

# 2020 Yanfeng Corporate Social Responsibility Report

Sustainability Report / Communication On Progress  
for 2020, published in August 2021.

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## Welcome & Statement of Continued Support

2020 was an unprecedented year as the world navigated the COVID-19 pandemic. Throughout this time and every day, the health and safety of our employees, their families and all our stakeholders have been a top priority.

Last year was one of growth and change at Yanfeng. Our customers, Yanfeng and the rest of the industry had to quickly respond and, as it was safe to do so, restart production. Together we experienced a pandemic that history will remember for its severity and global impact. That fact is one the Yanfeng Leadership Team does not take lightly. As we see our industry making its return, we extend our gratitude to the men and women from our teams, our supply base, and from our customers who worked alongside us and who are leading us back to normalcy.

Despite all the unknowns of 2020, we saw incredible growth. Last year we established Yanfeng International, a foundational step to our One Yanfeng vision becoming a reality as our business grows outside of China. Based on our strategic pillars of conglomeration, innovation, globalization, and sustainability, Yanfeng International was established to further boost growth, empower business development, and achieve cross-business unit synergy through resource sharing and operations coordination.

Until 2020, our Yanfeng Automotive Interiors (YFAI) business was the only business that was global. It was formed as a joint venture operation and in July 2020 we acquired the shares held by our partner, Adient, making YFAI a wholly owned entity of Yanfeng. During this time, we also expanded our seating and safety businesses into Europe and North America. This expansion uniquely positions Yanfeng as the only global supplier that can offer seating, interiors and safety systems.

To support this growth, we introduced a new organizational structure and a focus on talent development. Along with the change in the business, we standardized our Yanfeng International Operating System and a global, enterprise-wide Code of Conduct, which is also highlighted in this report.

But navigating a global pandemic and achieving strategic growth targets were not our only milestones this year. Yanfeng International emphasized the company's commitment to sustainability as we joined the United Nations Global Compact.

Today, we are pleased to share our first Corporate Social Responsibility Report in alignment with the UN Global Compact Initiatives reporting requirements. With this report we express our intent and ongoing commitment to support the UN Global Compact by implementing the ten principles into our company's strategy, culture, and operations to advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

This report is intended for our key stakeholders, partners, customers and employees. It outlines our 2020 global CSR performance in the areas of Human Rights, Labor Practices, Environment and Anti-Corruption.

We cannot achieve our sustainable growth targets and continued success without each employee's dedication, commitment and passion to uphold the highest ethical standards and to comply with all legal requirements everywhere in the world where we do business. Our values and principles will always guide our business success.



**Gerald Jia**  
CEO, Yanfeng

# Who we are

Yanfeng is a leading global automotive supplier, focusing on interior, exterior, seating, cockpit electronics, and passive safety. Yanfeng has more than 240 locations and approximately 55,000 employees worldwide. The technical team of 4,200 experts is located across eight R&D centers and other regional offices with complete capabilities including engineering and software development, styling, and test validation. Focusing on Smart Cabin and lightweight technologies, Yanfeng supports automakers to explore future mobility and provide leading cabin solutions.

## Yanfeng 2020 Facts & Figures

\$15.9 billion



Sales

55,000



Employees

240+ locations



Global Footprint



**Mission:** YANFENG, Better Life Through Automotive Innovation

**Vision:** To Be the best automotive component supplier in the world

### CORE VALUES: C-SPIRIT



# Sustainability Governance and Strategy

## Sustainability Governance and Leadership



## Sustainability strategy

Many sectors, and the automotive industry in particular, are facing major challenges with a transition to a low-carbon economy. As a global supplier, Yanfeng must be able to quickly adapt to technological changes and tightening environmental regulations to maintain its current market leadership position. In order to meet market demands and improve our resilience, Yanfeng has embedded sustainability as one of the main pillars of the company's global strategy with a dedicated Sustainability Roadmap that includes short and long-term goals.

## Sustainability Governance Model

As part of the company's commitment to sustainability, Yanfeng has put into place a governance model that is comprised of an Executive Steering Committee, Group Sustainability Council and Regional Governance teams. The roles and responsibilities assigned to each of these include:

**Executive Steering Committee:** Sets targets for all Yanfeng Business Units.

**Group Sustainability Council:** Promotes implementation, provides Key Performance Indicators (KPI) and data, drives Lighthouse Projects.

**Regional Governance teams:** Mandate to implement sustainability actions regionally.



To set the foundation for our Sustainability Roadmap we have identified immediate short-term actions and initiatives, in addition to medium to long-term goals:

Yanfeng's short-term goals include:

- > Develop an incentive plan for sustainability goals
- > Corporate Carbon Footprint Scope 1, 2 & 3
- > Climate-related Risk and Opportunity Assessment Management
- > Emission Reduction Target for each region
- > Customer and Supplier Engagement
- > Increase of renewable energy sources

Yanfeng's medium- to long-term goals include:

- > Carbon neutral on Scope 1, 2; Scope 3 upstream 50% reduction by 2030

Through our endorsement of the UN Global Compact, we are committed to keeping our stakeholders informed of our actions and continuous progress, not only on environmental but on social aspects as well.

