. In the future, MOSI will provide digital services for all FAW-Volkswagen brand models and help FAW-Volkswagen to develop even further in the digital era.



# New Product Launches

2018

Jun.



## All New Generation of Bora

As a German advanced high-end A-class model, this new generation of Bora meets mainstream consumers' all-around functional needs with its dynamic appearance, high-efficiency power, and rich configurations, creating a sense of value with comprehensive strength.

Jul.



## T-ROC

As FAW-Volkswagen's first SUV, the T-Roc is positioned as a new generation of German compact SUV, with a perfect combination of fashionable design and leading technology. It has been specially designed for the new generation of stylish and accomplished people.

Aug.



## CC

The German premium coupe is positioned to be a trendsetter with its luxury design genes and dynamic driving experience customized for young and stylish trailblazers.

Oct.



## Tayron

As FAW-Volkswagen's first high-end medium-sized SUV, the Tayron integrates Volkswagen's latest design language, golden ratio based spatial design, leading technology and extreme control, bringing the new middle class an excellent multi-dimensional living experience.

Dec.



## Golf SPORTSVAN

While maintaining its genes along with the multi-functional practicability of the Golf brand, the New Golf SPORTSVAN improved its fashionability and safety technology configurations, further interpreting the brand proposition of "A Car That Fits Your Whole Life".

2019

Mar.



## Next Generation Sagitar Long-Wheelbase

With modern dynamic style, advanced configurations and oversized space, the Sagitar has further consolidated its benchmark positioning and helped emerging middle-class people who are pursuing quality life to build a more refined life together.

Oct.



## e-Bora

Inheriting the pure German NEV genes, the battery has been through rigorous testing and is of the highest standards. With its extraordinary silent performance, spacious and comfortable interior, the e-Bora delivers a safe and comfortable driving experience.

Oct.



## e-Golf

The classic design is integrated into the exclusive form of an electric vehicle. With an excellent driving control experience, high safety standards, rigorous quality control and intelligent technology, it brings more diversified and environmental friendly travel options to consumers.

Dec.



## TACQUA

The new generation of pure German SUV fully meets the discerning tastes of the young fashionable crowd and uniquely expresses the sense of "being young and promising."

Dec.



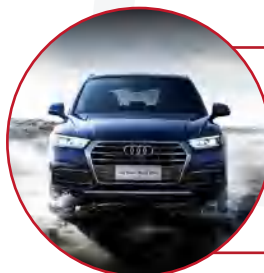
## New Magotan

Positioning itself as a tech leader, the purely German, B-class car is a new flagship model that integrates technology, high energy efficiency and all-scene intelligent technology to meet the full range of travel needs of emerging middle-class business elites.



2018

Jul.



#### All New Audi Q5L

As the first mid-sized premium SUV with a long wheelbase that puts it ahead of the competition, the All New Audi Q5L fully demonstrates its extreme pursuit in creating a premium SUV through excellent control, luxurious feeling, digital experience and overall safety.

Oct.



#### Audi Q2L

The Audi Q2L is positioned as a super-cool, high-end, premium, urban SUV, specially built for those young people who are full of personality and like to go their own way. It attracts a younger consumer sect with its extremely cool design language and competitive product strengths that differentiate it from previous models.

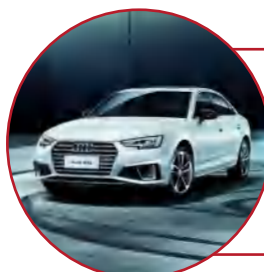
Oct.



#### Audi A3 2019 Model

Since the third-generation Audi A3 model with a mid-cycle improvement was launched, it has been favored by young and powerful users with its various innovations and upgrades. As a pioneer in the compact luxury car market segment, the sales of vehicles within the Audi A3 family have been leading their class.

Oct.



#### Audi A4L 2019 Model

As a benchmark in the luxury B-class car market, the All New Audi A4L 2019 model has won over consumers with its younger, more dynamic appearance, more diversified configurations, and more environmentally friendly power selection.

2019

Jan.



#### All New Audi A6L

On January 15, 2019, the all-scene intelligent luxury C-class flagship car, the All New Audi A6L, was officially launched in Guangzhou, a famous city in southern Guangdong, and included the most bountiful product matrix in its class with a total of 12 models, each with extremely high standard basic configurations.

Apr.



#### All New Audi Q3

An all-around breakthrough among the all-purpose high-end A-class SUVs, this vehicle attracts the attention of younger, enterprising consumers. The design also satisfies Chinese consumers' pursuit of a larger interior space and a more comfortable driving experience.

Oct.



#### Audi A3 2020 Model

The 2020 model is a continuation of Audi's classic family design language, its internal and external styles are comparable to the S3, and it is equipped with ACC, a foldable external rearview mirror, and intelligent key to better meet users' expectations for luxury brands.

Nov.



#### Audi Q2L e-tron

Audi Q2L e-tron is the market's first premium NEV A-class SUV, and Audi's first domestically produced NEV. The Audi Q2L has a more diversified connotation when it become a electronic one.

Nov.



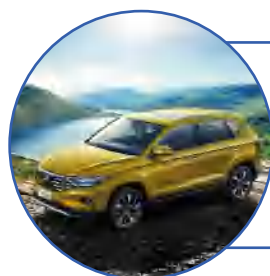
#### Audi Q5L 2020 Model

Value-added configurations such as panoramic images, intelligent parking and lateral assistance give users a more upscale driving experience, the Audi Q5L 2020 model once again leads the standard in high-end, medium-sized SUV products and has taken a leap ahead of the competition.



2019

Sep.



#### Jetta VS5

Priced within the 100,000 Yuan price range, the high-quality, German SUV comes from the Volkswagen MQB platform and follows advanced German car-manufacturing technology to provide young users with a pure German SUV that is more easily within their reach.

Sep.



#### Jetta VA3

The German classic A-class entry-level hatchback that is not only high value for money, but also has high standards in safety and reliability. It inherits the extraordinary production process that is behind over 4.4 million cars that were previously produced and sold. It is the beginning of a new journey for the Jetta brand. Jetta a renewed, classical sedan by Volkswagen.

## World Premier, German Lineage

On February 26, 2019, the Jetta brand, Volkswagen's first-ever sub-brand, was unveiled at the Volkswagen Headquarters in Wolfsburg, Germany. The Jetta brand is the third brand in the long-term cooperation between Volkswagen and FAW-Volkswagen. It is the beginning of a new chapter of "Proud Past, Bright Future." The Jetta brand, which has a purely German pedigree, inherits the Volkswagen genes that include high quality, durability, safety, and high production standards. With the German heritage and style, Jetta further meets the consumption needs of young customers.

## Launched in China, A New Journey Begins

On March 22, 2019, the Jetta Brand, the all-new sub-brand of the Volkswagen Brand, officially debuted in Chengdu, China. As the third brand under FAW-Volkswagen, the Jetta brand further meets the driving needs of different market segments and opens up a new realm of automotive life for young users who attach importance to high quality and brand genes. The introduction of the Jetta brand is intended to build a strong "third engine" for corporate development. It is a new starting point for FAW-Volkswagen to provide more customers with clearer market position and services as well as a platform that allows the brand to provide more users with a Volkswagen standard quality driving experience.

Jetta is a household name in China. Since it introduced to China in 1991, Jetta has won the trust of more than 4 million Chinese car owners with its excellent safety standards, reliability, outstanding performance, and fuel economy. The Jetta is known as the "evergreen tree in the car industry." Jetta brand, which has begun a new journey as an all-new sub-brand under the Volkswagen brand, has a vision of becoming the representative of what it means "to become a new high-quality automotive brand." It helps Chinese consumers to express their personalities and young lifestyle through an all-new design, leading core technology, and a variety of model choices.

## All New Products Debut, Redefining the Domestic Automotive Model

On April 16, 2019, the Jetta brand, together with its three products, the VS5, VS7, and VA3, had an independent stand at the 18th Shanghai International Auto Show and fully demonstrated the Jetta brand's brand proposition of "Proud Past, Bright Future." To let younger consumers enjoy a higher-quality automotive life, the Jetta brand launched an innovative "Yi ecology" marketing service system before the new models were officially launched. This created a unique consumer experience because it covered the entire consumer journey through product awareness, purchase, and use. With the support of FAW-Volkswagen's powerful system capabilities, the Jetta brand will set the tone for domestically produced vehicles in this new era.

## Outstanding Product Launch Helps Brands Win Over the Market

Following the release of its initial 3 products, Jetta's brand innovation continued with its forward momentum and launched the VS5 order campaign. Through a three-dimensional pre-sales marketing initiative, the brand saw 13,444 pre-sale orders. The brand will continue the relentless pursuit of its outstanding products' success within the market through a combination of highly competitive pricing, surprising launches, comprehensive publicity, and terminal penetration. With this mindset, the Jetta VS5 sold more than 10,000 units in its first full month on the market, ensuring the initial success of the brand.







## Lean Production System

In 2018, it is of great significance to FAW-Volkswagen that the FAW-Volkswagen Changchun Q Plant, Qingdao Plant, Foshan Phase II Plant, and Tianjin Plant were all completed and put into production within one year. The distribution of production areas has completed the nationwide strategic production coverage across five locations and six plants. FAW-Volkswagen has achieved a huge production capacity increase of 1.05 million new vehicles. To date, FAW-Volkswagen's 5 major bases have integrated the five major attributes of innovation, green, vitality, wisdom, and efficiency. They connect the plants and serve as the industrial axis, ecological axis, and economic axis that radiate north, south, east, and west. They help push forward "Strategy 2025."

In addition, after taking the lead in introducing Volkswagen's MQB production platform, FAW-Volkswagen has paved the way in the field of new energy through advancements and the introduction of the MEB platform for the first time. In the future, the FAW-Volkswagen South China Base will become a model plant within the FAW-Volkswagen electric vehicles strategy. It will also be the location where MEB platform battery systems are assembled.

Beyond production capacity, bases in five locations that include a total of six plants have allowed for the delivery of better products. From 2018 to 2019, FAW-Volkswagen's Volkswagen and Audi successively launched the All New Generation Bora, T-ROC, CC and a new Audi Q5L. The I.D. family cars based on the MEB platform, are expected to be launched in 2020. In 2025, FAW-Volkswagen will expand its product line to include 45 models.







## Stakeholders - Dealer Relations

### Volkswagen Brand

From 2018 to 2019, the Volkswagen brand marketing system faced a series of severe challenges that included the decline of the passenger car market, dealer profit difficulties, the changeover between the National V and VI Emission Standards, and new car sales failing to meet projections. Despite these crises, and although the overall market declined by 4.6% in 2018, the Volkswagen brand AaK still reached 1.391 million units, with a market share of 6.1%, which was an increase of 0.2 percentage points year-on-year. Although there was a 6.5% decline in the overall market in 2019, the whole system overcame one difficult problem after another through a series of marketing initiatives, including Tayron Improvement Project, Tengfei Plan, and the Hundred-Day Battle to meet sales goals. In the end, sales in 2019 were able to buck the trend, reaching an AaK of 1.398 million, which was an increase of 0.5% year-on-year. This increase represented a market share of 6.6%, which once again demonstrated the strong system capabilities of the Volkswagen brand and its ability to solidify its leading position in the industry further.

### High Quality Sales

From 2018 to 2019, the Volkswagen brand created a balance between production and marketing and the ability to allocate resources driven by customer demand. It built accurate sales strategy capabilities that reflect regional, dealer, and product differences. It created better and more efficient digital sales process management capabilities. It focused on consumer insights and direct access to consumers. All of these efforts were in an attempt to continuously improve marketing innovation capabilities and continuously refine high-quality sales management. One year after its initial launch, the Tayron jumped to first place in the A + SUV market segment in the fourth quarter of 2019 and established a leading position within this category of SUVs. It is a testimony of the strong systemization ability of the Volkswagen brand, its ability to create a new opportunity and helped the proportion of high-end Volkswagen brand models increase from 21% to 35%. In 2019, the sales capacity of Volkswagen's individual outlets exceeded 1,385 vehicles, which put Volkswagen far ahead of the competition.



### Brand Building

From 2018 to 2019, the Volkswagen brand completed the upgrade to a fully immersive brand experience with the help of the all-new product design language and brand-new visual identity. It also was able to create leaner brand management. Relying on insight into the preferences of target consumers, through circle marketing, communication events with deep brand influence were created. The automotive culture was emphasized, and attitudes towards life as well as focus on the specific interests of consumers were incorporated into interactive platforms for communication and dialogue with younger groups. This upgrade has enabled consumers to obtain youthful and more dynamic brand experiences. The digital transformation has accelerated, and a high-efficiency content output mode has been created through AI and other new technology. This has allowed for highly-efficient, direct contact with consumers. Through strategic cooperation with mass media, the DMP ecology has been jointly built to realize data empowerment.

### After-Sales Service

Volkswagen brand after-sales service is customer-centric and actively promotes digital transformation. Through the refined operation management and profitability improvement of dealers, the terminal service quality will be continuously improved to provide customers with rich service products and overall caring experiences. The Volkswagen brand has won the "2018 China Auto Service Golden Wrench Award-Customer Trust Award" and the "2019 China Auto Service Golden Wrench Award-Customer Trust Award" for two consecutive years. IACS has always been at the forefront of volume production brands. At the same time, FAW-Volkswagen adheres to the service concept of "Precision is Love" and actively recalls products with quality issues. From 2018 to 2019, FAW-Volkswagen implemented five recalls, actively fulfilling its solemn promise to ensure that customers are rest assured while driving and further strengthened customers' recognition as well as trust in FAW-Volkswagen products.

### Network Development

From 2018 to 2019, Volkswagen Brand steadily promoted the development and construction of its network. It adopted differentiated network modes to flexibly cover different levels of markets while adhering to the policy of "building industry-leading terminal sales channels." By the end of 2019, there were 903 first-tier dealers and 436 second-tier dealers. In the future, Volkswagen brand will take 3 approaches: "Carefully increase, rebalance density in regions and cities," "Light & flexible format, differentiated policy", and a "Digital upgrade, experience enhancement" as a means of ensuring its medium and long-term network development strategies to better meet market development trends and customer needs.

### Dealer Capacity Improvement

From 2018 to 2019, the Volkswagen Brand continued to promote "Win-Win 2.0," focusing more on the profit margins of dealers, and giving the same level of priority to the profit of dealers as it did to sales volumes. At the beginning of 2018, in the field of automotive marketing, at a corporate level, the "Dealer Profitability Promotion Committee" was initiated to coordinate resources from various departments. In 2019, the entire system worked together to see that the dealer's profits saw a 3-year high. This was implemented through four modules including: "new car profit maintenance," "enhancing the potential of business capabilities," "cost optimization," and "improving fund liquidity," thus ensuring the long-term and healthy development of dealer partners.



# Audi Brand

From 2018 to 2019, the overall development of the automotive market was sluggish. The growth rate of the luxury automotive market declined, and economic instability factors such as the Sino-American trade war made the sales environment extremely challenging while at the same time competition continued to intensify. Faced with stiff competition, the Audi brand has flexibly adjusted its sales strategy and rhythm, integrated the joint efforts of various departments, advanced the six core measures, and steadily implemented the four basic guarantees. This targeted approach has been taken from six aspects, including improving product competitiveness, brand promotion, sales promotion, leading network quality, after-sales business promotion, and continuous innovation of new business. This allows the brand to meet its marketing objectives through strategic promotion, organizational efficiency improvements, employer brand building, and strengthening manufacturer relations.

## High Quality Sales

In 2019, the Audi brand carried out two rounds of standard management audits across the entire network of Audi dealers. 221 dealers were notified on the same day that they would face onsite auditing. The project proposal was upgraded, and information platforms were created. In the future, all outlets will be able to be simultaneously notified.

As a reward for their outstanding business performance as well as superior results from the last audit inspection, the Audi Brand allowed 62 dealers to be exempt from this round of inspections. Based on the basic inspection, it has established a "reward checklist" to record outstanding cases. By increasing the inspection authority of personnel, archives, and system information, business development will be boosted and compliance management improved. Unreasonable standards have also been revised. A reasonable punishment scale was established to reduce the burden of inspections and ensure that the standard for inspections is accepted.

## Continued Elevation of the Brand

In 2018, the 30<sup>th</sup> anniversary of FAW-Volkswagen Audi marked a new era of "all-around cooperation" for the joint venture and helped brand promotion. Creative launch activities and the brand summits for A8L, Q5L, Q2L, and other models have greatly enhanced the brand's influence. Among them, A8L has been launched using an innovative approach to create a "2+6" three-level linkage model, which has subsequently become a benchmark in the industry. The brand image even saw a year-on-year increase of 29.1%.

In 2019, the promotion of brand image will continue. The electric series, e-tron, and the flagship model, the Q8, were launched and helped the Audi brand redefine new luxury. The Q Campaign, allroad Campaign brand activity experience platform creates additional opportunities for engagement.

## Increase Sales Shares

Audi brand quickly adjusted the sales target and rhythm according to the developments and changes within the luxury car market. Sales support shifted to meet the needs of the local markets. The BTO customized production management project was upgraded to cover more dealers, models, and flexible equipment to meet user needs. Through "Excellent Guangzhou Plan," "Chongqing improvement," "Surpassing BMW Project," and other measures, the market share in key regions increased.



## Dealer Capacity Improvements

### Dealer Operation Efficiency Promotes DPCP

From 2018 to 2019, DPCP's project methodology was optimized in a more systematic and personalized way. This included the inclusion of "View, Know, Break, Establish" Project idea, 12 management thinking dimensions, and the entire business structure of dealers being divided into 25 business scenarios.

DPCP, from 2018 to 2019, completed in-store mentoring for 100 dealers, met 288 mentoring targets, and increased the potential of ETB to 232 million Yuan.

### DQM Promoted by Dealer Operation Management

To optimize and perfect the dealer operation management system to strengthen and improve the dealer operation management abilities, the Audi brand launched DQM 2019 dealer operation management mentoring project in July 2019. The project instructed dealers to formulate 269 action plans for improving the sales and service operations management systems, and over 400 internal management standards/norms, processes, management tools, etc. When comparing the results both before and after the mentoring sessions, on average, dealers saw an improvement of nearly 30%.

To consolidate the project achievements and encourage dealers to further improve their operation management systems, the "Audi Dealer Operation Management Manual" was compiled and consists of a total of 80,000 words that cover the overall concept, composition, operation principles, improvement suggestions for the core operation management modules and outstanding case studies.

## After-Sales Spare Parts Business has Significantly Improved

In 2018-2019, through a market-oriented spare parts price adjustment, the profits of dealers, as well as the company, increased. As a result of an automated spare parts order system, dealer inventory was reduced.







## Jetta Brand

Faced with a cooling of the market, the Jetta brand had a challenging start. The Jetta brand was successfully launched as a result of key marketing measures, including a "trilogy of brand building," unwavering confidence in the launch, and the overwhelming will to win.

### High Quality Sales

Faced with new market changes and challenges, as well as the pain points and disadvantages associated with "traditional marketing" that usually include a complicated system and low operating efficiency on the side of the manufacturer, the Jetta brand's innovation development strategy and implementation adhere to the concept of being "customer-centric and data-driven." By fully applying big data technology, integrating multi-terminal platforms of the manufacturer, establishing a digital marketing system for Jetta, offline showroom interaction, providing customers with an end to end digital experience as a result of integrating the dealer end system and developing cloud-integrated DMS, software, and hardware automatically capture core KPIs, and evaluate the real-time terminal performance of global indicators such as results, processes, and behaviors. At the same time, the lightweight sales assistant APP integrates marketing communication, instant messaging, lead rating, and intelligent voice recognition to achieve real-time customer engagement, intelligent lead management, effectively improve sales efficiency, reduce the number of sales consultants in the exhibition hall, and improve the comprehensive personnel efficiency by 21%. These innovative measures have been put in place to protect the Jetta brand's market development.

Jetta brand innovates its sales mode, builds a "Zero Stress" supply and demand system based on customer orders, realizes a virtuous cycle of customer orders-resource matching-sales volume rising-winning orders, and establishes an order-driven sales mode. We cancelled the target assessment, strengthened the order ecology, established as a sales policy system based on positive incentives, and helped Dealers rapidly grow. A cash payment policy has been formulated and settled on a monthly basis to accelerate the circulation of Dealer funds. At the same time, in the form of a lease, VS5 test-drive vehicles are provided to Dealers free of charge to further reduce the strain on Dealer funds and ensure that Dealers operate under no stress. The Jetta VS5 sold more than 10,000 units in its first full month on the market, while VA3 saw a steady increase in overall sales. Jetta brand, which had sold for only 4 months, sold Aak 43,000 units with 60,000+ orders.

### Brand Building

The Jetta brand keeps its finger on the pulse of the times, uses big data technology to gain insight into target users, focuses on users' interests and trajectories. It conducts direct marketing to users with low cost and high traffic volume to create a series of marketing initiatives. When the brand was officially launched, it took a triple-pronged approach to have the loudest share of voice in the market. The debut in Wolfsburg emphasized the German genes. The launch in Chengdu catered to a younger audience and established clear market positioning and the stand at Shanghai Auto Show highlighted the brand advantages. Following the release of the Brand trilogy, VS5 "Order Campaign" and "Outstanding Offensive" took advantage of the fervor and optimized the Chengdu Auto Show by creating the industry's first live streaming broadcast week. The launch saw unprecedented 70 million views. The brand image ranked among the top 3 within the market segment and not only its popularity, but also familiarity has continued to steadily improve.

### Lean and Flexible Network Development

From 2018 to 2019, 78% of those investing in the Jetta brand were existing Volkswagen investors, and most were top investors. 22% of them were investors outside of the network. Most were mid-to-high-end brand investors. This helped achieve the strategy of selecting the best



and strengthening investors, keeping an eye on market changes and investor trends as well as seizing opportunities to adjust the recruitment strategy. With the ABC network as the framework, through the development of stronger communication, increased support, more reasonable standards, and other measures, a more flexible "W network" was developed to form the core business circle. During the brand's first year, 210 new Jetta showrooms were opened, and nearly 300 dealers were authorized to sell Jetta. All of these initiatives resulted in the most attractive brand authorization in the industry.

### Innovation-Driven Channel Management

The most advanced PMA management in the industry was created, with 45 days of early warning and a ratio of 2.76% across the entire network. With an APP as the platform and a customer response rate of 88% customer comment-based satisfaction management was established, 36,000 customer evaluations were obtained, DMS information was shared in real-time, and CSS management of terminals was improved. The next step will be to install a camera in cars used for test driving as well as the dealerships, to lay the foundation for future comprehensive, real-time online hardware.

Under the wave of new media, the training has been innovated in four major stages to create a Jetta benchmarking dealer voice promotion plan, improve the terminal's new media operation capabilities, ensure that all Jetta dealers are active on social media, increase word-of-mouth as well as private domain traffic, and lay the foundation for subsequent new media work.





## Dealer Training

### Volkswagen Brand

#### Building an Industry Leading Training System

In 2018 to 2019, FAW-Volkswagen remained committed to building industry-leading training systems that provide systematic and standardized high-quality training for dealers. In February 2018, a new online learning platform for the "VW Academy" was launched. By 2019, more than 700 online course modules were developed and launched, which include live online training, on-the-job learning paths, interactive courseware, micro-class competitions, interactive communities, and other online learning functions. In 2018, 550,000+ personnel used the platform, and in 2019 it grew to more than 640,000+personnel. At the same time, in terms of offline platforms, all six Volkswagen brand training centers were in full operation with functional zones including training areas, test-drive areas, and living areas. Among them, the training area consists of interactive classrooms that include a simulation exhibition hall, simulation workshop, technical training unit, product training classroom, IT classroom, and multi-functional hall. With a test-driving space that has an area of more than 5,000 square meters, it allows for diversified test-driving training such as linear acceleration, linear braking, and comprehensive performance test driving. The operation of the training center has promoted the continuous improvement of dealers' operation and management capabilities as well as customer satisfaction. In 2019, the training satisfaction of Volkswagen brand dealers was 90.9 points, which ranked number one in the industry.