# ONE Company ONE Code ONE Commitment to INTEGRITY

We obey the laws and regulations wherever we conduct business.

We safeguard the health and safety of our employees.

We are committed to providing safe, high quality goods and services.

We always act in Yanfeng's best interest.

We use Yanfeng's assets and resources honorably and only for Yanfeng business.

We do not tolerate corruption anywhere in our business.

We believe in fair and open competition and will not engage in unethical behavior to obtain business.

We ensure our records are accurate, complete and appropriately maintained and our internal controls sound.

We communicate accurately with our shareholders and the public.

We do not engage in insider trading or self-dealing.

We comply with international trade laws.

We protect Yanfeng's confidential information and respect that of our customers and business partners.

We protect the privacy of our employees

We take responsibility for the environment by making sure that we follow environmental laws and regulations everywhere we conduct business.

We value diversity and equal treatment in our workplace.

## Human Rights

At Yanfeng we support and respect the protection of internationally proclaimed human rights, and make sure that we are not complicit in human rights abuses.

We are dedicated to acting with integrity and conducting our business in a fair, ethical and respectful manner. This is how we will achieve our vision and mission. We believe that by adhering to the highest ethical standards we not only strengthen our company but also help to improve the communities where we operate our businesses.

We abide by our Code of Conduct and its guiding principles. We also demand our supply base to comply with our Code of Conduct or an equivalent policy. Our Code of Conduct requires that we comply with all applicable laws and regulations of all countries where we conduct business.

We are continually striving to make our business successful and sustainable. In doing this, we recognize the importance of the relationship with our customers, employees, suppliers, shareholders and communities.

The following human rights principles enable us to achieve the sustainability of our businesses. Although these principles are not new to us, they are critical for us to stand for as a responsible corporate citizen.

## In 2020, Yanfeng introduced a new entity wide Code of Conduct

As we transform our business through conglomeration, innovation, globalization and sustainability, it's critical that we do so with the utmost integrity and compliance to all ethical and legal standards.

Using ethics and compliance as a foundation to guide us in how we conduct business helps to solidify the trust and confidence of our shareholders, customers, suppliers and colleagues. To help provide additional guidance, we introduced the Yanfeng Code of Conduct (Code). Our Code contains 15 guiding principles for ethical business conduct. These principles were developed from best practices in our Interiors business unit, and in 2020 we expanded these concepts globally. Our Compliance guidelines, policies and procedures also apply to our employees and business partners, globally.

The introduction of the Code of Conduct is a key part of a comprehensive Global Compliance Management System. It is a mechanism that is put in place to help guide our growth and ensure that we uphold ethical behavior in all that we do. The Global Compliance Management System is designed to prevent and detect wrongdoing and to promote and

enhance an ethical business culture, always adhering to our policies, laws and regulations; and speaking up when we see something that is not right. Our Compliance Management System provides additional tools, including training, to help our employees recognize and learn how to deal with legal compliance questions or ethical dilemmas.

At Yanfeng, we are fully aware that not acting ethically or in compliance with internal policies, or local laws and regulations can have dire consequences for companies. We hold ourselves personally accountable for ethical behavior and integrity. We ask our employees to hold this commitment, in writing, when they receive the Code of Conduct. If someone sees something that they do not think is right, we encourage them to speak up. We have put in place several mechanisms for this, including, reaching out to a supervisor, Human Resources, Legal or Compliance partners. In addition, we established a global confidential Integrity Helpline, as an important reporting tool for questions or to report misconducts. Most importantly, we don't tolerate any retaliatory act against anyone who in good faith reports wrongdoing they observe.

## Leveraging Diversity

People and Respect are our core values and Leverage Diversity is one of our Leadership Competences. The on-boarding training for new employees focuses on our core values and core competence model.

### All Employees

#### Leveraging Diversity

Working effectively with individuals of diverse cultures, interpersonal styles, abilities, motivations, or backgrounds; making the most effective use of the capabilities, insights, and ideas of all individuals.

#### Key Actions

##### Seeks understanding

Establishes relationships with and learns more about people of other cultures and backgrounds (i.e., their special issues, social norms, decision-making approaches, and preferences)

##### Conveys respect

Uses language and behavior that consistently reflect and enhance the dignity of diverse customers, partners, and employees; takes actions that show consideration for cultural concerns and expectations, continually examines own behaviors to avoid stereotypical responses

##### Uses diversity as an advantage

Seeks out and uses ideas, opinions, and insights from diverse sources optimizes effectiveness by using individuals particular talents and abilities for relevant tasks or assignments.