#### Based on the Actual Training Needs of Dealer Personnel, the Curriculum has been Optimized

FAW-Volkswagen has formed a sophisticated dealer curriculum system, covering training and certification options for key dealer training positions. The FAW-Volkswagen curriculum system team has carried out a professional needs analysis for dealers and combined it with actual business needs to create modules that are relevant and meet their needs. They also review existing curriculums and continue to optimize and further develop the comprehensive curriculum system.

#### Expanding Training Channels and Building a Professional Team of Trainers

FAW-Volkswagen has always attached great importance to the construction and development of training teams. It has taken various measures to strengthen the selection and training of internal full-time and part-time trainers as well as attracting excellent teachers from across the industry. By 2019, the FAW-Volkswagen dealer training system had 25 full-time trainers, 38 third-party trainers, and 70 part-time trainers. FAW-Volkswagen also launched a "Joint Training of Sales Elites" project in collaboration with a vocational college, to preserve and train outstanding dealers and sales personnel.

#### Improving "WSP—Win Sale Project" Dealership Guidance

In combination with the refined management of dealers, improving the management ability of dealers, promoting sales initiatives, and implementing the "WSP—Win Sale Project." We have independently developed solutions covering 8 major capabilities and 5 core tools for dealers, built automotive industry leading APP and DMS system tools, digitized sales management information, and provided dealers with comprehensive training and operations support. In 2019, 227 dealers were coached, which covered 50% of the dealers in the network. The sales indicators significantly improved and have been highly recognized by dealers.



### Audi Brand

#### Training System Upgrade

Training Upgrade Strategy: To achieve the overall goal of "Systematic, Precise, Efficient, and Promoting Public Praise," the Audi brand has continuously promoted various departments' work per the four aspects of "Reshaping the System," "Precision Empowerment," "Improving Quality and Results," and "Personnel Development and Motivation" to deliver training that promotes "high standards," "high quality," "high satisfaction," and "high performance."

Training & Certification System Upgrade: In 2018, Audi established a three-level training & certification system for sales advisors. This resulted in a channel that can be used for the gradual cultivation of experts and the enhanced professional development of sales advisors. This is yet another step in the integration of sales and dealership management as it helps increase competencies within the hierarchical authorization of dealers. To further strengthen the certification system, in 2019, a sales management and training management training & certification system was introduced. This, combined with the AC evaluation of sales directors, helped to build a complete development channel for sales personnel.

Upgraded Trainer Education System: Through competitions, knowledge sharing, topic discussion/forums, targeted internal courses, and other methods, the trainer's abilities have been improved in a multifaceted way, which has directly improved the quality of the training they deliver to dealers.

#### Accurate Training and Empowerment

In terms of content, on top of the original basic materials, new sales advisors training has added personalized, customized content. For example, elite sales advisors have the opportunity to take additional skill improvement courses on topics related to communication, negotiations, and time management. In terms of form, online learning is combined with face-to-face skills training. At an organizational level on top of the original training centers currently in use, additional training centers in all regions will be created. To create a new standard for sales advisors and ensure more training opportunities are available, other locations, to be used as needed, will also be identified.

Through the Spark program, Audi has also been able to promote best practices in management concepts and tactics, thus improving the management and profitability of dealers throughout the network. In 2019 the online portion of the program, Audi Interactive Training Platform, was launched, and it was viewed by more than 24,000 people.

In addition, from 2018 to 2019, the Audi brand conducted 7 large-scale new product launch trainings for approximately 30 new products (including brand-new products, mid-term products, and model year products from some key models), which greatly supported sales initiatives. In addition to face-to-face centralized training, dealers have achieved 100% training coverage through online learning, live streaming, short video, podcasts, in-store training, and other training forms. Training is also not limited to products. It also includes materials related to client groups, sales mindsets, and sales scenarios.

#### Training Innovations

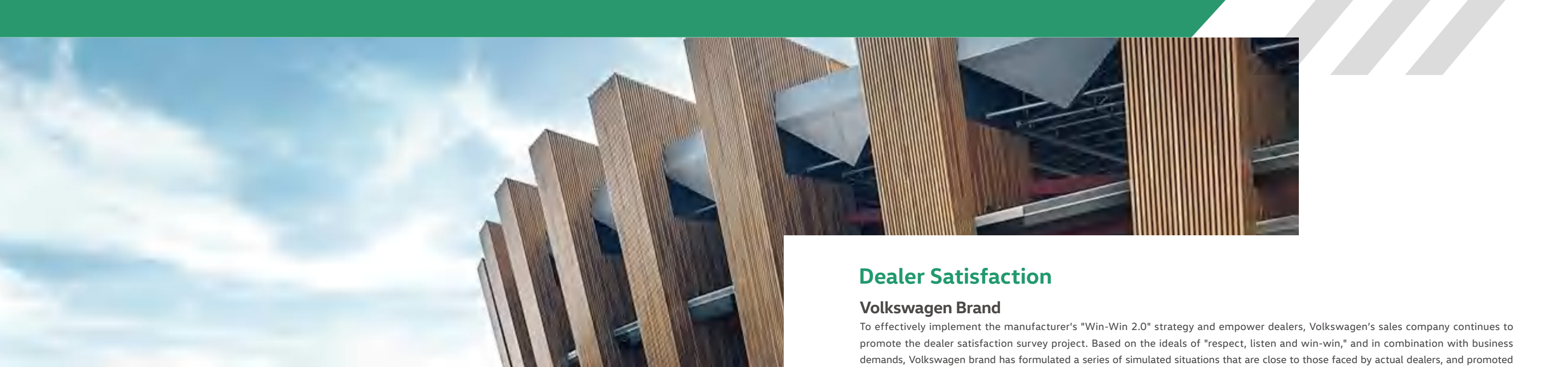
In 2018 and 2019, the Audi brand greatly enriched its training system through an enhanced online training platform that included new training materials, live streaming through Star View, online interactive Q&A sessions, short video micro-classes and the innovation of 8 training programs (90-day turn-around plan for new managers, improving management short comings, special training, and coaching for test drives, experiential marketing, sales managers, sales training managers, etc.), the comprehensive nature of the trainings supported the needs of employees across various fields and positions, and the number of online views soared.

#### Employee Motivation

As a result of various initiatives, including the "Audi Star Contest," Audi E Training, Gold Medal DIT Project (Sales Training Manager of Dealers), and second-generation investor management activities, the Audi brand was able to enhance the overall quality and morale of front-line dealers. This stimulated dealer performance and increased dealer management efficiency. It also greatly promoted the improvement and construction of internal training systems among dealers, strengthened awareness in the sales training manager's value, improved team dynamics, and improved the overall training quality among dealers. At the same time, the identity and sense of belonging of the investor successor group to the brand also improved.







## Jetta Brand

The Jetta brand was unveiled in Wolfsburg in February 2019, and launched in Chengdu in September. In consideration of the Jetta brand and actual situation of the dealers, the Jetta brand has formulated the training strategy of "low cost of dealer training, fast sales ability improvement, and high quality training implementation".

### Hands-on Curriculum

In response to just entering the market in 2019 and an entire network of new dealers, the Jetta brand formed a system of hands-on training courses specifically designed for dealers. Through the eight chapters including the brand, products, practices, competitive products, and others, the dealership's front-line personnel can quickly understand and establish trust in the brand and products which inspires their enthusiasm for their work, and quickly improves their sales skills.

### Flexible and Efficient Training for Intended Dealers

In order to improve the training efficiency of intended Jetta brand dealers, before submitting their final application to become an official dealer, they could request training at their respective dealerships. This eliminates idle time of the intended dealership personnel and saves an enormous amount in travel and time costs for the dealership personnel. At the same time, as a result of the in-store training, the number of people receiving training and the training terminology as well as content related to competitors could be tailored to the specific dealer. From May to the end of 2019, a total of 227 potential dealers were trained, and over 210 of these dealers opened in 2019 which was a training rate of 108%.

### The Introduction of Innovative New Media Training

To capitalize on the potential of the future development of new media (short videos and live streaming) and to put the new media capabilities of Jetta brand dealers ahead of other brands. Jetta brand prioritized new media training by putting it at the beginning of the dealer training program. Through the training for dealers and special training on the use of new media, the company teaches dealers the platform mechanisms, algorithm, consumer targeting, scriptwriting, and other practical skills related to live streaming. Training can also take the form of competitions through Jetta's link broadcasting. The voice promotion plan can help them learn how to promptly solve problems found during their actual work as well as quickly improve their new media capabilities.

## Dealer Satisfaction

### Volkswagen Brand

To effectively implement the manufacturer's "Win-Win 2.0" strategy and empower dealers, Volkswagen's sales company continues to promote the dealer satisfaction survey project. Based on the ideals of "respect, listen and win-win," and in combination with business demands, Volkswagen brand has formulated a series of simulated situations that are close to those faced by actual dealers, and promoted their implementation. Even though there was a harsh winter and many difficulties related to dealer operations, dealer satisfaction remained at a high level from 2018 to 2019, reaching 87.1 points in 2019, which ranked number one among the brands surveyed.

### Audi Brand

In 2018, the Audi brand dealers' satisfaction program adopted an "online" and "offline" research model. All dealers participated in an online questionnaire style survey, and a face-to-face interview was conducted across 130 dealers. The final dealer satisfaction score was 8.5 points. In response to the dealer's feedback regarding key issues, Audi Sales Division organized related business departments to analyze the issues, and provide a realistic basis for subsequent strategy formulation and policy implementation.

In 2019, the dealer satisfaction program was enhanced through the questionnaire system, interview planning, result analysis, follow-up improvement, etc. According to the survey results, the Audi Sales Division (ASD) organized each business department to formulate corresponding promotion measures. ASD is scheduled to conduct another survey at a dealer level in April 2020 to track whether the promotion measures have implemented.

## Innovative Automotive Financial Services

FAW-Volkswagen was the first manufacturer in China to realize the future value of auto finance and set up an independent department to carry out its auto finance business. From the start of dealer inventory financing in 1997 to the launch of comprehensive auto financial services in 2013, the auto finance business has played an important supporting role in achieving FAW-Volkswagen sales targets. In recent years, FAW-Volkswagen has maintained a leading position in the industry in terms of vehicle loan volume and vehicle loan penetration rates. Emerging businesses such as auto insurance, extended warranties, and financial leasing have also taken the lead in the industry.

In 2018 and 2019, Volkswagen continued to try and explore new businesses and make continuous efforts to achieve its goals in cost reduction and increased efficiency. Over the past two years, the number of dually-branded cars purchased on loan has exceeded 2.2 million units, the insurance policy renewals reached nearly 4 million, and the extended insurance policies topped 700,000 units. From car purchases to car use, the dual-brand cars will provide consumers with high-quality auto financial services in a comprehensive way as well as offer a strong guarantee for after-sales profits.

The launch of the Volkswagen brand "National Project for Financial Leasing" has filled the gap in the auto financial product line, helps dealers, and further enhances the connection with customers.

Through the "FAW-Volkswagen Mall" website, online car loan credit services were officially launched, and the automotive financial business officially entered the digital era. The Audi brand has continued to develop various financial measures for different product lines and specific customer groups. In addition, the Audi brand launched a used car rental product, thus completing the construction of an "Audi used car financial product" product system. The Audi brand has also introduced the "Audi Loyal customer financial proposal," which embodies the Audi brand's customer centric-culture.

In 2019, the Volkswagen brand launched an insurance renewal program that involved upgrading and promoting insurance services as well as a range of new products throughout the network. The core components of the Audi brand were extended through insurance products, double insurance packages, liability insurances, renewal service and mobility scooter service. They were all new sources of profit for the company. The "public welfare action" launched by Volkswagen Brand that joined banks and insurance companies met consumers diversified requirements. Through the financial management department, the Jetta brand quickly established an auto financing system to provide multi-dimensional support to the automotive finance business.



# Stakeholder - Supplier Relations

## Strategic Purchasing System

FAW-Volkswagen is committed to building a sustainable supply chain system. By deepening the supplier management system, optimizing the cost management methods, implementing digital procurement, realizing performance management in all fields, and promoting green development at the supplier end, FAW-Volkswagen aims to build a stable, healthy and sustainable supply chain and realize the upgrading of the supply chain.

## Deepening the Supplier Management System

Optimize the classification management of material groups in combination with the business benchmarking with industry leaders, and introduce multi-dimensional differentiated management for the introduction of different categories of material group suppliers in conjunction with the classification management of material groups. Optimize the access process and standards for the three new suppliers (new energy, new business, and new technology) in combination with the requirements of electrification, intelligence, and networking. Optimize supplier risk management systems in combination with national guidelines and corporate risk control requirements. Improve general procurement efficiency through various measures such as authority optimization, contract management, framework agreements, project management model rollout, standardized cycle, etc.

## Optimizing Cost Management

During the reporting period, based on the procurement cost management system, the company carried out full lifecycle cost management and full value chain cost optimization, including cost control during the project stage, green space cost planning during the contracting stage, and TOP material component cost optimization during the series production stage. In terms of centralized procurement, through the study of the best practices of cross material groups and cross-department centralized procurement, the centralized procurement rules were formulated, and the pilot work for centralized procurement was completed. The study is a proposal-based cost optimization mechanism, which encourages suppliers to take the initiative to reduce costs, and it establishes a results sharing mechanism. At present, a MOK platform to facilitate proposal evaluation and decision-making. The proposal management mechanism, Tandem Team, was also established.

## Realizing Purchase Digitization

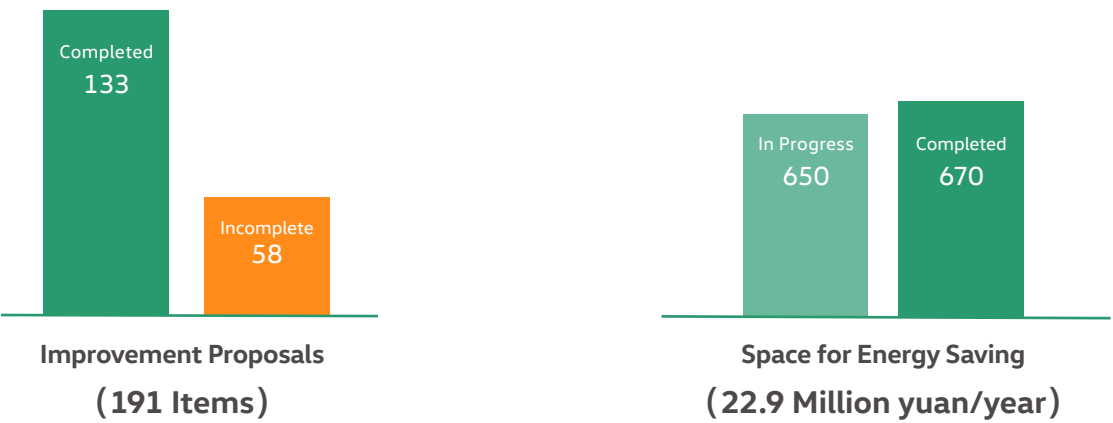
With the full value chain management of the three main lines, parts, mold management and supplier management, a digital system of cooperation and the establishment of unification between the OEMs and suppliers realized in-depth supply chain management, potential areas for cost reduction, and prospective supplier risk management. At this stage, the status quo of the internal business process of procurement, the concept of the digital management mode, and the platform framework have been completed.

## Supplier Performance Management

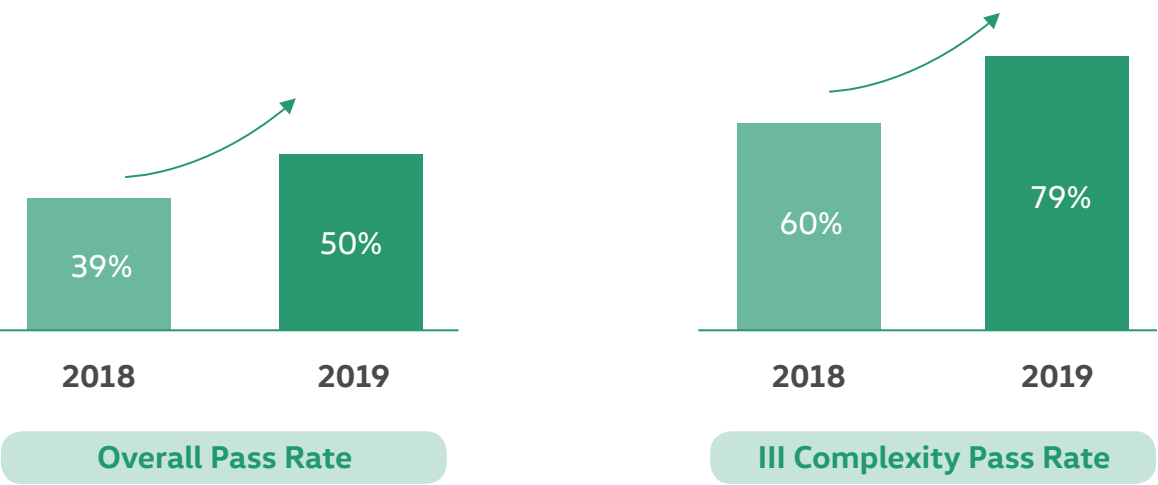
To strengthen the management of production material system suppliers throughout the three stages of a project, batch quantity and spare parts, and to continuously improve the performance of suppliers in the areas of cost, research and development, quality, supply and foundation, FAW-Volkswagen, with the initiative led by the Supply Department, organized departments like the Technical Engineering Department, Quality Assurance Department, Logistics Department, and Volkswagen/Audi Spare Parts Management Department to carry out an annual performance evaluation of spare parts suppliers. The purpose was to improve the performance of suppliers and promote the continuous improvement of suppliers' capabilities. Based on the annual supplier performance evaluation, in 2019, the company took the lead in promoting TOP performance management in all fields (S/Q/E/L/Sc). It identified supplier problem items from the whole staff gradient in each business area, focused on identifying and evaluating major supplier problems, and took effective measures in advance to ensure the dynamic stability of the supply chain.

## Green Development

Key measures to deepen the supplier management system in the company's "Strategy 2025" include the suppliers' green development concept, establishing the supplier environmental management method, and creating "green suppliers." In combination with laws, regulations, and industry policy requirements, the company avoids the risk of environmental shutdown and punishment by identifying and solving problems during the production process and the three waste treatment processes on site. In combination with energy efficiency industry standards, and through measuring the energy usage of TOP energy consumption equipment on site, the company checks the points of energy waste. It develops energy conservation programs based on the situations of suppliers. In 2018-2019, site evaluations of 50 suppliers were completed, 191 environmental management improvement proposals were submitted, 133 improvement proposals have been completed, 58 have not been completed. Out of 134 energy conservation improvement proposals, 48 improvement proposals have been completed, 68 have been incomplete, 18 have been rejected, and the completed energy conservation improvement is expected to achieve energy conservation equivalent to a saving of 6.7 million Yuan per year.



**The company Promoted Supplier ISO14001 System Certification:** The overall ISO14001 system certification pass rate for suppliers increased from 39% at the beginning of the year to 50%, achieving the annual target. The passing rate of Level III environmental complexity supplier system certification increased from 60% at the beginning of the year to 79%, which met the annual challenge.



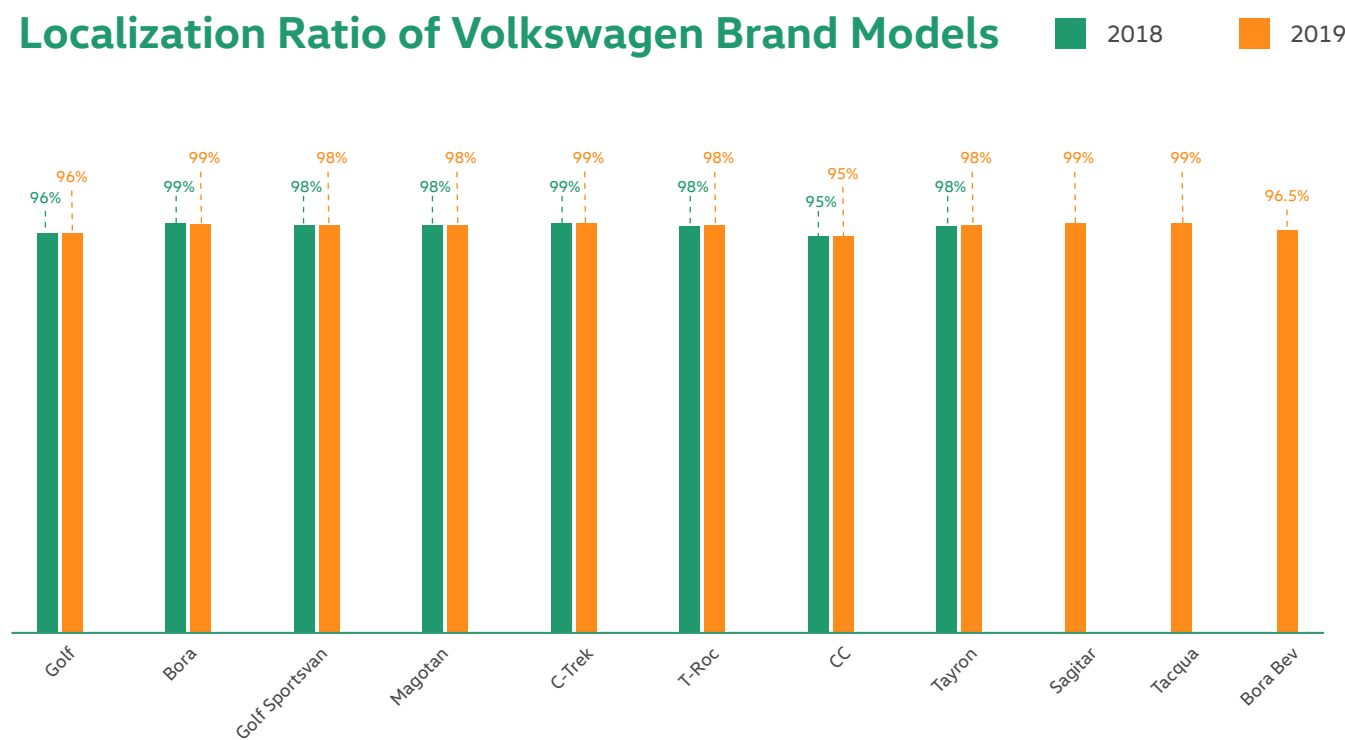
## Supplier Training

Supplier capabilities are mainly reflected through quality assurance, supply assurance, cost optimization, project control, and simultaneous R&D. From 2018 to 2019, the number of training courses for FAW-Volkswagen suppliers increased from 13 to 16. A total of 4,402 suppliers participated in supplier training courses. The company carried out targeted system capacity improvements and promotions aimed at the suppliers for the new Qingdao and Tianjin Plants.

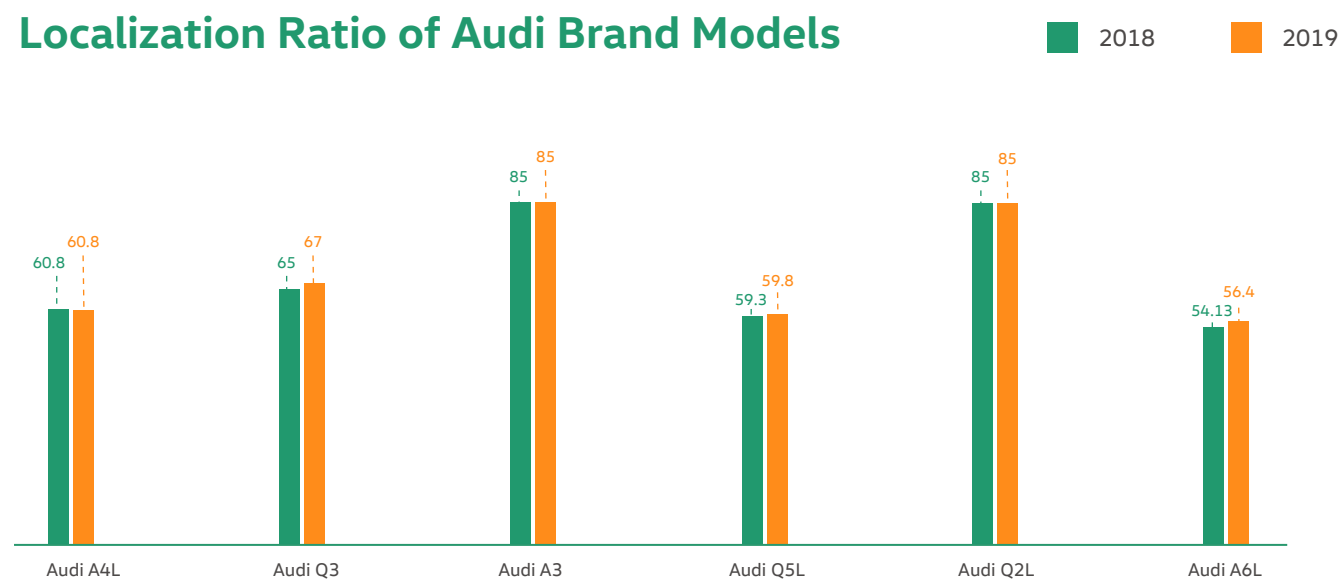


# Localization

Localization Ratio of Volkswagen Brand Models



Localization Ratio of Audi Brand Models



By the end of 2019, FAW-Volkswagen has cooperated with more than 1,600 suppliers (including subsidiaries), including more than 1,500 local suppliers (including subsidiaries), accounting for more than 90% of the total suppliers. These suppliers include 259 in Changchun, 78 in Chengdu, 55 in Foshan, 41 in Qingdao and 70 in Tianjin. The increasing number of localized suppliers has created many jobs locally. In Changchun, suppliers have created more than 40,000 jobs, in Chengdu and Tianjin suppliers have created more than 20,000 jobs, and in Foshan and Qingdao suppliers have created more than 10,000 jobs.

# Risk Management

With both internal and external environments going through transitions, the company faced enormous pressure internally that posed greater challenges to FAW-Volkswagen's risk management. To identify risks in a timely, effective and comprehensive manner, and minimize risks so that they could remain within an acceptable threshold, from 2018 to 2019, FAW-Volkswagen completed a restructuring of the risk management organization. It created a brand new risk control system, focused on risks in key business areas on the basis of comprehensive risk assessments, implemented document review process, and provided consulting to actual business cases, which provides a reasonable guarantee to the smooth operation of the company and assists it in achieving the business targets.

## Risk Management Organization Adjustment

To efficiently cope with the increasingly complex and rapidly changing internal and external environments, FAW-Volkswagen initiated adjustments to the risk management organization. Departments traditionally considered the second line of defense were also included in risk management. This resulted in a risk management organization that broke through traditional boundaries. In 2019, the Legal, Risk, Compliance Department was set up, which formed the architecture of comprehensive risk management system. The system, guided by the core competency of profession, efficiency, cooperation and value, has four pillar subsystems, which are Risk Management, Internal Control, Legal Affair, and Integrity Compliance respectively.

## Established an All New Risk Control Process System

FAW-Volkswagen established three lines of defense for company risk management in the early stages of risk management work. Among them, the Business Unit, as the first line of defense, faces all kinds of risks and is in the front line of risk management, being responsible for risk identification, daily management, and early

warning response. As the second line of defense, the Risk Management Office is responsible for building the risk management system, organizing, promoting and coordinating the advancement of various risk management work, and providing corresponding technical support. As the third line of defense, the Internal Auditing Department conducts independent supervision and evaluation.

In combination with the requirements of the "Guidelines for Comprehensive Risk Management of Central Enterprises"; "Basic Standards for Internal Control" and its supporting guidelines along with the "Implementation Opinions on Strengthening the Construction and Supervision of Internal Control System of Central Enterprises"; FAW-Volkswagen has used research extensively as a means of optimizing, processing and implementing risk control initiatives. In 2019, the company established a new risk management process and internal control evaluation process aimed at strengthening risk awareness and risk identification abilities throughout the entire company. This further solidified the Risk Management Offices' role as the second line of defense, as well as promote company-wide risk responses and systemic internal control issue resolution.

## Comprehensive Risk Assessment

In 2018 and 2019, FAW-Volkswagen continued to conduct its annual comprehensive risk assessments, by using a combination of bottom-up business level and top-down company level assessments. At the business level, each department combined its strategy and goals, then referred to the risk database in the "Risk Management Information System" for risk identification, assessment, and response, and then reported the findings through the "Department TOP3 Risk Assessment Form." At company level, senior managers in key areas were interviewed, meanwhile their opinions and recommendations were collected and further analyzed. Finally, by combining and analyzing the gathered results from the two level assessment, the company-wide "Top Risks" were generated. Since different strategies were considered in use, when organizing risk responding activity, Top Risk could be divided into three classes, responding, reminding and imported. The risk level of class

responding is highest, which always requires the company to have focus on and implement strong countermeasures timely. There are certain risks that are uncontrollable risks brought to the company through the influence of the national macro-economy, policies, and regulations or changes in shareholders' strategies. In addition to considering the dimensions of the risk strategy, a new element of risk assessment was added in 2019 and involved all 3 categories of risk. The new dimension requires assessing if it is a short-term, medium, or long-term risk.

## Focus on Risk in Key Business Areas

On the basis of doing a comprehensive risk assessment to dig deeper into the risks in key areas and business processes, in 2019, FAW-Volkswagen carried out special internal control assessments in the areas of asset management, procurement, IT management and production management. It combed the entire life cycle processes of self-made parts mold management, outsourced parts mold management, IT development & operations, maintenance and infrastructure management, and appliance management. It identified risks in those 4 fields by consulting relevant system processes, performing walk-through tests, and conducting tests of the effectiveness of the overall internal control design and implementation.

## Conduct Process Document Reviews and Business Risk Consultations

To better support the first line of defense, we carried out a comprehensive process document review and business risk consultation. From March 2019, the Risk Management Office had reviewed 296 process documents and found more than 200 design defects in key control points, providing strong support and risk control guarantee for the company's internal control process construction. At the same time, it also provided risk consultations on 21 projects, output risk tips and suggestions, process improvement suggestions and other tips, and more in order to protect the compliance operation of the business.



# 03

## SOCIETY

FAW-Volkswagen is committed to becoming "the most dynamic company in the minds of employees and partners" and shouldering the mission of "offering first-class vehicles to exceed customer expectations, provide innovative services to fascinate customers, strive for environmental and social sustainability together with our employees and partners." FAW-Volkswagen has always attached great importance to human resources and has actively ensured the steady expansion of the workforce while making talent discovery and cultivation a priority. It has established professional development channels and perfected personnel development processes as well as other systems for various employees. FAW-Volkswagen has developed a cohesive corporate culture within the company and achieved the consistency with regards to the growth and self-realization of employees: the development of the company fully reflects the value of employees who reap the benefits that result from how the business is operated.



### Social Harmony

**"Top Employers China 2020"**  
for 11 Years in a row

**Promoting a Harmonious Society  
with People and Cars**





# Employee Conditions

## Top Employer

FAW-Volkswagen has always attached great importance to the construction of its corporate culture along with the recognition of the corporate vision and values by employees and their families; ranking employee care and employee happiness as one of the focal points in achieving the "Two Most" visions.

In 2018 and 2019, with the rapid development and expansion of the company, thousands of new employees joined FAW-Volkswagen. All the employees were selected according to the company's relevant recruitment process. The company resolutely eliminated the use of child labor.



## The Circumstances of Foreign Employees

Most of the foreign employees at FAW-Volkswagen come from 30 countries including Germany, Mexico, Portugal, Brazil and Slovakia, coming from 27 parent companies including German Volkswagen, Audi, Volkswagen Mexico, Volkswagen Brazil, and Porsche, etc.



### Total number and proportion of new hires and employee turnover by age, gender, and region in 2018

In 2018, there were regular Chinese employees

40,806

Turnover Statistics	By Age			By Position				By Region						By Gender	
	Under 30	31-50	Over 51	Manager	Supervisor	Ordinary Management Personnel	Worker	Chang chun	Cheng du	Fo shan	Qing dao	Tian jin	Total	Male	Female
Number of Employees Who Have Left Their Positions	1258	220	3	5	27	337	1112	389	283	543	140	72	1481	1410	71
Total Number of Employees	22771	17080	955	406	1159	7193	32880	22419	7258	5332	3219	2578	40806	38390	2416
Proportion	5.2%	1.6%	0.4%	1.2%	2.3%	4.7%	3.5%	20.9%	3.9%	10.1%	6%	2%	3.6%	3.67%	2.94%

Education Background	Management Personnel						Workers				
	High School and Below	Technical Secondary School	Junior College	Bachelor's Degree	Master's Degree	Doctorate	High School and Below	Technical Secondary School	Junior College	Undergraduate	Master's Degree
Number of Employees	8	7	151	4167	4361	64	5149	614	22855	3425	5
Proportion	0.9%	0.7%	1.7%	47.6%	49.8%	0.7%	16%	1.9%	71.3%	10.7%	0.02%

Management Personnel: 8,758

Workers: 32,048

New Hire Statistics	By Age			By Region					Gender	Male	Female
	Under 30	31-50	Over 51	Chang chun	Cheng du	Fo shan	Qing dao	Tian jin			
Number of New Hires	1687	1836	7	2457	80	385	22	586	Number	3319	211
Proportion	55.4%	44.4%	0.1%	67.7%	3.9%	11%	0.7%	16.8%	Proportion	94%	6%

Total: 3,530

### Total number and proportion of new hires and employee turnover by age, gender, and region in 2019

In 2019, there were regular Chinese employees

42,217

Turnover Statistics	By Age			By Position				By Region						By Gender	
	Under 30	31-50	Over 51	Manager	Supervisor	Ordinary Management Personnel	Worker	Chang chun	Cheng du	Fo shan	Qing dao	Tian jin	Total	Male	Female
Number of Employees Who Have Left Their Positions	776	175	1	1	24	182	745	217	157	255	140	183	952	901	51
Total Number of Employees	21232	19914	1071	424	1181	7732	32880	22620	7221	6130	3181	3065	42217	39610	2607
Proportion	4%	0.8%	0.09%	0.2%	2%	2.4%	2.3%	1.3%	2.5%	4.9%	5%	6.6%	2.8%	2.27%	1.96%

Education Background	Management Personnel						Workers				
	High School and Below	Technical Secondary School	Junior College	Bachelor's Degree	Master's Degree	Doctorate	High School and Below	Technical Secondary School	Junior College	Undergraduate	Master's Degree
Number of Employees	8	5	144	4314	4799	67	5007	605	23399	3863	6
Proportion	0.09%	0.05%	1.5%	46%	51.4%	0.7%	15.2%	1.8%	71.2%	11.7%	0.02%

Management Personnel: 9,337

Workers: 32,880

New Hire Statistics	By Age			By Region					Gender	Male	Female
	Under 30	31-50	Over 51	Chang chun	Cheng du	Fo shan	Qing dao	Tian jin			
Number of New Hires	2331	137	0	597	141	1031	20	679	Number	2200	268
Proportion	94.4%	5.6%	0	24.2%	5.7%	41.8%	0.8%	27.5%	Proportion	89.1%	10.9%

Total: 2,468



In 2018, there were 406 managers, including 358 male managers, accounting for 88.18% of all managers and 48 female managers, which accounted for 11.82%. There were no managers under the age of 30, and 355 employees between 30 and 50 years old, accounting for 87.44% of the total workforce. There are 51 employees over the age of 50, accounting for 12.56%; and 24 ethnic minorities, accounting for 5.91%. There were 424 managers in 2019, including 370 males which accounted for 87.26%, and 54 females which accounted for 12.74%. There were no managers under the age of 30. There were between 30 and 50, which accounted for 87.03% of all managers. There were 55 managers over 50 years old, accounting for 12.97%, and 25 people from ethnic minorities, accounting for 5.90%. At the end of 2018, FAW-Volkswagen had 46 senior managers, accounting for 0.11% of the total number at the end of the year. At the end of 2019, there were 41 senior managers, accounting for 0.10% of the total number at the end of the year. Since 2009, FAW-Volkswagen has participated in the certification of "Top Employers China" and the selection of "Best Employers for Chinese College Students." The company has successively achieved good results in the field of employer brand building. By 2019, FAW-Volkswagen has been ranked as "Top Employers China" for 11

consecutive years and has won the "Best Employers for Chinese College Students" award for 9 consecutive years. FAW-Volkswagen has always insisted on providing interesting work for employees, respecting employees' efforts and achievements, and respecting employees' personal development wishes. We give the employees non-biased and non-discriminatory career opportunities and development space, as well as reasonable, legal, and compliant channels so that they may express their opinions. We always provide employees with development opportunities and attempt to improve their abilities and values continuously. We advocate scientific work, healthy lifestyles as well as the overall improvement of employees' happiness and quality of life. FAW-Volkswagen has also set up a Company-level Labor Union and signed a collective contract with it, which includes 15 chapters such as labor remuneration, working hours, rest and vacation, insurance and welfare, vocational training, and has set up a special working organization and working group with sub-branches of grass-roots trade unions at all levels that will be continuously adjusted according to the development of the company. Stable working positions, the best working conditions, a harmonious working atmosphere, performance-related and competitive salary as well as other benefits make employees proud to work for FAW-Volkswagen.

# Employee Career Development Plan

FAW-Volkswagen has established competency models for all kinds of personnel, evaluates and formulates promotion plans, provides personal career development plans for employees, and carries out targeted competency enhancement.

## The Current Situation Regarding Company Experts and Senior Experts



FAW-Volkswagen Senior Technical Development Expert  
Jiang Lingshan

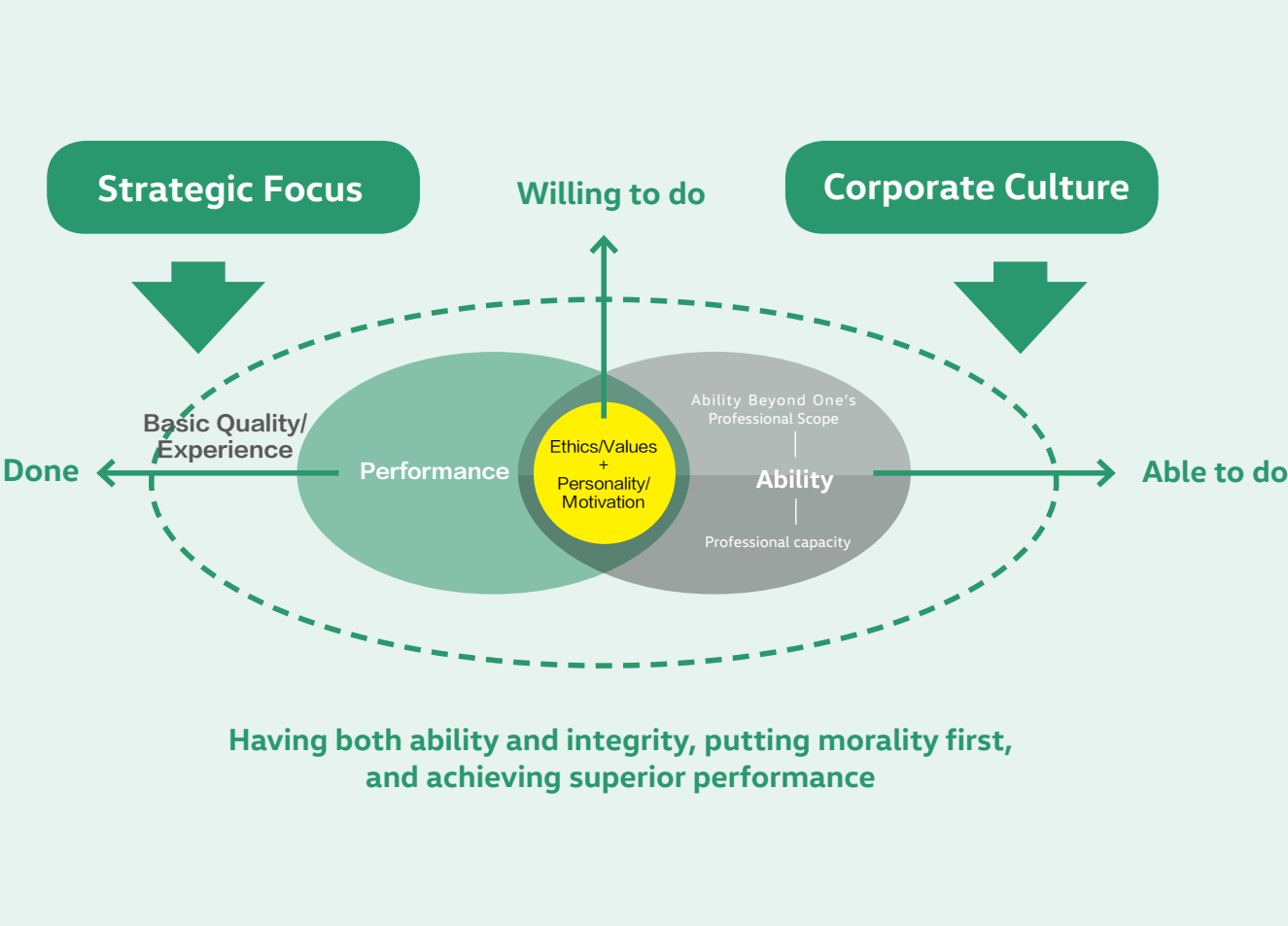
As an important talent development path within the company, professional development channels are dedicated to motivating and developing professional talents. They give full attention to their value and role while assisting in the company's further development. Initiatives to cultivate professionals began in 2009. In 2016, senior expert work pairing was conducted on a pilot basis. Experts and senior experts were matched according to the expert ability model and recruited on a selective basis utilizing competency assessments. At present, the company has 65 experts. The average age of experts on the team is 47 years old. This includes 7 people between 36 and 40 years old, 17 people between 41 and 45 years old, 22 people between 46 and 50 years old, and 21 people aged 51 and over. Their average tenure at the company is 19 years. 16 of them have worked for the company 10-15 years. 22 people have been there for 16-20 years. 14 people have been there for 21-25 years, and 15 people have been there for 26 years or more. To give full play to the role of experts and senior experts in professional fields, the company carried out expert knowledge dissemination, including part-time trainer certification and other forms of knowledge dissemination credits. With the further development and growth of the company, the team of experts and senior experts will be further expanded. The Human Resources Department is committed to building the capacity of experts and giving full play to their roles to provide strong support for the realization of the company's strategic objectives.

## Talent Selection

### Selection Criteria

In terms of talent selection, FAW-Volkswagen has always adhered to the concept of putting equal emphasis on integrity and ability. At the same time, it puts virtue first and supports the use of a scientific and fair talent evaluation mechanism. Concerning the management channel, the selection of reserve managers and foreperson is determined and evaluated based on the requirements of the quality assessment model. In terms of morality, the primary-level Party organizations should strictly control the pass of entrance. In the process, democratic recommendation, organizational examination, publicity and other work should be carried out to ensure that the control measures are in place. Concerning professional competence, a practice-based talent professional competence selection system has been established. The candidates' departments do a comprehensive review of their work performance, research achievements, job performance, etc. With respect to non-professional abilities, a scientific evaluation is conducted through AC evaluation technology.

With regard to the technical channel, the selection of experts and senior experts is also based on the ability model of expert talents. When making recommendations, the grass-roots party organization should check the political morality of the candidates. The candidates' professional theoretical level, business planning ability, business problem-solving capabilities, and knowledge dissemination abilities are evaluated through a competency evaluation and candidates with better results will be appointed. For the selection of supervisors, the company evaluates the abilities of candidates according to the ability model through professional competence reporting and non-professional assessment methods and matches them to supervisory positions. For the appointment of technicians, senior technicians, and chief technicians, the company has established an ability model for them. It carries out ability assessments to select top technical talents from the worker groups.





# Talent Cultivation and Platform Construction

FAW-Volkswagen provides a platform for employees to improve their abilities and train outstanding talents for the company. At the same time, the company builds platforms for managers, reserve managers, general management personnel, reserve forepersons, team leaders, and college students.

## I. Undergraduate Cultivation

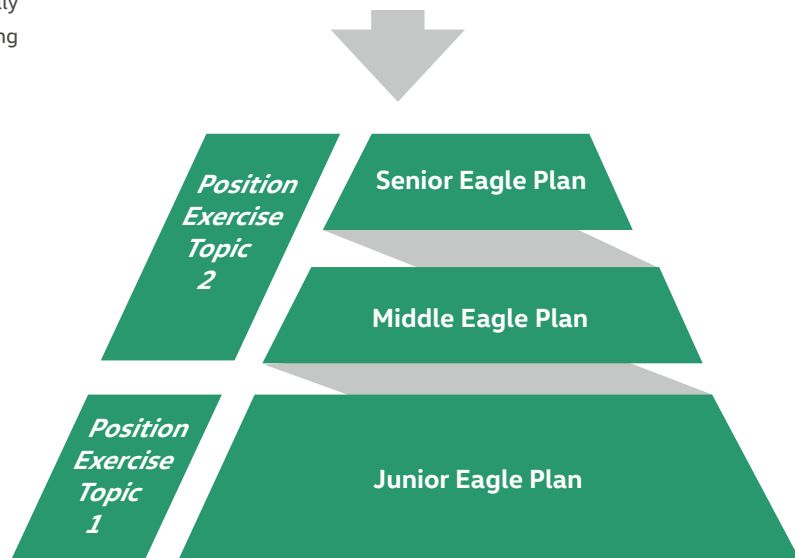
The company has systematically set up a platform for improving the capabilities of newly recruited management personnel, coordinated various training resources, designed and planned undergraduate cultivation programs to help college students grow.

## II. Technician Apprentices Cultivation

The company has established a competency model covering all manufacturing and manufacturing technician positions and, based on this, systematically designs training programs to implement pre-job training for technical apprentices.

## III. Reserve Manager Cultivation

The company has always paid attention to the cultivation of reserve manager candidates. Learning from the advanced talent training concepts used by Volkswagen Germany, the company has established a talent training mode by combining competition and training to facilitate the rapid promotion of talents. Through a model that requires intensive job experience, according to the reserve situation at different stages, the company determines different focal areas and departments provide candidates with manager mentors, relevant resource support and supplement them with targeted training as well as coaching.



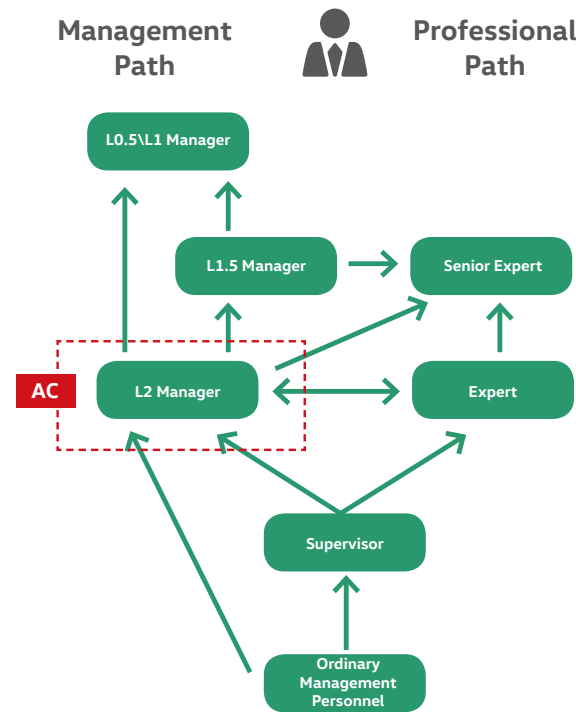
## Employee Development Channels

FAW-Volkswagen organically combines the needs of the company with the personal development of employees. It discovers and cultivates talents through systematic and effective mechanisms while providing a smooth, fair, scientific, and diversified career development path for employees.

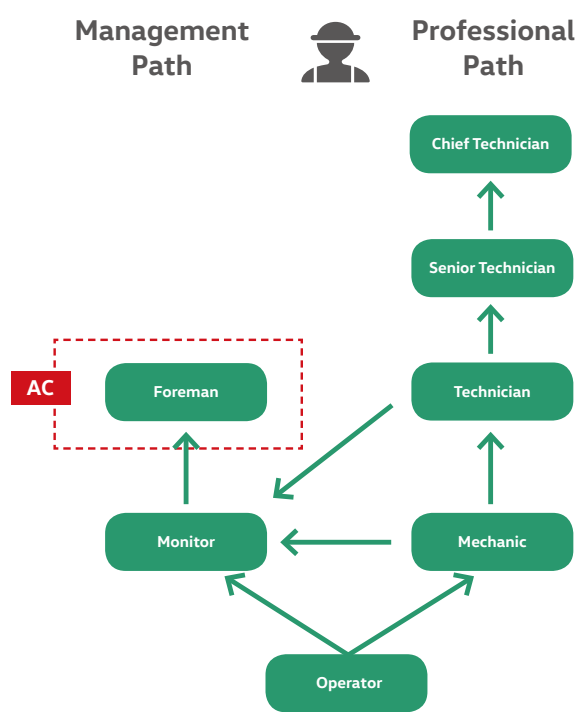
According to the characteristics and needs of different types of employees, through continuous exploration, FAW-Volkswagen has formed an "H" -type employee career development pattern that combines the management channel and technical channel. Basic managers can develop into supervisors through competency assessments. Basic managers, supervisors, and other experts may be recommended as potential candidates that could be recruited as one of the company's reserve managers. Through the reserve

manager development process, after passing the AC evaluation, they may be listed as secondary manager candidates. Through the expert evaluation process, supervisors may also become experts and experts may continue developing into senior experts. Operators may develop into mechanics, and even go on to become technicians, senior technicians and chief technicians through ability assessments. At the same time, operators can be recommended as candidates for reserve foremen positions after meeting certain conditions like having team leader experience, and become reserve foremen through the AC assessment and selection. After being formally appointed as a foreperson, they enter the development path to become management personnel.

## Management Personnel



## Worker



## Employee Training Course System

From new employees to managers, the FAW-Volkswagen Academy has set up various course systems targeted at different groups of people, including a management training course system, a skills training course aimed at the four major production processes, a range of technician training courses, quality assurance courses, automation technology courses, new product technology courses, new workers' induction training, new college students' induction training, etc.

## Training Platforms have been Constructed for Employees at All Levels

- Manager Training Platform: It is an important component of leadership training system construction.
- Candidate Training for Reserve Managers: Designed to comprehensively and systematically improve the capabilities of reserve manager candidates.
- Managers' Weekend Forum: Focuses on national policies and regulations, industrial development, leadership improvement, etc.
- Training Platform for Backup Forepersons: Includes MQB platform training and basic management training.
- Team Leader Training Platform: Includes GBQ platform training, basic management training and Coaching Car content.
- German Training: Divided into three programs it includes novice training, off-the-job training and pre-development training.
- Online Training: An online training system that covers all employees.

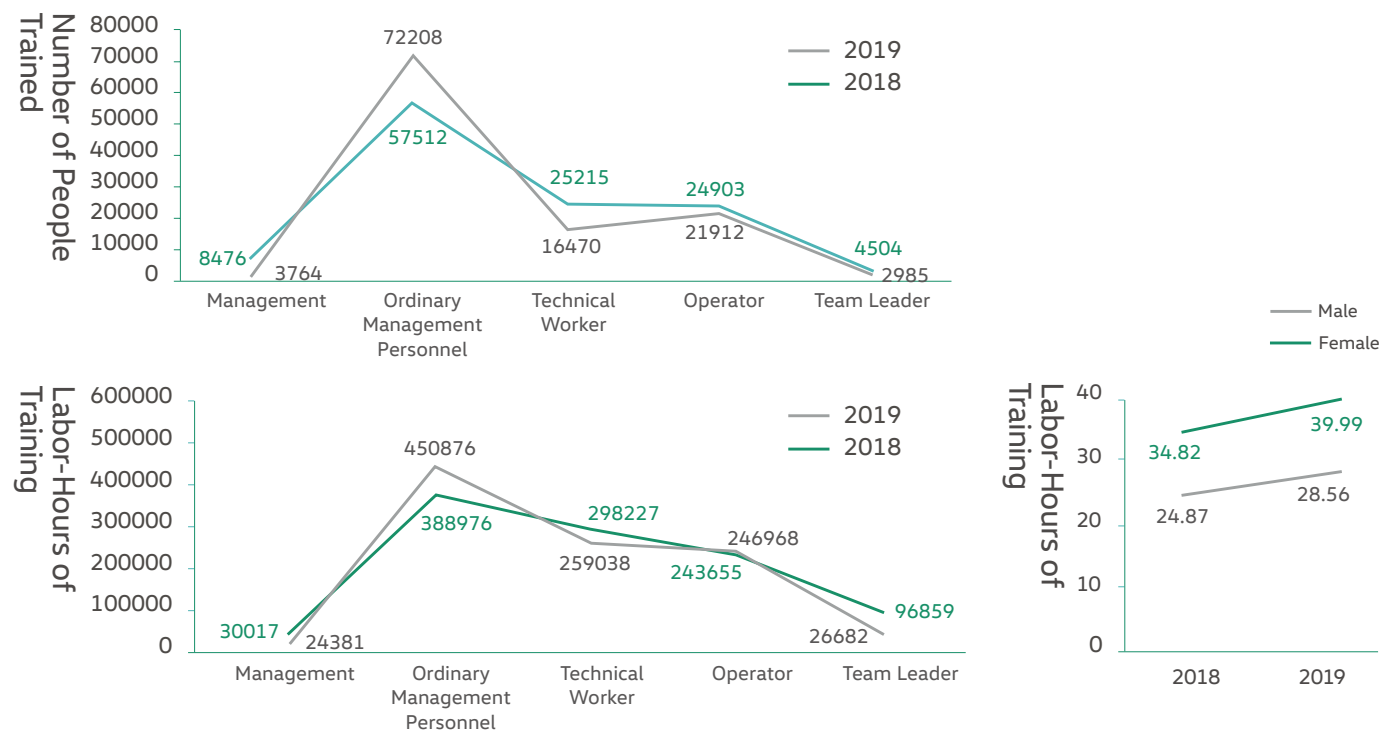




The Average Number of Training Hours Per Employee Per Year According to Gender and Position

The average number of labor-hours spent on training in 2018 was **25.53**

The average number of labor-hours spent on training in 2019 was **29.32**



## Cultivation of High-quality Automotive Talent

Under the AC evaluation system, FAW-Volkswagen has formed a perfect "double track" talent training system. An ordinary workshop worker not only has the potential to develop into a senior technician through a professional technical path but also can enter a management career path through the AC evaluation. These options allow every employee to realize their fullest potential. In April 2019, at the "2019 Auto Circle Night" theme ceremony, Liu Yigong, President of FAW-Volkswagen Automotive Co., Ltd., won the "China Automobile Pioneer" award, Wang Deliang, foreperson of the welding workshop of the FAW-Volkswagen Changchun Factory, won the "Most Outstanding Auto Worker" award. FAW-Volkswagen Sales Co., Ltd. and FAW-Volkswagen Audi Sales Division won the "Pioneer Marketing Team" award.

Under the guidance of a scientific personnel training system, more FAW-Volkswagen people like Gao Dawei, winner of the "National Worker Pioneer" and "national model worker," and Su Limin, winner of "Most Beautiful Automotive Worker" in 2018, pass on the "Craftsman Spirit" and "Engineer Culture."

## Rationalization Proposal

A Rationalization Proposal refers to a suggestion for improvement that has full staff participation; it aims to resolve problems or current issues, and when escalated also includes proposed solutions.

Every May, the company organizes month of Rationalization Suggestion activities to create an inclusive atmosphere where all employees may participate in internal improvements. According to their situation, each production area will carry out special activities

such as monthly improvement "star" selection and improvement "star" plant road naming. In 2018, the average participation rate in company-wide Rationalization Suggestion activities was 95%, of which the participation rate of personnel in the production department was 100%, and the participation rate of personnel in functional departments was 73%. During the implementation of Rationalization Suggestion activities, many excellent proposals emerged. In 2018, a total of 50 "Top Ten Improvement Stars" were selected. In 2019, the company-wide average participation rate of employees in Rationalization Suggestion activities was 95%, of which the participation rate of personnel in the production department was 100%, and the participation rate of personnel in functional departments was 73%. 2019 was the third time this initiative had been carried out, and 132 outstanding improvement cases were selected.

## Performance Management

Performance management is an essential part of business management. Since the launch of performance management reforms in 2018, the company has assigned targets to each responsible party and effectively created an accountability system that helps the company achieve its goals. Through the performance management of all employees, the assessment results are linked with each employee's career development and salary incentives. Performance management is also a key element in human resource management. Through a fixed cycle of goal setting, tracking and coaching, performance evaluation, and application of results, employees are more motivated, continue to make breakthroughs, improve their capabilities and maintain the overall energy of the organization. In 2018-2019, the percentage of FAW-Volkswagen employees who receive regular performance appraisals is 100% (excluding special circumstances).

# Occupational Health and Safety

## Occupational Health Management

FAW-Volkswagen adheres to the "people-oriented, safe development" philosophy. With the deeply embedded promotion of the ISO45001 Safety System as the primary guide, management is strengthened, implementation is closely monitored, sustainable progress is made, pragmatic results are delivered, and the Company's production and operation goals regarding employees' health and safety are not only met, but also provide a strong sense of security. Regarding employees' health and safety.

The company also has an Emergency Fire Prevention Committee, which is mainly responsible for carrying out and implementing the national guidelines, policies, laws, and regulations related to safety, fire prevention, and emergency work. They formulate implementation guidance according to the safety work deployment of higher-level departments and in combination with the actual situation of the company to supervise and conduct random safety inspections, fire prevention, and emergency work of various departments, understand safety-related issues, and actuality guide safety management. Today, the company has more than 180 kinds of labor protection measures, and the annual cost for labor protection measures is about 110 million Yuan.

At the same time, the company has also continued to carry out the standardization of construction team safety. It has strengthened teams' independent safety management capabilities and improved their safety management performance through operation observation, job rotation of safety officers, 14/28 safety training, and other activities.

### Implementation of Safety Inspections and Rectifications of Identified Issues

FAW-Volkswagen carried out routine, specific, holiday and other hidden danger investigations. 381 safety risks were identified, with a rectification completion rate of 100%.

## Production Safety Management

### I. Fully Implement the Safe Production Accountability System

FAW-Volkswagen implements a safe production accountability system at all levels. The director of the Emergency Fire Prevention Committee and all units have signed a "Safety Responsibility Letter," dedicating themselves to four levels of responsibility and one level of commitment. The company continues to strengthen the implementation of the "last mile" of the safety responsibility system across all departments. It has improved the capabilities of all departments by training them to manage their safety through checklists, ongoing monitoring, quarterly coaching, and quarterly assessments. The company continues to carry out routine, special, holiday and other hidden danger investigations, implements the "red-line" management, lists "safety locking" and "high-place operation" as the company's safety management "red lines," has "zero tolerance" policies and "treats violations as accidents" so that violators can be investigated, and the right people are held responsible for the daily hidden dangers of each unit. This ensures that no incidents involving extremely serious injuries have occurred.

### II. Solidly Promote the Establishment of a Safety Management System

The company has successfully completed the transformation from ISO18001 to ISO45001, and set up the company's safety management system, implemented the operation of 43 secondary elements, formulated, organized and carried out 2 system conformity evaluations, prepared and issued 9 branch-level safety system documents, formulated 23 items in three significant categories of safety inspection standards, designed the inspection system elements, and optimized the system. The company has

trained 19 internal auditors and carried out voluntary internal audit work for the first time in five places, which achieved good results and laid the foundation for further improving safety management.

### III. Consolidate Occupational Health Management

The goal of FAW-Volkswagen Occupational Health Management is to provide an "excellent working environment and zero occupational injuries." To achieve this goal, 59 kinds of occupational hazard factors have been identified comprehensively through the evaluation of current occupational hazards, involving 2,184 occupational hazard posts. The "Classification Principles of Occupational Hazard Factors" have been created and must be adhered to. Hierarchical management, strengthening the management of key toxic and harmful factors, and the implementation of annual + quarterly monitoring are all important factors. Intervention in new projects before they commence and tracking the construction process to ensure that occupational protection facilities are effective is also imperative. Every two years, 12,127 persons who are exposed to occupational hazard factors are to be examined before, during and after work. This allows for early detection in accordance with national medical examination standards and provides further insight as post-employment medical examinations are regularly analyzed. Employees who see elevated numbers during their examinations will be promptly transferred to posts away from occupational hazards to ensure there is no occupation-related diseases. Employees are provided with protective equipment and supplies to prevent specific occupational disease hazards, and records kept regarding the distribution of these supplies. From 2018 to 2019, the company recorded 36 cases of noise management, which directly resulted in improved noise levels at the production site and a more comfortable working environment.



## IV. Security Practices

FAW-Volkswagen's security team is managed by two well-known professional security companies in China. The company also has a professional supervision team responsible for monitoring the security company's daily work. All on-the-job security guards have participated in and passed the training certification of the security discipline of the Beijing Vocational Skills Training School, and have received the national security guard qualification certificate. In addition to these requirements, under the security team's training plan, FAW-Volkswagen regularly carries out training and drills in material prevention and inspection, large-scale special activities, emergency rescue drills, petition, and stability maintenance drills, etc. This allows the team to achieve its goal of 100% training coverage and 100% training qualification rates. This preparation comprehensively guarantees the stability of the company's public security environment and ensures stable, orderly production and operation of the company.

## Fire Safety Management

### Vehicle and Traffic Management

In terms of vehicle management, in the spirit of the Central government's 8 regulations, the company has strictly prevented formalism, bureaucracy, hedonism, and extravagance problem from recurring. Prevention has required the implementation of additional vehicle management. In accordance with the Group's Safety and Environment Management Department, the company's vehicle management related systems and procedures were revised to improve vehicle management policies, including those in sales areas. Records are kept and used as a guide for regional vehicle use. The use and management of official vehicles follow a three-level management system. Vehicle usage is monitored and inspected regularly. The management includes timely reminders and education regarding what constitutes proper use of corporate vehicles, especially during holidays and breaks to prevent private use. The company switched to Mobje for business travel on May 5, 2019, and has been continuously optimizing car-hailing efficiency through the development of the APP's car-hailing business. Currently, the Mobje team can dispatch cars within 2 hours. The company has managed the traffic in the yard through five touch points. It has continuously promoted civilized traffic operations and increased publicity efforts to form a more virtuous circle of traffic management. These initiatives have included: I. The revision, and perfection of 3 sets of traffic management rules and regulations. II. Publication and implementation of traffic management regulations across relevant units, and defined the processing standards. III. Improved the road signs and markings inside the yard (12,140 square meters), increased the number of pedestrian crossings, and added three mobile traffic lights. IV. Rectified specific traffic issues within the yard, which included correcting 224 violations of regulations. V. Provided social etiquette training to improve the traffic etiquette inside the yard, issued 3,000 copies of the "Civilized Transportation Initiative," 6 sets of promotional videos and 30 posters.



### Fire Prevention

In 2019, FAW-Volkswagen continued to strengthen fire safety management and improve the mobility rate of fire-fighting facilities, with the annual average value reaching 99.81%. At the same time, the "zero" target for fire prevention was set. As a result of an ongoing analysis of the fire incidents that have occurred in the company over the years, 69 specific management and prevention measures in 4 categories were established and gradually implemented to ensure the company's comprehensive fire safety. In addition, the scientific and well-implemented management of fire safety was effectively realized through continuous establishment and improvement of the standardization of requirements in new energy fire-fighting, construction work, hazardous chemicals, etc.

### Management of special equipment such as boilers and pressure vessels

The company carries out annual inspections on special equipment such as boilers and pressure vessels, with an inspection rate of 100%. New construction, remodeling, or expansion projects all adhere to the "3 Simultaneous Principles."

## Management and Control of Key Production Safety Posts

FAW-Volkswagen comprehensively identifies the safety risks existing in areas such as production processes, equipment, facilities, operating environment, personnel behaviors and management systems throughout the whole process, and then scientifically assesses the safety risk levels. For safety risks of different types, the company adopts corresponding risk assessment methods to determine the actual safety risk level. To effectively control safety risks, risk levels divided from high to low include major risk, greater risk, general risk, and low risk. They are respectively marked with the four colors of red, orange, yellow, and blue to control safety risks effectively. We manage security risks by classification, stratification, and specialization, implement the management and control responsibilities of the companies, workshops, teams, and positions individually to ensure security measures are implemented, risk announcements and warnings are received A security risk announcement system has not only been established but is also continuously improved. Risk education and skills training are also being improved.

# Employee Care

FAW-Volkswagen has long respected employees' efforts and achievements as well as their personal development plans. We recruit on an equal and open basis and provide career opportunities and development opportunities without prejudice or discrimination. Moreover, we acknowledge employees' willingness and rights, use no forced or compulsory labor, and provide them with reasonable and legal channels for expressing opinions. Besides, we always provide employees with opportunities for development to keep them continuously improving their capabilities and value. To comprehensively increase employees' happiness and life quality, we also pay attention to employees' mental and physical health, advocating a good balance between work and life. In FAW-Volkswagen, the interests of employees are always guaranteed, and we inform employees 30 days in advance of any major changes. In addition, a company-level trade union committee was formed with specialized working organizations and groups as well as sub-committees at all levels, which could be adjusted based on our company's development. Stable job positions, the best working conditions and a harmonious working atmosphere, along with performance-related, competitive compensation and benefits, make employees proud to be members of the FAW-Volkswagen team.

## Standard Employee Benefits

The standard employee benefits provided by FAW-Volkswagen are in accordance with the standards of the city or province where they are located. For operations in Changchun, Chengdu, Foshan, Qingdao, and Tianjin standard benefits include basic endowment insurance, corporate annuities, basic medical insurance, supplementary medical insurance, unemployment insurance, employment injury insurance, maternity insurance, housing provident fund, annual leave, marriage leave, home leave, prenatal examination leave, maternity leave, paternity leave, child care leave, heating subsidies, high-temperature subsidies, health subsidies, etc. In order to improve employees' retirement experience and enhance their sense of belonging to the company, HRBP will additionally give retired employees a memorial card when they retire.

By the end of 2019, there were 39,610 male employees on active duty and 2,607 female employees on active duty. All employees who meet the conditions for maternity leave and paternity leave can enjoy the leave. In 2018, 225 female employees took maternity leave, and 2,632 male employees took paternity leave. From January to November 2019, 194 female employees took maternity leave, and 2,460 male employees took paternity leave. Employees returned to work on time after taking maternity leave and paternity leave, and there was no evidence of a trend regarding people leaving within twelve months after returning to work. The proportion of employees returning to work and retaining work after their leave was 100%.

## Employee Services

### Shuttle Bus Operation

The Changchun Base has 244 shuttle buses, of which 131 are air-conditioned, and there are 20,800 cardholders. In coordination with the 13 kinds of production shift combinations, 74 lines have been developed and set up, with more than 410

stations. On average, there are 21,184 bus runs each month. The annual total distance traveled is 4,333,000 kilometers. In 2019, 24 new stations and 6 lines were added.

Round-trip shuttle buses cover all places of work between the sales companies, Tianqi, MQ200, EA211, Q Plant, EBO, and other areas, which make it convenient for employees to travel.

In 2019 a smart bus system was launched so employees can check the bus location and bus adjustment notices.

At the same time, the company has attempted to make winter travel safer and more comfortable. There have been several improvements made to the shuttle buses which include design improvements, software and hardware improvements like environmentally friendly and sanitary components (glass, cushion, floor, luggage holder and instrument panel), temperature control (warm air, daily temperature monitoring curve), improved equipment and facilities (seat, armrest, window sealing degree) and improved service standards for drivers and conductors to provide comfortable and efficient services for employees.

## General Services Management

Benefits for Production Staff: Each year, the company books 120,000 airline tickets for employees. It has signed corporate deals with 117 contract hotels in Beijing, Shanghai, Changchun, Qingdao, Tianjin, Chengdu, and Foshan. It has established a complete travel service system of accommodation, transformation, and reimbursement for factories in other cities. The company uses the WeChat platform and other channels to carry out travel service satisfaction surveys to supervise and improve the quality of the travel services being provided to employees. From January to February 2019, the company guaranteed the steady and smooth switch of travel service providers. On September 27, 2019, the travel service reservation system was launched. It allowed for full advance payments to contract hotels that link to six factories in five locations.

At present, Changchun Base has 69 changing rooms with 223 personnel in place to monitor them. These provide essential dressing and bathing services for 33,000 employees. There are also 16 convenience stores and 8 vending machines available for their daily use.

In 2018, 29,669 physical examinations were conducted, there were also 10 health information sessions provided. The first aid station in the health center was visited 87 times. In 2019, there were 22,628 physical examinations, 8 health information sessions, and the first aid station in the health center was visited 83 times.

Physical examinations are a combination of "basic and elective" items. The items offered are adjusted each year based on the physical examination results of the previous year. After the physical examination, any employees with abnormal results receive a follow-up and a paid return visit to ensure their health needs are carefully considered.

Summer Overheating Prevention and Cooling Measures: Cold food and drinks, including ice cream, beverages, and other treats deemed to help beat the summer heat, are distributed in excessively warm areas to nearly 18,000 people. Drinks are selected by employees through on-line voting to enhance employee engagement.

Drinking Water Management: 3,300 drinking water dispensers are maintained, and about 600,000 barrels of water are provided throughout the year.

In 2020, the Logistical Support Department will continue to adhere to the working motto of "The company has peace of mind, the employees are comfortable, and the families rest assured." It will strengthen management capabilities, improve service quality, expand and enhance services, reduce costs, and increase efficiency. Digital and more modern management methods will be introduced to provide the company and employees with better logistic services that are of higher quality and efficiency.



# Work Environment

The Changchun Base provides employees with 270,000m² of daily indoor cleaning services and 1,080,000m² of outdoor cleaning services. It also maintains 9,752 trees, 130,000m² of green space, 2,296 shrubs, 4,438m² of hedges and 2,600 potted flowers. It ensures the on-site environmental sanitation and greening of large-scale activities such as the Company's cultural festivals and the employees' Family Day. These initiatives not only ensure a clean and beautiful working environment for employees but also demonstrate the commitment of the company to the welfare of its employees.

Between 2018-2019 a total of 30 snowfalls were cleared, 53 vehicles were put into operation, and 6,400 temporary employees were used to ensure operations were not interrupted.

# Employee Satisfaction 102-41

Since the launch of the employee satisfaction survey in 2002, FAW-Volkswagen has actively offered suggestions for the company's development, and employee satisfaction has gradually increased. In 2019, the company's employee sentiment score jumped to an all-time high of 85.8 points, and employee engagement achieved a good result of 67 points.

FAW-Volkswagen values the rights and interests of all employees. It protects the rights and interests of employees and collective bargaining power within the company. According to national laws, FAW-Volkswagen regularly organizes employee representative meetings attended by both employers and employees. The General Manager of the company is to be represented by an authorized representative of the Chairman of the Board of Directors. Employees entrust the Chairman of the Trade Union and employee representatives to negotiate to ensure that employees can act in accordance with the law through employee representative meetings. These meetings ensure that employees have the right to know, participate, express and supervise under the law. The number of employee representatives shall be elected according to the requirements stipulated by the national law stating, "enterprises with 10,000-50,000 employees shall have employee representatives totaling no more than 500 people." The employees shall participate in the democratic management of the Company and institutions according to the law through the employees' congress, support the legitimate production, operation, and management activities of enterprises and institutions, and safeguard their legitimate rights and interests. Meanwhile, all employees, including security personnel, are provided with human rights training to understand their job responsibilities.

In addition, through collective negotiation between the company and the company's labor union, the FAW-Volkswagen Collective Contract was voted and adopted at the 12th meeting of the Second Employee Congress of FAW-Volkswagen Co., Ltd. on January 10, 2020. The Collective Contract includes 15 chapters and 104 articles, including general provisions, labor remuneration, working hours, rest and vacation, insurance and welfare, vocational training, work safety, and occupational health management, special protection for female and minor workers, labor contract management, rewards and punishments, employment security, etc. According to the Collective Contract, FAW-Volkswagen will carry out safety production education, training and pre-job training for its employees to ensure that they have the necessary safety

production knowledge. Special operations personnel shall receive specialized safety training, and obtain corresponding qualifications in accordance with relevant Chinese regulations before taking up their posts. In addition, the Collective Contract has 14 agreements on safety in production and occupational health management, to push the company to continuously improve the safety and health management levels and continuously ensure the safety and health of employees.

# Employee Care

## Canteen Care

The company's Changchun Plant currently has 19 staff canteens. Among these, there are 3 halal canteens and 2 foreign canteens that provide services for ethnic minority employees and foreign employees. There are more than 28,000 diners every day, and in addition to the normal three-shift working meals, they are also provided with overtime meals and snacks.

The food warehouse provides a sufficient supply of 799 types of kinds of ingredients to guarantee employees have a wide variety of food options. Except for produce and other agricultural products, all ingredients are produced by brands that are famous within China or their respective province. During local holidays and festivals, traditional foods such as sweet dumplings (yuanxiao), rice in steamed leaves (zongzi), and moon cakes (yuebing) are available for employees to enjoy. Minority groups are also respected so special foods (halal) for employees from the Hui minority are provided.

The company organizes employee snack food selection meetings in May and October each year. Employees vote for their favorite snacks so that they may be included in the selection provided to employees. The snacks with the most votes will be available for the year. During the annual food safety inspection, 3,936 items were tested, including a wide range of items such as food, tableware, cold storage rooms, etc. As a professional inspection force, it is responsible for the company's food safety.

On August 17, 2018, the canteen of the Q plant paint workshop was opened. On August 6, 2019, the EA211 Restaurant was renovated and reopened.

In order to further improve employee satisfaction and improve the canteen staff's service awareness, the company has built an exchange platform where dining staff are able to participate in employee care activities.

The canteen organizes seminars twice a year to introduce food and beverage quality standards as well as procedures to employees. Staff representatives "walk into the canteen" and explain about high-quality food materials and strict food safety control measures. The whole process has been well received by diners and has not only deepened communications but also allowed employees to understand what goes into their meals more clearly.

From 2018 to 2019, the "FAW-Volkswagen staff meal tasting festival" activity was organized to allow employees to enjoy the food thoroughly, experience the cooking techniques of the canteen, and accumulate important data for the recipe library.

On January 16, 2018, the New Dietary Technology Card was revised to screen and sort out favorite dishes of employees, and to add information such as nutritional content of dishes, calorie content, applicable population, etc.

The Logistics Support Department strengthened food safety management from six aspects: ingredients support, equipment and facilities support, processing support, employee capability



support, internal inspection and supervision support, as well as system and process support. They adopted a "step-by-step implementation responsibility system," incorporated multiple management methodologies, and enhanced software and hardware. These efforts have allowed them to have 0 food safety accidents throughout the year. On November 6, 2018, two new FAW-Volkswagen A-level canteens passed their reviews with flying colors. On November 6, 2019, all FAW-Volkswagen A-level canteens passed their inspections and were highly praised. The results were also authenticated by the Food and Drug Administration of the Auto Development Zone and the provincial Food and Drug Administration.

## Care for Female Employees

From production to sales, from R&D to planning, every area within FAW-Volkswagen is graced by hard-working female employees.

On March 6, 2019, the company held "Beauty of Dedication" Advanced Female Employee Commendation and Symposium, and honored the advanced female employee groups and individuals in 2019. The attending leaders presented the awards to the winners, congratulated them, and expressed their gratitude for their efforts. The Labor Union of the Company also organized a series of activities for all female employees: Beauty of Soul-DIY renovation of old ornaments, Beauty of Sports-fun activities for female employees, Beauty of Cooking-cooking contest, Beauty of Elegant Demeanour-talent show and Problem-Solving for Women-WeChat Q&A. All these activities created a healthy, harmonious, happy, warm and unforgettable atmosphere for all female employees.

The company's Female Employee Committee led female employees from all sectors to help get special lounges for female employees with unique needs during pregnancy. The lounges were praised by female employees.

With the company's growth and development, the number of female employees has continued to increase. They are important not only because they are an integral part of their families, but also because they are an invaluable part of the company.

## Care for Foreign Employees

FAW-Volkswagen consistently cares for foreign employees. The company maintains regular communication with representatives of foreign employees and government departments, actively listens to employees' voices, and based on employee needs formulates and carries out caring initiatives.

### Improving Local and International Medical Security

FAW-Volkswagen continuously promotes the improvement of local and international medical security for foreign employees. In response to medical emergencies, the company coordinated with Changchun Emergency Center to create 120 emergency telephone services in both Chinese and English in March 2019. It also promoted an emergency assistance mobile APP to foreign employees and their families. With a real-time positioning function, the efficiency

and accuracy of emergency assistance were further improved. At the same time, the company also invited German experts to provide professional emergency rescue skill training for foreign employees and their families in 2019, to improve their first aid skills and help them when dealing with medical emergencies. In addition, FAW Hospital's International Clinic continued to provide high-quality medical services to foreign employees and their families. Foreign doctors have been available for a long time and received more than 1,550 and 2,380 visits in 2018 and 2019 respectively. They can meet the needs of foreign employees and their families for daily medical treatment, hospitalization, general surgery, and postoperative rehabilitation.

### Facilitating Foreign Policies and Procedures

FAW-Volkswagen, together with Changchun Municipal Government, continues to develop foreign affairs policies and procedures that better meet the needs of foreign employees. At present, foreign employees and their families who come to work in Changchun can apply for work and residence permits that are valid for three years, and processing has been expedited. In addition, foreign employees are prioritized when renewing their driving licenses, which reduces the waiting time. The driving license test frequency has been increased to once a week for foreign employees so that they can take the test more flexibly in their free time.

### Promoting Integration and Sino-Foreign Cooperation

Activities, such as cross-cultural training for Chinese and foreign managers, joint outdoor activities for partners, and joint interviews for partners, were organized to deepen understandings and enhance communication between Chinese and foreign employees. Foreign employees were recommended to run for provincial, municipal and company-level awards, during which several outstanding foreign employee representatives won the "Changbai Mountain Friendship Award" of Jilin Province, Outstanding Foreign Experts, Outstanding Partners, etc. These initiatives greatly enhanced the sense of integration and honor of foreign employees.

### Enriching Cultural Life

In 2019, FAW-Volkswagen cooperated with Changchun Municipal Government to organize various cultural exchange activities to enrich the local cultural life of foreign employees. Special activities included the New Year Concert for Foreign Friends in Changchun, "China Excellent Traditional Culture Experience Day," Sino-German Friendship Concert, and Visit Changchun New District Planning Exhibition Hall. During these activities, there were more than 400 visits by foreign employees and their families who gave positive feedback and high praise. Through participating in these activities, experiencing Chinese traditional culture and local customs, and appreciating wonderful performances by well-known orchestras and artists from home and abroad, the quality of foreign employees' cultural life was significantly improved.



# Customer Health and Safety

## Product Safety Evaluation

C-NCAP, founded in 2006, has been guiding and urging automobile manufacturers to improve their safety technology so that consumers can buy safer, more reassuring products. All models of FAW-Volkswagen are developed in accordance with C-NCAP and C-IASI standards. The maximum number of vehicle crash safety tests are conducted. The test results are reviewed under the guidelines of the Konzern Production System before SOP to ensure the safety and reliability of vehicles put on the market.

To date, the company has obtained the official five-star certification for 14 models. Two models have received C-NCAP2018 Super-5-star Certification (currently only three models have received Super-5-star Certification under 2018 C-NCAP rules, with FAW-Volkswagen accounting for two). 2019 is the second year of the implementation of C-NCAP2018 Rules, which comprehensively assesses the safety development level of an auto manufacturer and overall performance has been significantly improved. Among the many high-scoring models emerging in 2019 were the Audi Q5L and Volkswagen Tayron, which both obtained a 5+ star rating. They demonstrated a high level of comprehensive safety performance. The Audi Q5L even obtained full marks in active safety tests. In terms of passenger protection, the Volkswagen Tayron and Audi Q5L demonstrated outstanding passive safety performance with high scores totaling 97.01% and 95.52%, respectively.



## Voluntary Recalls

From January 1, 2018, to December 31, 2019, FAW-Volkswagen actively fulfilled its solemn commitment to ensure safe driving of customers in accordance with relevant provisions of the "Management Regulations on the Recall of Defective Automobile Products" and "Measures for the Implementation of Management Regulations on Recall of Defective Automobile Products," and carried out 5 voluntary recalls.

In 2019, FAW-Volkswagen optimized and updated the "Product Safety Committee Scope of Responsibilities and Work System" and the "Management Procedure for Product Recall Services under the Volkswagen Brand" to further ensure compliance as the premise and to ensure customer satisfaction as the purpose. It organized and implemented recalls in an efficient and orderly manner, and established consumers' recognition and trust of FAW-Volkswagen products.

## Product Marketing Legitimacy

To comply with relevant national laws and regulations related to advertising, improve consumer satisfaction, put an end to consumer complaints about false advertising and maintain the brand image, FAW-Volkswagen places heavy emphasis on its responsibility to users. By strictly examining advertisement contents, strengthening multi-party control, and implementing a step-by-step review process during product promotion, it aims to ensure all contents are legal, accurate and correct. At the same time, the company also attaches great importance to intellectual property rights; for all copyrighted music, videos, pictures, portraits, fonts, etc. involved in the advertisement, the company proactively communicates with copyright owners, pays for related copyrights and fully respects intellectual property rights. Based on the "Approval Process of Advertisement Creative and Design" formulated in 2017, in 2018 and 2019, the company continued to strengthen law and regulation training for communication-related managerial personnel, business personnel, RSDs, dealers and advertising company partners. The training aims to continuously improve the legal awareness and compliance awareness of marketing personnel.

## New Project Construction

### Introduction of Laser Radar Optical Measurement Equipment

In 2019, to comprehensively improve user perception, the quality assurance measurement field expanded automatic optical measurement capabilities and introduced laser radar measurement equipment. The measurement method advantages included increased speed, high precision, high accessibility, virtual matching analysis, and more. This opened up prospects in the field of self-made component testing.

To further improve measurement efficiency and increase frequency as well as the consistency of dimension monitoring, the Measurement Technology Department of CP 1 introduced laser radar measurement equipment to measure and analyze a whole body of parts which included the underbody of the vehicle and main welding. This capability fully demonstrated the advantages of optical measurement equipment when it comes to measurement efficiency. The overall efficiency increased by 230% and effectively supported the monitoring, measurement and analysis requirements of projects, and batch models.

While doing batch measurements, the optical robot can also use point cloud data for virtual matching. With precision, it can simulate the assembly conditions of the adjustment line, use clear visual effects for rapid analysis, and provide faster and more efficient support for solving matching problems in production.

Based on a large number of measurement results, it can analyze measurement data in real-time, identify dimension fluctuation points, rapidly analyze size fluctuation, search change points, promote the efficient solution of problems, and improve the stability of dimensions.

### Audit Evaluation System for Complete Vehicles

Complete vehicle AUDIT evaluation (Fahrzeugaudit) is a random sampling assessment of completed vehicles which are confirmed as conforming products by production and QA. They are analyzed in a professional and comprehensive manner by independent and professionally trained evaluators based on the unified standards of vehicle quality assessment made by the Quality Assurance Department of Volkswagen Group Germany. Fahrzeugaudit is not the re-inspection of qualified products, but the reflection of product delivery quality status indicated as the product quality complaint score and quality level according to the evaluation criteria.

In 1970, Volkswagen Group Germany began applying Fahrzeugaudit. After 50 years of continuous practice, reform, and innovation, the unique Fahrzeugaudit system of the German Volkswagen Group was established. This evaluation system applies to all brands owned by Volkswagen Group. In 1992, FAW-Volkswagen Automotive Co., Ltd. started to adopt the Fahrzeugaudit system. At present, the company's Fahrzeugaudit team has 10 engineers and more than 30 evaluators. It has evolved from the initial single model evaluation to the current multi-dimensional complete vehicle quality evaluation of more than 20 models. The number of evaluators and their capabilities are improving year by year.

Fahrzeugaudit plays a vital role in the company's quality improvement.



Through the continuous evaluation of all items and batch models by evaluators, the Production Department can take preventive measures and find solutions to product quality complaints in a timely manner, continuously promote the improvement of product quality, reduce quality complaints out of the factory, and reduce the after-sales complaint rate every year. The quality level and brand image of the company's various models have also improved significantly, reflecting the company's commitment to producing high-quality vehicles for users.

## Vehicle Interior Safety

In recent years, consumers have been paying greater attention to the safety of the interior environment. However, FAW-Volkswagen has always regarded it as an important part of car safety, which is the final factor for consumers. Just like the virus from the COVID-19 global pandemic, it has a diameter of about 0.08-0.12 microns and is often attached to droplets with a diameter of usually more than 0.74 microns. With the virus spread through droplets, aerosols, contact, etc., based on concerns for consumers' health, FAW-Volkswagen's three major brands immediately began upgrading their interior safety technology.

Through the Clean Air strategy, the Volkswagen brand is committed to creating a healthy and safe car life for users. Clean Air uses Hyper-double-effect filters, which can achieve a filtration efficiency of more than 95% for particles larger than 0.3 microns in diameter. Clean Air 2.0 also has an active air purification function, MIB display purification process, equipped with humidity sensors, air conditioning logic optimization, and CO<sub>2</sub> control functions. Clean Air 3.0 uses the PM2.5 sensor inside the car and the network to obtain the PM2.5 value outside the car, which can display the pollution index on the MIB interface, so that users can more intuitively feel the cleanliness of the air in the car.

The Audi brand uses nine technologies including physical interception technology, electrostatic adsorption technology, activated carbon adsorption technology, antiallergenic technology, a comfortable indoor humidity automatic regulation system, fresh air control system, PM2.5 intelligent detection and purification system, negative ion purification system, and healthy fragrance system to fully block the transmission of pollution, remove bacteria and dust, and protect the physical and mental health of users.

The Jetta brand uses upgraded high-efficiency non-woven fabrics as air conditioning materials. It adopts a double-layer structure (i.e. prefilter layer plus meltblown microfiber layer), with a filtration efficiency of over 95% for dust particles with a size of 0.3 microns. This greatly improves the filtration efficiency of the original air conditioner for fine particles and dramatically increases the protection of the sealed environment in the car.





# Compliance Management

## Think Compliance . Live Compliance

FAW-Volkswagen attaches great importance to compliance. With the joint efforts of Chinese and German shareholders, the company has comprehensively promoted the establishment and improvement of the compliance management system in accordance with a series of domestic and foreign compliance system standards and guidelines, such as <ISO 19600: Compliance Management System – Guidelines>, <GB/T 35770: Compliance Management System – Guidelines> and <Guidelines on Compliance Management for Central Enterprises>. In the past two years, under the leadership of the company's compliance committee, the company has organized to carry out all types of compliance work from the four major dimensions: organizational guarantee, system construction, management operations, and cultural construction. It made every effort to promote compliance construction with the concept of "Think Compliance. Live Compliance."

In terms of the organizational guarantee, the Board of Directors reviews compliance work reports and legal work reports each year. It makes deployments and resolutions on the company's major compliance matters. The company compliance committee meets regularly to discuss the deployment of the company's compliance framework. The Compliance Working Group is responsible for ensuring the implementation of company's day-to-day compliance initiatives in an orderly manner and promotes the continuous improvement of the compliance management system.

In terms of system construction, FAW-Volkswagen continuously

improves its compliance institutional system, updates and improves documents such as the <Code of Conduct for FAW-Volkswagen Employees> and <Responsibilities and Work Mechanism of the Compliance Committee> according to the company's development and management requirements. It establishes new specific compliance management processes and tools such as the <Regulation on Management for Conflicts of Interest> to clarify the company's values and business ethics requirements as well as to provide the basis for daily compliance work. The organization of the company's annual compliance risk assessment and response, tracking the implementation of key risk prevention and control measures, carrying out compliance monitor projects to discover management loopholes in a timely manner are all part of the management operations.

To broadcast a compliance culture and promote compliant business operation, compliance communication of various forms with rich content, diversified and targeted compliance training, and multichannel compliance consulting service provided.

Besides, FAW-Volkswagen practices the principle of compliance and legality throughout its business partner management. It has increased compliance communication and supervision of its suppliers. It has also gone to great lengths to promote internal and external compliance management throughout the entire value chain.



## Anti-Corruption

FAW-Volkswagen emphasizes integrating integrity risk control into business processes, focusing on personnel, effectively identifying integrity risks, formulating targeted prevention and control measures, promoting the implementation of measures to ensure the effective prevention and control of integrity risks. From 2018 to 2019, after an evaluation of various departments, a total of 398 key positions, accounting for 46% of the total number of positions were identified. Among them, were relevant posts that have access to specific resources and a certain degree of power, and whose opinions, suggestions and decisions have an important influence on production and operation management. These positions include purchasing managers, purchasing personnel, the RSDs presidents of the sales company, weight inspection workers of the Changchun Base, etc. These have all been evaluated and deemed key posts and are currently held by 5,844 personnel. After evaluating key posts and identifying risks, relevant measures to prevent risks in a targeted manner were further formulated.

The company has set up a hotline and mailbox for the special commission for discipline inspection reporting. These channels are published on platforms such as the corporate information portal to ensure smooth access to reporting channels. In accordance with the relevant regulations, the discipline inspection Commission of the company regularly handles complaints and problems raised through various channels. Special meetings are held where decisions will be made regarding the issues that have been raised. Letters and calls belonging to the discipline inspection, after a comprehensive analysis, shall be handled through a four-step process: discussion and inquiry, preliminary verification, temporary holding for investigation, and settlement. A discipline review shall be carried out in accordance with the rules and disciplines. To ensure issues are handled with discretion, letters, and calls belonging to the discipline inspection shall be transferred to the responsible department for further action.

FAW-Volkswagen continues to deepen employee education throughout their careers to solidify integrity and compliance education systematically. Especially for key posts that possess integrity risks, it is necessary to help create an incorruptible and upright operation environment. From 2018 to 2019, 28 newly appointed managerial personnel received training on integrity, and 192 people were interviewed and provided with integrity reminders. 597 people received integrity compliance education for reserve manager candidates. More than 260 people attended integrity classes for forepersons and shift leaders. Each year, 300 people attended integrity employment training sessions for college students involved in campus recruitment. Layer-by-layer various positions participated in integrity and compliance sessions that covered more than 700 managerial personnel, and there were an additional 10,000 training slots that were filled by other key personnel. At a Party level, 8 sessions effectively accounted for 100,000 training slots and ensured all employees received related training. Besides the internal efforts, the company also attaches great importance to external anti-corruption education. Members of the Party Committee led a delegation to visit Phase 1 of the Integrity Education Base in Jilin Province. L1.5 and above managerial personnel visited Phase 1 of Tiebei Prison. Managerial personnel visited Phase 2 of the Anti-Corruption and Integrity Education Base. There were two training sessions conducted by external experts and accounted for an additional 1,200 training opportunities for people in key positions. Beyond these efforts, the company also made great efforts to ensure people were able to identify corruption with 17 professional training sessions focusing on the creation of a disciplined inspection system. This included 200 training opportunities that were filled by full-time and part-time discipline inspection cadres.

The company also attaches great importance to establishing pro-integrity business relationships with its partners. During important holidays from 2018 to 2019, key business departments with integrity risks, such as sales and purchasing departments that have business relations with business partners, sent more than 46,000 emails reminding them of the importance of integrity.





# Customer Satisfaction

## Case Study: Solving Customers Problems

### Volkswagen Brand

The FAW-Volkswagen brand has always placed the interests of its customers first. It has adopted a 7\*24-hour \*365-day operation mode to provide customers with emergency rescue , business consultations, complaint receiving and other services. From 2018 to 2019, it has served a total of 1,907,527 customers and interviewed 4,092,866 customers. Customers have highly praised it for its multi-channel, full-time, high-quality services. The FAW-Volkswagen brand sees customer satisfaction as a duty, so it is continuously improving service processes and systems to enhance the customer experience. They also highlight the concept that companies have a responsibility that goes beyond the products with the service concept of "preciseness is love."

### Audi Brand

Based on the concept of being "customer-centric," FAW-Volkswagen Audi continuously strengthens its brand building and user experience and has established a deeper emotional value resonance with users. From 2018 to 2019, there were a total of 1,174,097 consultations related to vehicle function usages and financial policies. 34,115 users received emergency rescue services. 69,300 customer complaints are processed. Customer satisfaction reached 98%, and the company was praised by customers on multiple occasions. At the same time, FAW-Volkswagen Audi undertook 20 projects, such as customer interview, outbound calls and tapping

potential customers and made a total of 1,850,747 outbound calls.

### Jetta Brand

The Jetta Brand Customer Care Hotline was established in 2019 to provide customers with efficient and high-quality services 24 hours a day, 7 days a week, and 365 days a year. By popularizing common knowledge of vehicle use, conveying market activity information, informing dealers/service addresses, resolving customer complaints, and arranging rescue services, etc. In 2019, Jetta Brand Customer Care Hotline scored 96.89 points (Total score: 100 points). Customers have recognized the Jetta Brand Customer Care Hotline's service, and the brand aims to provide an even better customer experience in the future.

## Customer Privacy Protection

The Volkswagen Brand has formulated strict management measures concerning customer information confidentiality to ensure that customer privacy is fully protected. Obtaining customer information and vehicle information requires the permission of the customers. The establishment of a complete customer information management system and process ensures the use of customer information is strictly controlled. At the same time, when directly contacting customers, we will first obtain the consent or authorization of customers before proceeding. To date, no complaint has been received where a customer claimed they had experienced an invasion of privacy or loss of customer data. Based on the "Approval Process of Advertisement Creative



and Design" policy that was enacted in 2017, the company continued to strengthen legal and compliance-related training for communication-related managerial personnel, business personnel, RSDs, dealers and advertising agency partners in 2018 and 2019. These trainings aimed at continuously improving legal and compliance awareness among marketing personnel. The Audi Brand has carried out a series of initiatives related to user information security, established an information security monitoring process, provided information security training for all employees, established safety awareness, used the system to transmit data in a hidden manner, and prevented user information from being stolen through scientific data encryption technology, firewalls, and antivirus software.

The Jetta brand is committed to the protection of business operation safety and data security and has created an overall planning mechanism that includes the entire data life cycle. It includes data collection, transmission access, storage, usage, and other aspects that form a mechanism for all-round "effective protection for the future," a data safety governance system for sensitive data identification, identity protection mechanisms, platform and application safety, and more.

In the data collection phase, according to the Jetta Brand User Privacy Agreement based on the FAW-Volkswagen Personal Information Data Security Protection Framework, the collection scope, application scope, and privacy protection commitment will be predefined. In the data processing stage, a security interface accesses data, during which information is desensitized and encrypted. In the application phase, data acquisition and application authority of relevant posts is strictly managed together with internal data transfer records according to the Jetta Brand Customer Profile Management Procedures. So that data security awareness is reinforced, user information security training is also carried out within the company and among partners.

## CRM System

### Volkswagen Brand

CRM includes consultation, rescue, complaints, RTM, Mobje mobility, monitoring reports, and other business modules. Through the system that interfaces with the server of the big data center, the call center system formulates an efficient information transfer platform to realize fast and accurate information transfers and direct communication with customers, dealers, and business departments, to efficiently address customer needs and improve the customer experience. The Volkswagen brand is also committed to building intelligent call centers, developing intelligent systems such as voice-to-text, and an intelligent online automated system

to better tap into the value of customer data and provide strong support for corporate decision-making and market analysis. Every year, the Call Center receives nearly one million customer inquiries, calls for road service and complaints. It provides customers with various professional services, including vehicle comparisons, vehicle operation guidance, complaint acceptance, remote mobility services, and more. It carries out more than one million customer care and survey calls to listen to the voices of customers to understand their needs better. At present, the Call Center has realized a multi-channel service model to meet the behavioral habits and the diversified needs of different customers to improve customer experience. Through continuous efforts and improvement over the past two years, the FAW-Volkswagen Call Center has achieved great success. It has been awarded the honorary title of "China's Best Customer Contact Center" for ten consecutive years, won the "2018 China Automobile Annual CRM Award," the "Annual Customer Care Award," and passed the 4PS international standard with its five-star L2 certification. For the FAW-Volkswagen Call Center, "customer satisfaction" is its service goal, so it consistently serves customers with "sincerity, meticulousness and high efficiency" to provide customers with a warm and satisfying experience.

### Audi Brand

The Audi Brand uses a CRM system as the basis for its customer service platform. It applies computer telephony integration (CTI) technology, uses telephone voice as a medium, and adopts a unified standard service interface to provide users with standardized and personalized services. With regard to the system application, intelligent and big data concepts have been introduced to give the users more convenient and customized services. From the perspective of the business, it is meant to reduce costs and increase efficiency.

Since 2018, the Audi Customer Care Center has opened an online service platform to provide multi-channel services to Audi users. The application of an intelligent outbound system in the return visit scenario greatly improves the work efficiency of the call center. At the same time, improving efficiency, voice quality inspection is realized by applying the voice-to-text system. This greatly improves the coverage rate of voice quality inspection and ensures the quality of service Audi users receive. Through continuous efforts and incessant improvements, Audi Customer Care Center has ranked number one in professionalism, fast processing, and service attitude in a third-party mystery shopping test of luxury brands for two consecutive years.

In the future, the Audi Customer Care Center will provide users with an "extreme user experience" as it achieves its service goals and builds an intelligent, professional, and convenient service center.

### Jetta Brand

The Jetta Brand IT system construction aims at integration, that is, integrating the data from more than ten system modules, which include CRM, finance, insurance, and second-hand car information into the Jetta DMS to form a consistent experience at the dealers. It is committed to the integration of the customers'





data in full life cycle, real-time online analysis, and big data, which enables it to achieve accurate insight into customer groups. In addition, it continuously explores new CRM initiatives and tries new retail propositions through the Sales Assistant APP, with which customers can communicate directly with sales consultants online in real-time. This effectively increases leads channels and improves the user experience.

Since the Jetta Brand Call Center went live in February 2019, it has undertaken all inquiry services, investigations, return visits commissioned by business departments, customer inquiries, suggestions and other service demands and customer complaints from the network service channels. It has received a total of 19,783 calls and made 83,679 customer survey calls. In the future, with the gradual improvement of the call center service system and the overall improvement of the team's capabilities, the call center operation activities will also continue to improve.

## Service Quality Promotion

### Volkswagen Brand

To better adapt to the trends of the new era and better serve customers, Volkswagen Brand actively explore and meet the needs of today's consumers by creating a pleasant living and shopping experience for them. From 2018 to 2019, the Volkswagen brand promoted the concept of a digital experience center through innovation and promoted the digital upgrade of exhibition halls. It strengthened the operation promotion and the NEV service guarantee. They have continued to optimize lucky draw anti-counterfeiting measures for spare parts and promoted daily distribution projects, logistics efficiency, as well as complaint management capabilities. A system that includes three levels of technical support has been developed. An extended warranty for key models and new cars has been offered. New initiatives have begun regarding dealer compensation and service quality improvement.

### Audi Brand

To implement Audi's service strategy of being "customer-centric" and helping users create a higher-quality of life, the Audi brand has developed omnichannel digital services, on the part of Audi dealers, around the new service core process. Audi has introduced a variety of digital tools that include ServiceKey II, iPad pick-up assistant, machine repair transparent workshop, and the paperless office, to improve dealers' service capabilities, service efficiency, reduce the operating cost of dealers, and provide users with a high-quality, efficient digital service experience. In 2018 and 2019, based on the continuous promotion of omnichannel digital services, Audi brand included digital tools such as decal loss assessment and the transparent sheet spray workshop, which improved loss assessment efficiency and the repairing efficiency of accident vehicles. It also reduced users' waiting time and improved customer satisfaction.



### Jetta Brand

To fulfill the mission of "becoming the leader of the economical first car market" and fulfill its brand strategy, the Jetta brand takes a customer-centric approach. It has made full use of the Volkswagen brands' existing service system, so it has been able to quickly and effectively meet service quality promises. Based on the existing system, the Jetta brand considers customer care to be a core value. It organizes customer care activities such as National Day travel care and warm care in winter to show the Jetta brand's sincere concern for customers. Customer satisfaction and public praise have both increased as customers are provided with more considerate and higher-quality services.

## Customer Care Activities

### Volkswagen Brand

To further optimize the user experience, rich and colorful care activities during each of the four-seasons and traditional Chinese festivals were conducted in 2018 and 2019. During times of extreme weather, customers were sent heartfelt reminders to demonstrate how much the brand cares. In addition, the 920 Service Festival IP was continuously strengthened, and the third 920 Service Festival was built into a brand-level marketing platform in 2019 successfully integrating resources from 16 departments of the company. Customers were also offered small tokens of the brands' appreciation through a campaign called "Thousands of Stores in Hundreds of Cities." At the same time, loyal customers were invited to participate in carnival activities held at the Chengdu Spare Part Depo. Our professionalism, experience, and enthusiasm were felt and a cumulative volume of 12.49 million PV was transmitted.

We are customer-centric, practice the service ideology of "precision is love," and continue to provide customers with quality services as well as genuine care based on the measures of "focusing on rigorous quality," "focusing on excellent care," and "focusing on the Internet."

### Audi Brand

Since 2018, Audi's seasonal service activities have undergone constant innovation. Unified online activities on national level and differentiated offline activities on RSD level were carried out. I. The combination of the two led to remarkable results. In 2019, this practice continues, while offline activities with differentiated contents on regional level share unified themes. Online activities with monthly themes provided dealerships with leads. In 2019, a groundbreaking offline activity combination, including kick-off activity at dealership in 6 cities, employee purchases at the 6 plants in 5 cities and a month-long national service activity was carried out, which delivered rich after-sales service benefits for dealers. Online service marketing activities were carried out in the form of festival marketing activities every month to increase customer

retention and drive customers from online to the dealerships.

In the future, seasonal services activities will continue to be a part of a strategic plan, including a comprehensive marketing platform that delivers service marketing content to headquarters, regions, and dealers at all levels. The model of organizing online + offline activities combination with online activities being used to provide dealerships with traffic will continue to be adopted to provide high-quality service and care for customers as well as continuously help to enhance the relationship between customers and the Audi Brand.

### Jetta Brand

To show the brands deep care for Jetta owners, enhance the brand influence among owners, and increase customer loyalty, the Jetta brand launched a customer care activity during the October 1st National Day called, "Convenient, Excellent Service and Direct Care." The promotion provided Jetta owners with free diagnostic testing, oil changes, ETC registration, and other convenient travel services. In addition, a winter customer care activity called "Achieving the Convenient Life of People's Imagination" was conducted. Consumer resonance and brand affinity increased as a result of a combination of online and offline initiatives and seasonally targeted services for customers.

In the future, the Jetta Brand will continue to combine the needs of the youth with Internet thinking, to cater to the new generation of consumers. It will implement a marketing strategy that focuses on direct connections with customers and make every effort to build Jetta Brand's "YI ecology (easy to know, easy to obtain, easy to enjoy)."

## Customer Satisfaction Survey

The Volkswagen Brand's sales satisfaction NCBS score ranked No.1 among volume production brands for the first time in 2018, and continued to lead the industry in 2019.

In the 2019 China Automobile After-sale Service Satisfaction Ranking released by J.D. Power, Audi ranked first in the luxury car segment, with an outstanding score of 788 (the full score is 1,000). This is also Audi's seventh consecutive first-place ranking of overall satisfaction with after-sale service in the luxury car segment since initially topping the rankings in 2013.

In 2019, Jetta Brand's sales satisfaction innovation adopted an APP research model, which was gradually aligned with CEM. As for the NCBS evaluation, it aims to be among the TOP7 in the economy market segment by 2021, and take the No.1 slot in the economy market segment by 2025.





# Public Welfare and Charity

Over the past 28 years, even as it grew and came into its own, FAW-Volkswagen has been an active participant in corporate social responsibility initiatives. As a well-known passenger car company in China, FAW-Volkswagen has responded positively to the call of the State, raised corporate social responsibility to a strategic level, and regarded environmental protection as an important mission. Under the guidance of "Strategy 2025," FAW-Volkswagen continues to implement and promote green development strategies. It strives to realize overall green development by creating "green production," supplying "energy-saving and emission-reduction products," establishing the concept of "Green Partners" and promoting its implementation.

Based on the original strategy, FAW-Volkswagen has made significant upgrades to its corporate social responsibility strategy and successfully entered into the "2.0 Era." FAW-Volkswagen's CSR Strategy 2.0 takes it to the next level. "Striving for environmental and social sustainability together with our employees and partners" is the CSR vision, and "taking foresight, actions, and leading in creating CSR, and gathering people to help the harmonious development of society" is its mission. It upholds the CSR values of "social demand-oriented, multi-dimensional and multi-level layout, realizing win-win coexistence of enterprises, society, and environment." The slogan of corporate social responsibility is "Go ahead Together, Transform for a New Future." Through practicing basic responsibility and social responsibility, all sectors of society are led to participate in public welfare undertakings, creating a greener, more sustainable, efficient and harmonious future for both internal and external stakeholders of the company. For this reason, FAW-Volkswagen has established a responsibility system covering two major areas: basic responsibility and social responsibility. It has consolidated basic responsibility through high-quality operations management, high-quality industry contributions, high-quality products, high-quality employee responsibility, and high-quality environmental management. At the same time, it has implemented social responsibility in the five major fields of child welfare, traffic safety, environmental protection, targeted poverty alleviation, and disaster relief through brand-wide and system-wide initiatives.

FAW-Volkswagen has actively implemented its corporate social responsibility initiatives with a focus on five major areas which include: child welfare, traffic safety, green environmental protection, targeted poverty alleviation, and disaster relief. It has successively launched public welfare projects and activities such as the "Advance towards Ecological Civilization Salute to Environment Protection Pioneer" Environment Protection and Public welfare Funding Scheme, Disaster Relief, FAW-VW Audi Shanghai Baby's Home, Audi Children Ice and Snow Education, etc.



## "Advance towards Ecological Civilization Salute to-Environment Protection Pioneer"

On April 20<sup>th</sup>, 2019, the 3<sup>rd</sup> "Advance towards Ecological Civilization Salute to Environment Protection Pioneer" Environment Protection Sponsorship Plan and the FAW-Volkswagen New Future Public Benefit Forum were held in Beijing. The current public welfare environmental protection funding plan received a total of 5.04 million Yuan from the FAW-Volkswagen New Future Fund. A total of 13 social organizations received funding for environmental protection projects in amounts totaling 1 million Yuan, 500,000 Yuan, and 200,000 Yuan, respectively. Seven short-listed social organizations received 20,000 Yuan in financial support.

Since 2016, the public welfare funding program has cumulatively sponsored 60 environmental NGOs so that they could carry out green environmental protection projects, with total funding of more than 15 million Yuan. It has now developed into a well-known environmental protection charity funding project in China, which has promoted the high-quality development of public welfare initiatives related to environmental protection. After three years of unrelenting efforts, the FAW-Volkswagen New Future Fund's public welfare philosophy and public welfare actions have also been recognized and supported by all sectors of society. This recognition has not only validated the efforts and guiding role of FAW-Volkswagen's corporate social responsibility strategy, but also confirms the idea that corporations and foundations can cooperate to promote a best practice model of ecological, environmental conservation. With the successful conclusion of the 3<sup>rd</sup> program, the 4<sup>th</sup> "Advance towards Ecological Civilization Salute to Environment Protection Pioneer" Environment Protection Sponsorship Plan was officially launched. In this new phase, looking ahead, FAW-Volkswagen New Future Fund will continue to play a demonstrative role in industry innovation with regards to environmental protection as well as public welfare and will drive the entire industry to encourage more engagement in environmental protection and public welfare to help build a stronger, more eco-friendly society.

## Caring for Girls and Guarding "Spring Buds"

In 2019, FAW-Volkswagen Audi and the China Children and Teenagers' Foundation formally began their strategic cooperation. Using the 30th anniversary of the "Spring Buds Dream Program" as an opportunity to kick off additional initiatives, the "Spring Buds Health Action" and "Spring Buds Dream Taking Off" research and activities focusing on the protection of girls were successively completed.



On September 4<sup>th</sup>, the 2019 FAW-Volkswagen Audi "Spring Buds Growing Dreams Camp" was launched in Beijing. This event was conducted in two phases. In phase I, FAW-Volkswagen Audi and the China Children and Teenagers' Foundation jointly cooperated with the Palace Museum, China Academy of Space Technology Research Institute, and China Science and Technology Museum as well as other institutions in order to provide 80 girls with the opportunity for an intensive education experience where they learned traditional Chinese culture as well as science and technology. In addition to their studies, the girls also participated in the flag-raising ceremony at Tiananmen Square, climbed the Juyongguan Great Wall, visited the Bird's Nest Stadium, the National Aquatics Center and experienced the 5,000-year history of China which deepened their patriotism.

In the future, FAW-Volkswagen Audi and the China Children and Teenagers' Foundation will officially launch the FAW-Volkswagen Special Fund, which will build a new loving participation platform for FAW-Volkswagen Audi employees, dealers, and car owners to help with the comprehensive upgrade of FAW-Volkswagen Audi's social responsibility system. At the same time, FAW-Volkswagen Audi will also broadly drive more participation in sustainable activities that promote the healthy development of public welfare initiatives in China.

## All for Love, All for the Future

On December 7<sup>th</sup>, 2019, the "2019 FAW-VW Audi Shanghai Baby's Home Winter Open Day" with the theme of "All for Love All for Future" was held in Shanghai. Enterprising Pioneer, Ma Long, represented the Audi Vorsprung Circle, while media volunteers, car owners and dealers also joined in activities where they spent a heartfelt day with the children.

In the past seven years, FAW-VW Audi Shanghai Baby's Home has been highly recognized by all sectors of society. As of the end of December 2019, FAW-VW Audi Shanghai Baby's Home had treated 1,573 sick orphans, of which 1,547 recovered and had started their new lives. In addition, 1,853 people participated in the charity sale, 11,145 people participated in the medical care of the children at Baby's Home, and in total, over 37,127 Chinese and foreign volunteers participated in related activities. Following FAW-VW Audi Shanghai Baby's Home, 11 new child care centers across the country have been established, which means this initiative has set a good example with regards to implementing successful public welfare and charity sponsorships.

As a long-term and sustainable public welfare platform, FAW-VW Audi Shanghai Baby's Home not only improves the corporate social responsibility system, but also continues to promote the development of Chinese children's public welfare.

## Targeted Poverty Alleviation, Bring Warmth and Joy

As an excellent corporate citizen, FAW-Volkswagen has contributed to the improvement of the housing conditions in poverty-stricken areas and increasing the income of impoverished households through various targeted poverty alleviation projects.

Through the New Future Fund, FAW-Volkswagen has donated to the housing subsidy project for impoverished households in Bajilei Town, Nong'an County, helping 35 needy households construct new houses. In April 2019, the construction of new houses was completed. The impoverished families realized their dream of living in a bright new home where they would be able to start a new life. Moreover, FAW-Volkswagen purchased straw balers for Nong'an County, which not only cut the source of straw burning, which was causing excess pollution but also helped build ecological awareness. A byproduct of the straw balers was additional income for local residents as a result of the money generated from straw packaging services. On June 14th, 2019, straw balers were delivered to the government of Bagilei Town. It is expected that the new balers will be able to handle 15%-20% of the annual straw production in Bagilei Town.

As the leader of China's auto industry, FAW-Volkswagen actively participates in poverty alleviation work and provides substantive help to impoverished local residents. These initiatives not only highlight the corporate spirit that transmits positive energy throughout society but also fulfills its social responsibilities and garners praise from the general public.

## Skiing Experience Education, Caring for the Healthy Growth of Children

On December 14<sup>th</sup>, 2019 FAW-Volkswagen Audi Children's Skiing Experience Camp was launched in the BDH HOTEL-APARTMENT-GOLF-SKI Resort in Jilin.

Jointly created by FAW-Volkswagen Audi and BDH HOTEL-APARTMENT-GOLF-SKI, Audi Beidahu International Skiing School invited a team of professional ski instructors to explain skiing safety to children and taught them skiing skills in a simple way. In the outdoor skiing experience section, the instructor provided one-on-one professional guidance to the children to help them learn how to ski. Children skied happily throughout the resort, practicing the various actions they had learned and fully experiencing the passion and happiness brought by this sport. Through cooperating with Beidahu International Skiing Track experts, Audi brand designed and built the only closed youth advanced skiing track in China, providing safer skiing conditions for the advanced learners.

To attract more children to the sport of skiing, FAW-Volkswagen Audi also makes full use of its resources and experience in the field of skiing to help with the sustainable development of youth skiing in China. It is committed to achieving the country's goal of "motivating 300 million people to participate in skiing related sports."



# 04

# ENVIRONMENT

FAW-Volkswagen is not only a staunch supporter of energy conservation and environmental protection, but it also extends its high-standard, environmental protection management system to companies both upstream and downstream. This has motivated the surrounding supporting entities to join in the sustainable development movement and jointly build a green environmental protection initiative across the industry that includes suppliers and dealers. To promote the sustainable development of society and thoroughly implement the construction of an environmentally conscientious civilization on a national scale, FAW-Volkswagen has set up an energy-saving and environmental protection planning system that permeates through the entire value chain. It aims at continuous progress in production technology, factory operation, and waste disposal. Through advanced green technology, FAW-Volkswagen has produced safe and environmentally-friendly "green" automotive products and built "green factories."

一汽—大众绿色工厂林  
FAW-Volkswagen-Grüne Fabrik

一汽—大众第44次董事会  
FAW-Volkswagen 44th Board Meeting  
一汽—大众—Greening Factory  
2022.05.16

**Green Enterprises**  
Creating an Environmentally  
Friendly Society  
**Sustainable Development**







# Environmental Management

## Environmental Management System and Concept

Continuously maintaining and improving the environmental management system is an important means for FAW-Volkswagen to respond to the national ecological, environmental policy. It allows the company to continuously fulfill compliance obligations, promote energy conservation, emission reductions, reduce environmental risks, and practice green development.

In 2018 and 2019, FAW-Volkswagen continued to improve its environmental and energy conservation performance on the basis of ensuring that laws and regulations are met and the environmental requirements of relevant parties are met. These measures included ensuring that sufficient information and resources were dedicated to achieving energy conservation and environmental protection goals. The R&D, introduction, manufacturing, and sale of eco-friendly cars advocates green consumption habits. More efforts should be made to prevent pollution and ensuring clean production. Environmental energy management should be strengthened in various business areas such as planning, purchasing, production, sales, and technological transformation. Energy-saving, environment-friendly materials, and advanced technologies should be adopted to avoid, minimize, and control adverse impacts on the environment. By building a green factory, we can effectively control wastewater, wasted gas, noise pollution, excess carbon emissions, and continuously reduce the risk of causing harm to the environment. The management of resources needs to be further strengthened, the efficiency of energy utilization improved, and waste reduction and recycling further promoted. We will strengthen energy conservation and environmental protection exchanges with suppliers and dealers, and continue to promote the "Green Partners" program.

In response to the above requirements, FAW-Volkswagen orders all employees to strictly implement the regulations and standards of the environmental and energy management system, and the company's top management will regularly review the environmental and energy management system.

In addition, FAW-Volkswagen also has strict control over environmental compliance management. 2019 was the first year the automobile industry was required to have pollution permits under the National Pollution Permit System. With the help of the sound environmental protection work foundation laid by the environmental management system and comprehensive basic environmental basic data, all FAW-Volkswagen production bases in China completed the application for a pollution permit. They also all successfully obtained their pollution permits.

### Case Study Promoting Green Production with a Focus on Energy Savings and Emission Reduction

FAW-Volkswagen began building an energy management system in 2018, and carried out projects such as public power energy saving diagnostics, drying furnace natural gas consumption reduction, coating workshop energy monitoring system, servo press curve optimization, etc., which effectively reduced energy consumption. In the field of emission reduction, with 2019 being the first year of the national emission permit system for the automobile industry, FAW-Volkswagen responded to the call by the government and ensured all production bases accurately completed the application for their emission permits on time and they all successfully obtained emission permits. Logistics, an important link that supports production and operations, has also been incorporated into the environmental management system. FAW-Volkswagen continues to promote the optimization of packaging equipment and logistics models to reduce resource consumption and emissions.



## The Influence of the Environmental Protection Philosophy on Dealers

FAW-Volkswagen is the first company in the domestic automobile industry to formulate effective standards for dealers' "Green Partners." It has continuously provided training and guidance to more than 1,000 dealers, transformed its influence into a binding force, extended environmental protection actions to the last link of the industrial chain, and was able to create a process management approach that covered the entire product life cycle. Since the start of the project, FAW-Volkswagen has completed the "Green Partners" evaluation for more than 1,300 online dealers nationwide over the course of 7 years, thus realizing overall green development. With the continuous promotion of the "Green Partner" project from 2018 to 2019, the environmental protection performance of FAW-Volkswagen online dealers has been significantly improved.

By the end of 2019, FAW-Volkswagen saw 1,250 dealers become "Green Partners" which was a compliance rate of 88.3%. According to statistics, over the past seven years, under the guidance of the "Green Partners" review, the application of green vehicle maintenance technology has been promoted, and dealers have received a total of more than 12 million Yuan in subsidies.

## The Influence of the Environmental Protection Philosophy on Suppliers

Since FAW-Volkswagen launched the supplier's "Green Partners" action plan in an all-round way, German Volkswagen Group's product environmental index requirements have been used to benchmark all suppliers of auto parts and materials. "Strategy 2025" has more clearly set forth the goal of promoting the optimization of the environmental protection performance of key suppliers, and has incorporated environmental compliance, energy conservation, and the emissions reduction performance of suppliers into the company's key work indicators.

Starting from 2018, the FAW-Volkswagen Planning Department and the Purchasing Department have launched the "Green Partners" and supplier environmental management initiative and "energy conservation and emission reduction, efficiency and cost reduction" activities. They plan to complete environmental and energy assessments of 100 suppliers with high environmental risks over three years. The review of suppliers' "Green Partners" helps suppliers fully understand the environmental risks and compliance obligations at every stage. It allows them to discover potential environmental hazards and energy conservation potential. They also grow to understand and compare the environmental requirements of the bidding laws and regulations as well as FAW-Volkswagen's requirements. It lets them pay attention to environmental risk control while taking into account energy efficiency improvement. They determine the control level and energy efficiency of suppliers' environmental risks and propose feasible improvement measures. They also quantify the benefits of energy conservation and emissions reductions, which translates into a further realization of cost reductions and efficiency enhancements, resulting in the formation of a green development supply chain management performance system.

## The Influence of the Environmental Protection Philosophy on Society

FAW-Volkswagen strictly abides by its commitment to society, implements international and national standards, and has its factory far away from protected areas. To not affect the water body and biodiversity, the company actively cooperates with international and national natural species protection work. It also participates in the water bird protection project as well as the coral reef biological classification and protection training project in Leizhou Peninsula. We abide by the national environmental laws and regulations while actively participating in international and national environmental, biodiversity, and aquatic conservation work. At the same time, FAW-Volkswagen continues to optimize its efficient powertrain and to develop new energy electric vehicles. The "Strategy 2025" set the stage for a special green development module to build FAW-Volkswagen environmental protection benchmarking throughout the company, but specifically through green products, green production, and a green industrial chain. Based on "Strategy 2025," the strategic objective of the "GO TO ZERO" zero-emission factory was established. The energy conservation and emission reduction of the factory have been continuously optimized from 12 environmental protection and energy dimensions, including environmental planning, environmental management, raw material processing, process production, technology application, resource reuse, biodiversity, waste reduction, waste gas emission, CO2 zero-emission, energy and water resource consumption, to achieve the strategic objective of zero emissions. By creating an environmental protection mindset throughout the entire value chain from raw material supply, production, sales, and products, we will do our best to contribute to the green hills and blue waters of society and the nation.



# Product Development and Power System

## Energy Saving and Environmental Protection in the Product Development Stage

To implement the concept of environmental protection, FAW-Volkswagen resolutely won the "battle to defend the blue sky." Through comprehensive technological upgrades, it has greatly reduced engine emissions and upgraded all its products to meet the CN6 emission standards.

## Efficient and Environmentally Friendly Powertrain Technology

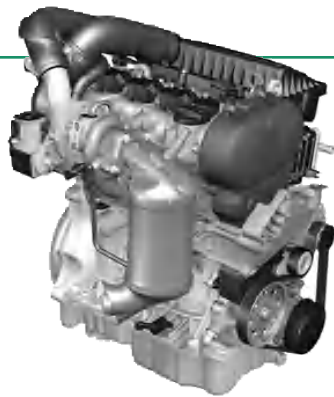
A series of technical upgrades have been carried out on the CN6 engine compared with the CN5 engine: a 350bar high-pressure gasoline direct injection system was adopted for the first time. It optimizes the machining process of the cylinder body to reduce the emission of particulate matter. It uses low ash 0W20 engine oil to reduce particulate matter emissions. The exhaust three-way catalytic converter has been upgraded to greatly reduce the emission of gaseous pollutants in the exhaust. It also uses particle traps to meet the CN6 particulate emission requirements.

PHEV engine technology is a PHEV hybrid engine development based on EA211 1.4TSI engine: turbocharger volute adopts high-temperature resistant materials to improve turbocharger strength. The material used in the cylinder head valve seat ring is optimized to improve thermal conductivity. The main bearing bush is coated with polymer abrasion resistant coating to improve abrasion resistance.

### ● CN6 Engine Development

EA211 series engines have completed a number of technical upgrades to fully meet the CN6 emission standards:

By upgrading the three-way catalyst of the exhaust system, the exhaust purification efficiency is improved, thus greatly reducing the emission of exhaust pollutants. The TSI engine has been upgraded with a 350bar high-pressure gasoline direct injection system, and 0W20 new lubricating oil with low viscosity and low ash content have been used for the first time. This upgrade can reduce the fuel consumption of the engine while reducing the emission of particulate matter; they have helped conserve energy and reduced emissions.



► 1.4TSI CN6 Engines

### ● Plug-in Hybrid Power Technology

Plug-in hybrid vehicles are equipped with EA211 1.4TSI hybrid engines. Exhaust particulate traps are first adopted to adapt to the characteristics of hybrid vehicles. The engines have met the more stringent particulate emission standards in the CN6b phase.

The DQ400E transmission on the plug-in hybrid vehicle is the core of the hybrid system, which integrates permanent magnet synchronous motor and six-speed dual clutch transmission. The maximum output power of permanent magnet synchronous motor can reach 85kW, and the maximum output torque is 330Nm. Through the six-gear powershift, the transmission efficiency can reach 97%. Hybrid models offer a variety of different driving modes such as pure electric mode, hybrid mode, GTE mode, etc., bringing new driving experiences to users. In 2020, the first Magotan GTE plug-in hybrid vehicle to be launched only needs 7.7 seconds in order to accelerate from 0-100km/h, and the Ministry of Industry and Information Technology's comprehensive fuel consumption is as low as 1.8L/100km, thus realizing a perfect balance between power and energy conservation.



► DQ400E Hybrid Gearbox

## Energy Saving and Environmental Protection in the Process Planning Stage

In the process planning pressing stamping, welding, painting, and assembly, FAW-Volkswagen comprehensively controls the energy consumption and emission to be used during the production process, actively develops and adopts environmental protection processes, ensures the implementation of industry-leading green factory standards, meets the requirements of cleaner production processes, and builds up domestic advanced environmental protection automotive plants.

### ● MQL Micro Lubrication

#### Cutting Technology

The engine workshop adopts MQL micro-lubricating cutting technology, which greatly reduces the use of emulsion and only uses a very small amount of lubricating liquid to cool and lubricate the processing area. After processing, the cutting tools, workpieces, and chips are all dry, which reduces the environmental pollution caused by emulsion treatment in this process and reduces the processing links in the subsequent processes.



### Pressing

The main environmental risks of the press workshop are oil leakage and noise emission. FAW-Volkswagen's advanced pressing line adopts fully enclosed noise protection. By optimizing the pressing motion curve, the impact on the die is reduced, and so is the noise. The corresponding functional areas are equipped with oil receiving pans. Through the application of servo direct drive technology, mechanical structure is optimized, equipped with an energy storage motor, and power consumption is reduced. Advanced technology is used to prevent the pollution of the soil and groundwater, reduce noise, and achieve optimal energy consumption.



### Painting

Through the application of new technologies and a combination of scientific and reasonable planning, the painting workshop has dramatically reduced energy consumption and VOC emissions. The application of low VOC water-based cleaning solvent with lower cost and stronger cleaning ability reduces VOC by 1,240 tons and annual cost savings of 20 million Yuan. The application of VEK pure water equipment and secondary concentrated water equipment in coating workshops in Chengdu, Qingdao, and Tianjin will be further promoted. Each coating workshop will save 175,000 tons of pure water annually and reduce the corresponding wastewater discharge. Eight waste heat recovery devices are located in the painting workshop in the Changchun production area. Waste heat from the drying furnace waste gas is recovered for heating high-temperature water or heating water, with an annual income equivalent to 3.24 million Yuan. Through process optimization, the painting workshop of Plant 2 stopped using a PVC drying oven, saving an average of 2,764 MWh of electric energy and 1,643,800 cubic meters of natural gas per year. By using a liquid surface conditioner, 3,816 tons of pure water, 862 GJ of high-temperature water, and 3,816 tons of wastewater are saved per workshop annually. The application of black varnish material simplifies the spraying process of the existing black roof, reduces energy consumption, and saves 0.53 million Yuan per workshop annually.



### Welding

Energy conservation and environmental protection work in the body shop mainly includes two aspects: emission control and energy consumption reduction. In terms of emission control, the adoption of a process exhaust system with smoke and dust filtering devices in the new factory has greatly reduced the solid particles discharged into the atmosphere and effectively improves the air quality of the working environment in the workshop. In addition, to remove VOC generated by the drying furnace, RTO waste gas incineration equipment has been installed to ensure the emission standard. In terms of reducing energy consumption, priority is given to low-energy consumption equipment in the selection stage of contract awarding equipment, including intermediate frequency spot welding machines, CMT cold metal transition arc welding machines, QUANTEC series energy-saving robots, LED energy-saving lighting equipment, etc. The application of these new technologies has greatly reduced the energy consumption of the equipment.





Assembly

The original general lighting energy consumption in the assembly workshop is about 72 watt-hours/lamp, which consumes an enormous amount of energy and is also obsolete. An upgrade plan for the production process lighting by using energy-saving lamps in the general assembly workshop was launched to deal with the existing situation requiring a total investment of 480,000 Yuan. 3,200 industrial LED lamps required replacement. The energy consumption is now 50 watt-hours/lamp, and the illuminance is above 750LUX, which can save 420,000 kilowatt-hours of electricity per year, amounting to 240,000 Yuan in savings per year for the company while ensuring sufficient lighting in the workshop.

Case Study Foshan Area of New Energy Workshop (MEB Battery)

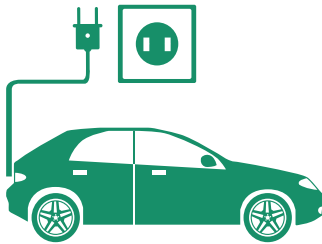
- 1. Welding process dust removal set indoor emissions HEPA filtering, with a filtering accuracy of 0.15mg/m³, isolation of the welding environment, increased the welding room exhaust internal circulation system, reduced outdoor emissions, effectively reduced the loss of cold air and environmental pollution.
- 2. Aluminum welding requires an extremely high ambient temperature and humidity, and Foshan has relatively high humidity. A rotary wheel dehumidification system was adopted to effectively ensure ambient humidity. The dehumidifier's electric heating consumes a lot of energy. By increasing the heat exchange between the rotary wheel drying and the fresh air system in winter, the energy can be recycled, and realize the auxiliary heating function in winter.
- 3. Through temperature multi-point data collection and feedback, the chilled water flow of each air conditioning unit is controlled to realize intelligent control of the air conditioning system of the factory building in different zones.
- 4. The workshop lighting is fully controlled by LED and assisted by natural light from skylights. Illumination sensors have been arranged in different areas to meet the illumination requirement of 300 LUX, and the corresponding lighting lamps are turned off to conserve the greatest amount of energy.

New Energy Technology

FAW-Volkswagen has implemented the concept of environmental protection, actively developed new energy technologies, and successively put into production several plug-in hybrid power (PHEV) and pure electric (BEV) products. We expanded the direction of new energy technology, carried out research on fuel cell technology, and completed the prototype for a fuel cell. We actively laid out the power battery technology of the new system and future upgraded products, and carried out technical evaluations of solid-state battery cell modules.

Power Battery Technology

Adopting a reasonable, overall integrated design is adapted to improve the utilization rate of envelope space effectively. The lower shell is made of aluminum, successfully reducing the overall weight. A high-capacity battery core module has been adopted to improve the overall energy density of the battery. The battery thermal management system ensures that the battery works at a reasonable temperature and improves the output performance of the overall performance of the battery.



Charging Technology

The development of the reserve charging function enables users to make full use of trough electricity at night to charge electric vehicles, effectively reducing the energy consumption of the entire industrial chain and reducing the pressure on the power grid: trough electricity time period can be set in HMI according to the specific conditions of power grids in various places. After the user locks the car and leaves, the car can start automatically.

Fuel Cell

We have completed the trial production of a fuel cell prototype car and have developed and stored fuel cell technologies.





# Raw Materials

## Energy Saving and Environmental Protection in the Selection of Raw Materials

FAW-Volkswagen has standardized the monitoring of banned substances, the collection of relevant material related information, and the identification of component materials. As a result of its experience, it has compiled a set of scientific and effective management methods, with special emphasis on the collection and verification of component material data and the control of banned substances.

### Part Material Data Management Mode

Through the open data system, the material data information of the supplier's products is collected and incorporated into the product approval process. The corresponding parts engineer will thoroughly check the information obtained from the supplier in the internal system, review, approve, or reject it. The internal system imports approved material data, combines it with the vehicle parts list, and then the theoretical recovery rate of the whole vehicle is calculated according to relevant national standards. The management of component material data is not only based on the recovery rate calculation but is also an effective way to obtain precious research, development data, and accumulate experience.

### Control of Banned Substances

FAW-Volkswagen will review the material data form submitted by the supplier and the test report of prohibited and restricted substances in parts, and recheck the samples for prohibited substances. It will refuse to give corresponding approval for any parts with non-conforming data or containing hazardous substances until they fully meet the national control requirements. The effective protection of the company's products from environmental pollution and harm is a result of these measures.

## Energy Saving and Environmental Protection in the Evaluation of Raw Materials

FAW-Volkswagen, through reasonable selection and optimization of raw materials, effectively reduces the weight of the entire car, reduces the odor and VOC level in the car, and makes the car more energy-efficient and environmentally friendly.

## Lightweight Materials Reduce Vehicle Weight

FAW-Volkswagen has adopted high-strength steel, aluminum, magnesium alloy, and various composite materials for use on the vehicle body, chassis, and power assembly. This reduces the weight of the whole vehicle by 12%. By using aluminum alloy doors instead of steel plates, the weight of Audi doors was reduced by 50%. At present, the Audi C8 and Audi Q5 NF that have been mass-produced have all adopted aluminum alloy doors, and the utilization rate of aluminum alloy materials for the chassis of the latest generation of electric Audi e-tron models is as high as 80%. In addition, FAW-Volkswagen also uses foaming materials or processes to reduce material density, thereby reducing the weight of the entire vehicle and reducing vehicle emissions. The framework material of the instrument panel is PP+LGF20%. By adding the foaming agent into the material, the parts are foamed evenly, thus effectively reducing the weight of the components. The weight of a single piece is reduced by 8%. At present, the foam material is used in the upper body frame of the instrument panel of the batch produced models such as Audi Q3 NF, Audi C8, Audi Q5 NF, Golf Spv PA, CC FB, etc.

## High-tech Materials Reduce the Odor and Emission of Parts

3D Mesh is a super-thick high-tech sandwich mesh material with excellent air permeability, elasticity, and support, also known as 3D spacer fabric, which has a minimal odor and VOC emission. In the instrument panel, FAW-Volkswagen has replaced PUR foam material with 3D Mesh, effectively reducing the odor and VOC emission of the instrument panel. It has already been successfully applied in the Audi C8 instrument panel and will be adopted in future models. The odor of the spare tire is derived primarily from the raw material rubber, and various additives used to deliver the tire performance. To reduce the odor of the spare tire, FAW-Volkswagen reasonably optimized the formula of its composition through a large number of analysis and verifications under the premise that the performance of spare tire cannot be reduced. Natural rubber with a lower impurity content was selected to replace the natural rubber with a

high impurity content. The vulcanization accelerator was optimized, ventilation time in the warehouse was increased, and the result was a spare tire, that compared to other spare tires, had a significantly reduced odor.

## Energy Saving and Environmental Protection in Recovery and Utilization of Raw Materials

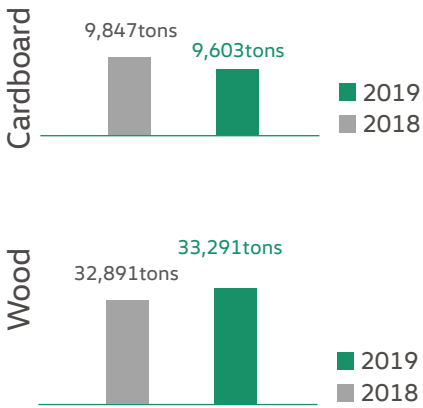
To protect the environment and improve the efficiency of the comprehensive utilization of resources, FAW-Volkswagen has carried out End-of-Life (ELV) vehicle recycling work both internally and externally. It has taken measures to improve green management throughout the entire life cycle of products, promoted green manufacturing and green products during the entire product design process, optimized raw material selection and processing technology, and strived to build green factories and green industrial chains. In the design and production stage, the company adopted an environmentally-friendly implementation plan that emphasizes best practices to facilitate vehicle disassembly and material sorting in the product recycling stage. Improving utilization efficiency and enhancing ELV recycling is the result of the reusability and recyclability of materials being taken into consideration during planning and production stages as well as the selection of more environmentally friendly materials. Technologies and processes for research and development and production are also increasingly optimized. At the same time, FAW-Volkswagen has extended its management model to the entire supply chain, and has passed on relevant management requirements to all suppliers, including raw material suppliers, to create a good-faith commitment mechanism. The collection of material data, the control of banned substances, and the management of non-metallic component material labeling are included in the sample approval process to ensure the high resource utilization rate and low environmental hazards of products.

### Percentage of Recycled Raw Materials Used

Category	Unit	Consumption in 2018-2019	Converted into Kg
Film, Blocking Materials	PC	35,126,038	351,260.4
Glue, Grease, Welding Wire	KG	1,944,184	1,944,184

Recyclable: 525,745Kg    Non-recyclable: 1,769,699.4Kg  
Total: 2,295,444.38 Kg

### Percent of Packaging and Materials





# Green Logistics

## Optimization of Packaging Equipment

FAW-Volkswagen's shared recycling project through appliances can effectively save costs and improve logistics efficiency. The company re-planned the appliance recycling process for the spare parts picking business and was able to implement socialized sharing of equipment resources. The pilot phase saved 0.2 million Yuan in logistics costs (from September to December in 2019), and the optimization ratio was 35%. The company recycles the disposable carton packaging with revolving appliances, which can reduce deforestation by 4,300 cubic meters per year. Sharing and recycling appliances reduce the return transportation of appliances, which also reduces CO<sub>2</sub> emissions. (It is impossible to estimate the reduction of CO<sub>2</sub> emissions because when they returned they were used by other business entities)

Achievement	Qingdao	Tianjin
Use ratio of recyclable package of local parts	83%	81%

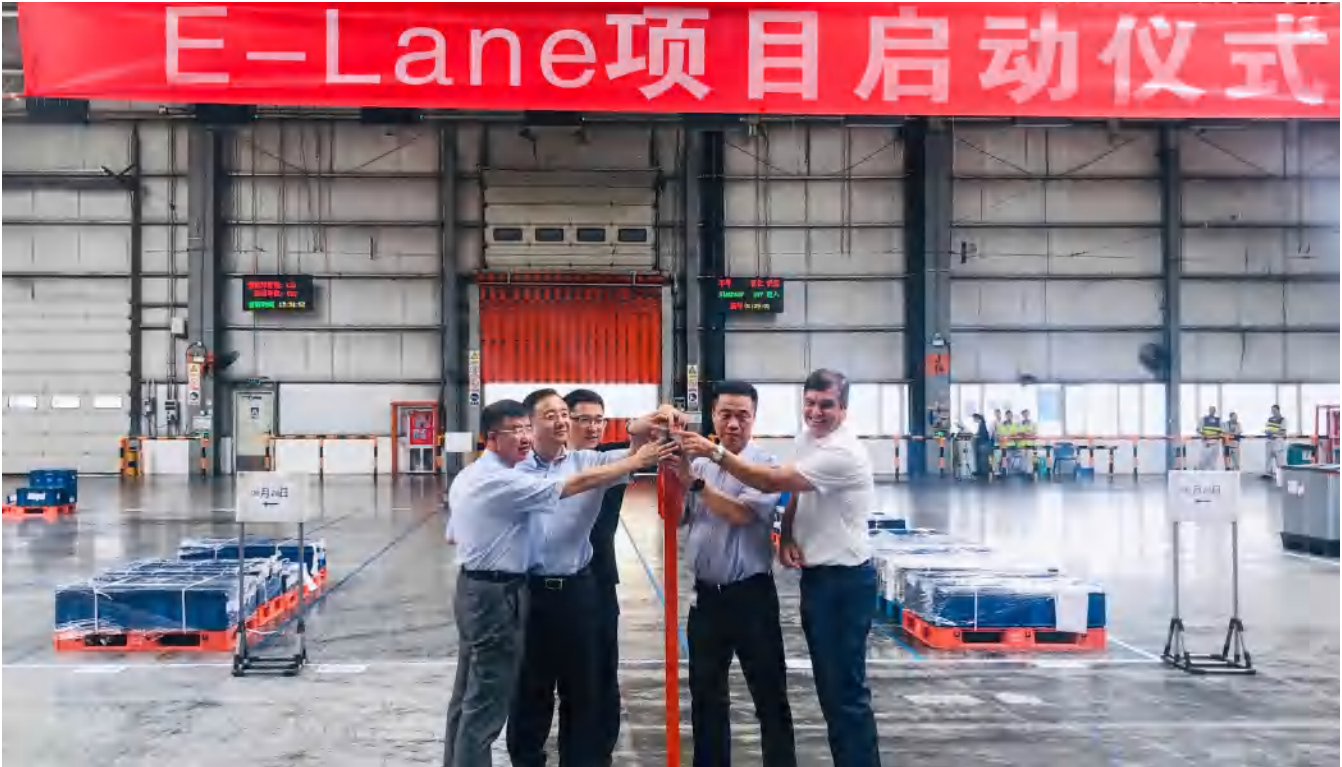
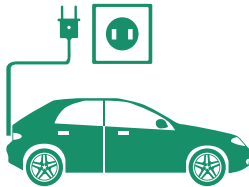
FAW-Volkswagen advocates to use recyclable appliances and enhance their use ratio.

### Case Study Change of Logistics Mode-E-Lane Mode

In 2019, FAW-Volkswagen fully supported the further improvement of the company's operating efficiency through a digital transformation. Concerning the supply chain upgrade, FAW-Volkswagen adopted the LOC mode and E-chain mode. These upgrades effectively reduced the logistics cost of a single vehicle, shortened the inventory cycle, saved warehouse space, and cut the input and maintenance cost of IT systems. "Equal-Lane" also known as E-Lane was the result of FAW-Volkswagen's independent research and development. It is a lean planning system that covers the whole process from user orders to the production process to the supply chain. It reduces supply chain links and creates a more effective and efficient intelligent management system, which in turn fundamentally improves the production and operation efficiency of the company. As the lean supply chain model initiated by FAW-Volkswagen, E-Lane can meet customer-centered, modern manufacturing needs, it represents the future automobile industry. The project has become not only essential support for the company's "Efficiency Improvement" initiatives but also an important focus point for implementing the company's "Strategy 2025." In the future, the project will be replicated and extended to other factories throughout the company once it is stably operational at the Chengdu Plant. It is expected to further push the company's lean planning and intelligent management aspirations to a new level.

FAW-Volkswagen's next step will focus on promoting the transformation of

management digitalization and product digitalization and propose the concept of an E-framework. It aims to accelerate the overall digitalization transformation of FAW-Volkswagen and strives to realize the digitalization transformation of the entire system from supply chain management to R&D and production, to quality assurance, sales, after-sales and more.



## Optimization of Logistics

FAW-Volkswagen has responded positively to the national green environmental protection policy. Localized parts will continue to use and expand energy-saving along with environment-friendly modes of transportation like railway and sea transportation to replace traditional road transportation. Simultaneously, new trucks will be studied to optimize the original road transportation mode. In terms of railway transportation, FAW-Volkswagen continues to expand the transportation scale of three railway lines, namely Shanghai-Changchun, Shanghai-Chengdu, and Changchun-Chengdu. It has also initiated two new railway transportation lines, namely Changchun-Foshan and Shanghai-Foshan. From

2018 to 2019, FAW-Volkswagen's railway traffic volume hit 300,000 cubic meters, which, when compared with standard road transportation, reduces the consumption of diesel fuel by about 3,000 tons, and the emission of CO<sub>2</sub> by about 12,000 tons (the value of energy conservation and emission reduction is the estimated based on modeling). In terms of maritime transportation, FAW-Volkswagen recently launched the Dalian-Yantai Ro-Ro shipping lines and Qingdao-Foshan container shipping lines on top of the original three container shipping lines that include Changchun-Foshan, Dalian-Foshan, and Tianjin-Foshan for a total of five domestic shipping lines. In 2018-2019, FAW-Volkswagen's domestic

inbound logistics saved approximately 7,000 tons of diesel fuel consumption and 29,000 tons of CO<sub>2</sub> emissions by replacing land transportation with sea transportation (the value of energy conservation and emission reduction is estimated based on modeling). With regards to the research of new trucks, FAW-Volkswagen and FAW-Jiefang are collaborating to actively develop a new era in road transport vehicles such as low chassis trucks and new energy trucks. The addition of new trucks will effectively improve transportation efficiency, save costs, and achieve the goal of energy conservation and emissions reduction. The new trucks are expected to be put into use for domestic inbound logistics in 2020.





# Green IT

## Networks and Communications

In the process of data center and communication network construction, FAW-Volkswagen has achieved maximum efficiency, greenness, energy-savings, and scalability. Today, the FAW-Volkswagen Park communication network has realized IP-based unified communications. While reducing the complexity of communication, the office efficiency has been improved (the right person or resource can be contacted immediately), and efficient cross-region point-to-point and multi-party collaboration have been achieved. In addition to effectively achieving cost control, reducing communication costs, and meeting costs, it has also greatly optimized server resource occupation and space occupation. It has allowed users to achieve collaborative communication with clearer, more concise communication lines, more conveniently, anytime, from anywhere.

### Case Study Green Office with Cloud Technology

Providing high-quality products and services to customers, protecting the environment and practicing sustainable development is a strategic choice on the part of FAW-Volkswagen as well as a social responsibility. FAW-Volkswagen is actively committed to sustainable social and economic development, fulfilling the mission of "striving for environmental and social sustainability together with our employees and partners" and achieving the development goal of "becoming a model enterprise of corporate social responsibility in China."

In recent years, with the accelerated application and popularization of cloud computing technology, the impact of cloud computing on business operations and people's lives has been strongly felt. As one of the first cloud computing solutions, the desktop cloud has been recognized by corporate users as having many advantages, including strong security, centralized management, extensive terminal support, mobility, environmental protection, and low carbon footprint. FAW-Volkswagen started the deployment of a desktop cloud as early as 2013 and gradually began to promote it in various departments. By 2019, 5,200 employees in five locations used a cloud desktop for their daily office needs. There are several benefits of Cloud Desktop Solution deployment:

1. Improve Operation and Maintenance Efficiency and Reduce TCO  
The desktop cloud uses a large number of thin clients with very low

maintenance. This mode changes the original PC's construction, maintenance, and operation modes, saves a significant amount on operation and maintenance costs, and reduces the total cost of desktop system ownership. In addition, the life cycle of thin clients can reach 8-10 years because they do not use mechanical devices such as hard disks and fans, which can effectively reduce the investment in terminal systems. According to the estimation of authoritative organizations, the desktop cloud can reduce the total cost of ownership of the traditional PC desktop system by 20-40% over 5 years.

At the same time, the desktop cloud mode can shorten the desktop online cycle by 80%, achieve rapid desktop readiness, and also accelerate the troubleshooting speed by at least eight times. This means a single administrator can easily manage hundreds of terminals and greatly reduce the overall operation and maintenance cost.

2. Energy Savings and Emissions Reductions, Green Environmental Protection

A traditional PC+ monitor consumes 300W per hour, while thin client+monitor consumes only 60W per hour. When a business unit deploys 1,000 units, they can see a 64% power savings. In addition, the small, pollution-free, silent models can help create a green office environment.

3. Effectively Ensure Data Security

In the traditional PC mode, the user terminal and the server will directly interact with business data. Even if security devices such as VPN are deployed, only encryption in the transmission process can be realized, and end-to-end data security cannot be guaranteed. The desktop cloud allows for a new interaction model with new opportunities for stronger data security. The back-end data center is where all data is stored. The interaction of business data will only be between the business system and the desktop cloud architecture. Front-end equipment such as laptops, thin clients, intelligent terminals, etc. are connected to the desktop cloud architecture and do not transmit business data. They are only capable of transmitting images and instruction, thus ensuring data will not download, and information is secure.

4. Work Anytime, From Anywhere

The traditional PC fixes the office location, while the desktop cloud can be connected to the office desktop safely and efficiently at any location through diversified terminal intelligent devices. This makes it possible to work anytime, anywhere, with applications and data, thus improving the work efficiency of employees.

The deployment of the Green Cloud Desktop in the office has

resulted in major changes to the way people work!

- 1.Meeting Rooms: The meeting is no longer an individual's 'stage,' but a collaborative area that promotes efficient office work. As long as you enter the user name and password, your desktop and data will be displayed in real-time, and you can work immediately. You don't need to carry your laptop around anymore.

- 2.Remote Office: For temporary overtime or business trip, etc. You don't need to run to the office any more. You can log on to your personal desktop to access business data at any time using any smart device.

## Servers and Storage

With the continuous development of green IT solutions for servers and storage, today, dealer data centers maximize data center capacity scalability and data availability by adopting a hyper-converged infrastructure that utilizes hardware servers and virtual machines as the core. Under the super-converged architecture mode, all computing and capacity resources are built by software, which has the advantages of simplicity, high efficiency, high performance, easy deployment, and more. It does not require separate procurement of servers and storage equipment, and greatly reduces power consumption, and cabinet space consumption.

The high-performance computing platform is used to run research and development applications such as collision simulation tests. By adopting dense blade-type architecture servers, the network connection, storage and power are greatly simplified. The unit power consumption is reduced to a minimum while performance is improved. An effective balance of performance, space, power, cooling, and energy-saving is realized, and the overall power consumption is reduced by 1/3. The core database integrates storage, network, and server resources by using a database integrated machine, eliminates computing islands, and rapidly improves data services. The power consumption is 1/8-1/4 of the traditional architecture, the heat output is reduced by more than 60%, and the amount of occupied area is 1/4, thus greatly improving the data processing performance and reducing costs.

### Case Study NVMe All Flash Technology

(NVMe=Non-Volatile Memory Express)

The storage device adopts NVMe all-flash technology to replace the traditional hard drive. The power consumption of the mechanical hard drive is about 0.025w/IOPS, and that of the all-flash disk is

about 0.00005W/IOPS. The power consumption for processing business data with the same performance is reduced by more than 500 times. By adopting technologies such as thin configuration, deduplication, data compression, and artificial intelligence, the data compression ratio can reach more than 5:1, greatly increasing the amount of data that can be stored per unit space, thus indirectly reducing energy consumption such as air conditioning and refrigeration. Whether it is the improvement of performance and capacity density or the reduction of disk procurement, it has greatly reduced the energy consumption of stored data, effectively promoted energy conservation and emissions reduction, and implemented the new generation of data center operation concept of environmental protection.

FAW-Volkswagen has continuously introduced the latest IT technology and management concepts to reduce the comprehensive cost of IT equipment investment, data center operation and maintenance, thus achieving the goal of reducing overall energy consumption and carbon dioxide emissions.

## Data Center

FAW-Volkswagen is building a corporate data center that focuses on the business /IT development needs for the next 10 years. It adopts a unified planning concept and design, a step-by-step implementation approach, and comprehensively considers the differences between long-term and short-term IT development and equipment. The data center adopts more advanced modular coolers, which can automatically adjust the number of compressor modules according to the IT load of the data center. This reduces energy consumption and makes it a more environmentally friendly refrigeration system. Making full use of the unique weather conditions in northeastern China and introducing natural cooling technology, and the annual average operation time of the time natural cooling methods reached more than 46%.

According to IT equipment characteristics, the new data center is divided into independent high-density server areas, and uses a unique InRow air-conditioning cooling solution, which is close to the heat source and cooperates with the cold aisle closed technology to realize additional green energy savings. According to different regions, the new data center integrated wiring adopts different forms such as TOR, EOR, MOR, etc., and supports multi-mode pre-terminated optical cables that support 10Gb / s data transmission to reduce connection loss. The new data center selects high-efficiency high-frequency UPS. Under the condition of a linear load, the input power factor is higher than 0.99, which reduces power loss and further realizes green energy savings.





# Energy Efficiency

## Energy Management System and Philosophy

FAW-Volkswagen began building an energy management system in 2018, updating the company's energy conservation and environmental protection policies, integrating the requirements of strengthening energy management, improving energy utilization efficiency, and continuously improving energy performance regarding the company's energy conservation and environmental protection management system. Based on the continuous improvement framework of Plan-Do-Check-Act (PDCA), the company has integrated energy management into the existing energy conservation and emission reduction practices. It focuses on the constant improvement of energy optimization following the requirements of systematic, data-driven, and fact-based processes.

## Energy Consumption Optimization Projects and Results

### Public Power Energy Saving Diagnostic Project

In 2019, the FAW-Volkswagen Environmental Protection and Energy Management Department launched a public power system energy-saving diagnostic project, which optimizes public power systems such as water circulation systems, refrigerator systems, compressed air systems, heating systems, and air conditioning systems during production and during times of reduced capacity or breaks. The Environmental Protection and Energy Department has formed a TF team to diagnose the operation mode, parameter control, supply and demand balance, and other aspects of each system, to find energy-saving methods, and to promote them throughout the plant.

### Natural Gas Consumption and Cost Reduction Project for the Drying Furnace

The paint workshop collects and analyzes natural gas data by compiling data generated via automated data acquisition software. An analysis showed that the exhaust temperature of the drying furnace chimney had a direct relationship with the consumption of natural gas. Therefore, by focusing on the drying furnace and making a PLC parameter adjustment, the furnace temperature was optimized and resulted in a savings of approximately 4,000 cubic meters of natural gas per production date.

### Energy Monitoring System for the Paint Workshop

The Energy Management System was established during the second phase of the Foshan Plants' paint workshop to optimize and upgrade the original energy system. The factory established a SQL database for text analysis, and uses Python to compile intelligent algorithms to establish analysis models to obtain daily energy consumption values, integrates data related to energy consumption such as output and equipment operation time, comprehensively analyzes energy consumption laws, and tap potential points for energy optimization. Through data analysis, the factory can realize automatic start-stop control, which perfectly combines the start-stop time of the equipment with the time the vehicle enters and exits.

### Curve Optimization Project of Servo Press

Through experimentation, the stamping workshop has standardized the curve adjustment process by guiding the curve adjustment of the press, adjusting the CBF motion curve, compressing the safe distance, and other techniques to optimize curve energy consumption measures. This can reduce the amount of energy used each stroke by 15% and increase the average stroke per component by 1.

## Water Resources

For a long time, FAW-Volkswagen has paid considerable attention to the optimization, management, and use of water resources. The company strictly implements international and national standards and abides by national environmental laws and regulations. Direct water intake from natural water bodies is not allowed to avoid ecological damage. Sewage discharged from all projects is treated as per national and local standards and then released into the local municipal sewage treatment plant. No wastewater is discharged directly into natural water bodies, which helps play a positive role in preserving natural water bodies and biodiversity.

At present, the sewage stations of newly-built factories in Chengdu, Foshan, Qingdao, and Tianjin have all completed RO advanced treatment process based on the original process. The wastewater is further treated to the process reuse level, which not only reaches the general level of 20% reuse for flushing toilets and greening irrigation in the industry, but also is used for reuse in production after advanced wastewater treatment, cooling circulating water in the power station room, painting RO reverse osmosis process and pretreatment process, and water for the final assembly rain line. The standard 300,000 vehicle manufacturers can reuse 300,000 tons of reclaimed water annually, with the overall wastewater reuse rate reaching 70% and the water consumption per vehicle falling by 20%.

## World Water Day

March 22

FAW-Volkswagen Water Conservation





# Waste Gas, Wastewater, and Waste Materials

## Wastewater Recovery and Recycling

At present, the newly-built sewage stations in Qingdao and Tianjin treat industrial wastewater and domestic wastewater from the entire plant. The volume of treated water is approximately 2500 m³/d. By adopting an aerobic MBR process, the effluent can reach the "Water Quality for Reuse of Municipal Wastewater" GB/T18920-2002. The effluent can be reused for watering greenery and toilet flushing. The annual volume of recycled water is approximately 200,000 tons. At the same time, RO is used for advanced treatment and reused in production. The recycled water capacity can reach 300,000-400,000 tons.

The Foshan Sewage Station has a treatment capacity of about 4,000 m³/d. By adopting the aerobic MBR process, the effluent can reach the "Water Quality Standards of Miscellaneous Water for Urban Sewage Reuse" GB/T18920-2002. It can be reused for watering greenery and toilet flushing, with an annual reuse capacity of about 400,000 tons. At the same time, RO is used for advanced treatment and reused in production, with a reuse capacity of 150,000-200,000 tons.

To achieve energy conservation and environmental protection, the main equipment in the sewage station adopts high-efficiency motors, all pumps are controlled by frequency conversion, and 90% of the sewage station is automated. The Foshan Phase II Sewage Station has adopted the latest flat membrane technology for the first time in FAW Group. The sludge load has increased by more than 2 times. The membrane doesn't easily get polluted and is easy to maintain. At the same time, to ensure the air quality in the sewage station area, biological deodorization technology has been adopted to deodorize the lifting pump room, sludge tank, regulating tank, etc.

The Chengdu Sewage Station is used to treat all of the industrial wastewater and domestic wastewater from the plant. The volume of treated water is approximately 8,000 m³/d. By adopting the aerobic MBR process, the effluent can reach "Water Quality for Reuse of Municipal Wastewater" GB/T18920-2002. It can be reused for watering greenery and toilet flushing. The annual volume of recycled water volume equals approximately 800,000 tons. At the same time, RO is used for advanced treatment and reused during production. The recycled water capacity can reach 1.3 million tons.

## Emission Reduction of Exhaust Gas

FAW-Volkswagen has adopted water-based paint technology and an advanced Ecopure KPR +TAR waste gas treatment system, which is adopted for painting and drying in the spraying section. The rotary concentrating wheel has a high concentration ratio, low operation cost, stable system operation, long service life, and low maintenance. By using TAR oxidation treatment technology, VOC treatment efficiency can reach above 95%. The fan adopts frequency conversion controls, and the frequency of the fan is adjusted according to the pressure of the exhaust gas inlet, thus saving electric energy and natural gas. The overall treatment efficiency can reach more than 96%. At the same time, the heat energy generated by drying waste gas at 700°C is recycled into the workshop air conditioner for humidification, thus greatly saving natural gas and heat, which ultimately saves energy, reduces consumption, and saves cost.

## Waste Recovery and Recycling

In solid waste management, FAW-Volkswagen, based on the principle of reducing and recycling solid waste, not only rationally and legally processes various solid wastes, but also continuously explores the potential of resource utilization to reduce environmental risks while realizing cost savings and efficiency enhancements. It not only pays attention to the reduction of total waste production but also devotes itself to the recycling of waste and turning waste into treasures. Food waste from the five major bases is handed over to qualified disposal companies for processing and reuse. For the burning of raw materials for power generation, the current solid waste utilization initiatives include bio-replaceable fuel, reuse of stamping residue, purification and utilization of liquid waste, etc.

# Green Factory Vision

On the road of corporate development, protecting the environment, saving energy, and reducing emissions is an area that also requires future planning as these are issues that the whole of society will be forced to deal with. For more than 20 years, FAW-Volkswagen has prided itself on being an exceptional company as it has maintained its commitment to green development and environmental protection.

At FAW-Volkswagen's South China Base, photovoltaic panels can generate 10 million kilowatt-hours of electricity annually. The base currently under construction in Qingdao also has photovoltaic power generation systems. In the future, the total power generation capacity of FAW-Volkswagen will exceed 40 MW.

All the water used to maintain greenery is derived from a water recycling system. This system treats domestic wastewater and industrial wastewater to meet reuse standards that may be used for greenery, toilet flushing, and production. In the first phase of South China Base alone, 200,000 tons of water are treated and reused every year. To reduce energy consumption, major FAW-Volkswagen production bases optimize natural light through the installation of skylights and ventilation skylights. Heat energy recovery devices are also used to improve energy utilization efficiency. In the painting production process, water-based paint and new purification technology have been adopted to reduce energy consumption and pollutant emissions. An enclosed sound insulation production line has been installed in the stamping process area to reduce noise pollution. The construction of the new factory has taken into full account energy conservation and environmental protection while doing its utmost to minimize resource consumption. The water recycling rate exceeds 98%, the water consumption per vehicle is controlled below 2.4 cubic meters, and the recycling rate of industrial waste exceeds 85%.

The full utilization of resources and strict control of emissions have spread to every field and corner of all production bases. Hundreds of millions of Yuan is dedicated to environmental protection investments every year and has allowed us to successfully pass the ISO14001 Environmental Management System Certification and Clean Production Audit. Production bases in South China, Southwest China, and East China have successively won the highest grade (Three-star) certification for green industrial building design and operation.





# Key Environmental Protection Data

## General Condition of Company Water Resource Management

	2019	2018
Total Water Consumption/10,000 Tons	957.792	896.245
Recycled Water Volume / 10,000 Tons	92.137 *	24.125
Electricity / MWh	1562419.28	1462640.254
Natural Gas / MWh	870221.17	884580.6381
High-temperature Water / MWh	354202.81	386327.8472
Heating Water / MWh	445972.01	407688.3485
CO <sub>2</sub> /t	1382186.539	1268604.957
General Recyclable Waste/Ton	444449.23	399417.25
General Non-Recyclable Waste/Ton	15182.617	21864.03
Recyclable Hazardous Waste/Ton	8380.9708	14176.75
Non-Recyclable Hazardous Waste/Ton	22448.81232	19062.78

\* The amount of recycling increased by four times compared with 2018 on year-on-year basis, the reason was that the new plant was put into use, and the built central wastewater treatment station was used for advanced treatment and reuse of wastewater.

## Industrial Wastewater Discharge

Industrial Waste Water Discharge/t	2019	2018	Concentration (2019) Unit: mg/l
Changchun Base	783544 <small>(Year-on-Year output decline)</small>	830139	—
Southwest Base	1020405 <small>(The newly built water station had been put into operation in 2019, and reused the recycled water)</small>	1407622	—
South China Base	322104	390603	—
North China Base	270730	—	—
East China Base	480886	—	—
COD/t	2019	2018	Concentration (2019) Unit: mg/l
Changchun Base	90.29	85.19	115.24
Southwest Base	96.28 <small>(The newly built water station was put into operation, and the concentration of the discharged COD was reduced)</small>	197.51	94.36
South China Base	7.58	7.17	23.53
North China Base	9.23	—	34.10
East China Base	16.83	—	34.99
Ammonia nitrogen/t	2019	2018	Concentration (2019) Unit: mg/l
Changchun Base	1.93	2.18	2.46
Southwest Base	2.44 <small>(The newly built water station was put into operation, and the concentration of the discharged ammonia nitrogen was reduced)</small>	10.19	2.39
South China Base	0.06	0.06	0.18
North China Base	0.04	—	0.16
East China Base	0.09	—	0.19

# GRI Content Index



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.  
The service was performed on the Chinese version of the report.

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103-2	The management approach and its components	62-63
103-3	Evaluation of the management approach	62-63
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not Occurring
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GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	60-61
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GRI 419: Socioeconomic Compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	Not Occurring



## Independent Assurance Statement

### Introduction:

TÜV Rheinland (Guangdong) Ltd., member of TÜV Rheinland Group, (TÜV, We) has been entrusted by the management of FAW-Volkswagen Automotive Company Ltd. (FAW-Volkswagen, the Company) to conduct independent assurance of FAW-Volkswagen Corporate Sustainability Report 2018-2019 (the Report). All contractual contents for this assurance engagement rest entirely within the responsibility of FAW-Volkswagen. Our task was to give a fair and adequate judgment on the FAW-Volkswagen Report 2018-2019.

The intended users of this assurance statement are stakeholders having relevance to the FAW-Volkswagen overall Sustainability Performance and impacts of its business activities during 2018-2019 (1<sup>st</sup> January 2018 ~ 31<sup>st</sup> December 2019). TÜV Rheinland is a global service provider of CSR & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement and not involved in the preparation of report contents.

### Assurance Standard:

The Independent Assurance was carried out in accordance with AccountAbility, U.K Standard AA 1000 AS (2008) and related standards AA 1000 APS(2008), AA 1000 SES (2015), Principles of Inclusivity, Materiality & Responsiveness, ‘In accordance’-Core” reporting guidelines as per The GRI Sustainability Reporting Standards(GRI Standards)

### Scope & Type of Assurance:

Our Assurance engagement covers the following:

- In accordance with GRI Standards (including Universal Standards 100 series, Topic-specific Standards 200 series, 300 series and 400 series) and according disclosure on management approach (DMAs) from Economic, Environment & Social category, the FAW-Volkswagen Corporate Sustainability performance as described in the report 2018-2019, also defined in Reporting boundaries.
- Evaluation of disclosed information in the report as per the Assurance Standards.
- Type-I,Moderate as per AA 1000 AS (2008)

**Limitation:** The assurance engagement was carried out at FAW-Volkswagen Headquarter & Plants at Changchun, Jilin province, China. The consultations with external stakeholder were not carried out. We have not observed any significant situations to limit our assurance activity. The verification is carried out based on the data and information provided by FAW-Volkswagen, assuming they are complete and true. We did not verify the reported financial data as same in annual report, and the financial data was not publicly-disclosed.

### Assurance Methodology:

TÜV has challenged the report contents and assessed the process undertaken by FAW-Volkswagen from source to aggregate in disclosure of information/data related to Sustainability performance. Our judgment is based on the objective review of reported information as per criteria defined under assurance standards, which is inclusivity, materiality and responsiveness.

Analytical methods and the performance of interviews as well as verification of data, are done based on random sampling, to verify and validate the correctness of reported data and contents, also the FAW-Volkswagen social responsibility strategy. Our work included consultation with over thirty FAW-Volkswagen representatives which including senior management and relevant employees. The approach deemed to be appropriate for the purpose of assurance of the report since all data therein could be verified through original proofs, verified database entries.





The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

**Positive Observation:**

We would like to mention some of the positive aspects observed during FAW-Volkswagen assurance engagement as below:

- According to the corresponding strategy formulation mechanism setting, issues, and stakeholder analysis, FAW-Volkswagen has further upgraded its corporate social responsibility strategy, which was based on the original one and has taken the corporate social responsibility strategy into the "2.0 Era."
- FAW-Volkswagen improved the compliance institutional system. The company has established the specific compliance management processes and tools such as <Regulation on Management for Conflict of Interests>. Besides, the company also strengthened the compliance communication and supervision of the suppliers, and went to great length to promote internal and external compliance management throughout the entire value chain.

**Adherence to AA 1000 principles:**

**Inclusivity:** FAW-Volkswagen has established the stakeholder engagement processing, to identify and understand the perspectives and expectations of the stakeholders. Regarding the principle of inclusiveness, TÜV Rheinland recommended that FAW-Volkswagen may provide support for external stakeholders to participate in capacity building.

**Materiality:** FAW-Volkswagen has established the materiality identification process, for thoroughly analysis of the internal and external environment in which corporate social responsibility is carried out, and identified and screened out materiality issues that have important value for the company and stakeholders. The issues included social responsibility, energy efficient , economic stability, environmental protection, customer health and safety, customer satisfaction, compliance management, and relationships between supplier and dealer.

**Responsiveness:** FAW-Volkswagen responded to the concerns and expectations of stakeholders.

**Conclusion:**

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- FAW-Volkswagen Corporate Sustainability Report 2018-2019 meets the requirement of Type-1, Moderate Assurance according to AA1000AS (2008) and ‘In accordance’-Core” reporting guidelines as per The GRI Sustainability Reporting Standards(GRI Standards)
- The Report includes statements and claims that reflects FAW-Volkswagen achievements and challenges supported by documentary evidences and internal records.
- The performance data we found in the report are collected, stored and analyzed in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about FAW-Volkswagen based on this Assurance Statement.



**For TÜV Rheinland Group**

**Daniel Pan**

**Lead Verifier**

Guangzhou, 13<sup>th</sup> May, 2020