##### Champions diversity

Advocates the value of diversity to others; takes action to support diversity in the workplace. Confronts racist, sexist or inappropriate behavior; challenges exclusionary organizational practices.



Yanfeng strives to be a diverse, equitable and inclusive employer committed to encouraging employee participation in Diversity, Equity and Inclusion (DEI) activities in the local communities where it operates.

## DIVERSITY, EQUITY & INCLUSION IN NA



### DEI Structure

In 2020, Yanfeng North America formalized our Diversity, Equity and Inclusion (DEI) efforts by launching the Business Resource Group (BRG) Diversity and Inclusion Group (DIG) in North America.

DIG is employee-run and includes Executive Sponsors, Business Champions and Affinity Group Chairs, empowering members to make a difference in their workplace and communities with organized initiatives. Executive sponsors are primarily responsible for DIG's budget, advocating for affinity group needs and representing Yanfeng externally. Business champions serve as a supporting role across the BRG and its initiatives by empowering feedback on action plans, communicating DIG's vision and strategies and supporting event communication.

Affinity Group Chairs serve as representatives for established affinity groups and are the main organizers for initiatives and events, identifying gaps in our DEI efforts and proposing and implementing solutions in alignment with the DIG executive team. In 2020, the affinity groups include the Black Affinity Network (BAN), DIG Mexico and Women's Resource Network (WRN).

### Black Affinity Network

The Black Affinity Network (BAN) works to create an inclusive and equitable workplace where Black and Brown employees feel safe, valued and respected. Through education and open discussion, BAN seeks to raise awareness of the inequities experienced by People of Color. The group's initiatives are meant to foster employee's personal and professional growth.

In 2020, BAN pledged to increase the representation of diverse employees annually through intentional initiatives that focus on recruitment, retention, and career development in the United States. These efforts, aided by demographic data of the region's employee-base, was foundational, inspiring the team to work toward creating a diverse workforce that was representative of the communities where our facilities are located. All employees, hourly and salaried, are eligible to participate in BAN regardless of ethnicity.

### Women's Resource Network

The Women's Resource Network (WRN) aims to promote favorable working conditions for women and further develop and retain female talent at Yanfeng. In 2020, the WRN came together to understand women's concerns and needs at different leadership levels at Yanfeng. The findings helped shape the four cornerstones of the WRN: Culture, Career, Community and Collaboration. All initiatives hosted by the WRN incorporate one of the four cornerstones promoting inclusivity, upward career mobility, social responsibility and community outreach and collaboration.



Yanfeng understands that we have more work to do and that is why we partnered with the Center for Automotive Diversity, Inclusion and Advancement (CADIA) in 2020. CADIA provides Diversity, Equity & Inclusion tools, networks, insights and practical advice to companies in the auto-mobility space to double the number of diverse leaders in automotive by 2030. CADIA assessed our current policies, practices and processes involving DEI and developed a strategy for effective engagement, recruitment and retention of diverse and inclusive talent. Our partnership helped develop our programs and initiatives by establishing structure, aligning Yanfeng leadership and offering tools to better support our minority workforce.

# Health & Safety



## Health & Safety Training

To ensure the health and safety of our employees, we conduct training on personal protective equipment (PPE) as well as prevention of repetitive strain injuries.

We promote a culture of Health & Safety. To support this, there are also consistent measures in place, including a monthly EHS awareness message, "Think Safe, Act Safe, Be Safe," that is shared with all employees. Featured awareness campaigns include Lockout/Tagout, avoiding slips, trips and falls and hoist safety, to name a few.



### Yanfeng's COVID-19 Response

At the onset of the COVID-19 pandemic, the health and safety of our employees and stakeholders was and remains our top priority. We quickly mobilized our global team to establish a playbook to inform our decisions and implemented preventative measures established by guidelines recommended by the Centers for Disease Control (CDC) and the World Health Organization (WHO).

Yanfeng China delivered emergency supplies such as masks, infrared temperature guns and disposable gloves to all global sites. Two mask machines were developed and manufactured by Yanfeng in China and were delivered to Europe and North America to ensure adequate face mask supplies in our sites.

Yanfeng has encouraged six-foot / one and a half meter social distancing across our regions since the start of the COVID-19 pandemic.

In addition to requiring masks and providing gloves to those frequently in contact with others, our preventative actions included redesigning the layout of public areas and work areas wherever possible, keeping hand sanitizers throughout the facility and daily disinfecting.

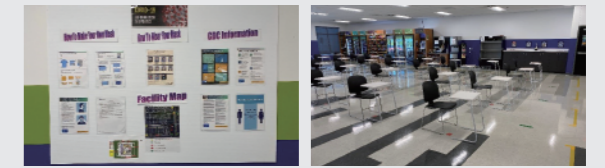
In April 2020, we offered employees and their families access to COVID-19 and mental wellness resources at no cost for a limited time. These resources included strategies to manage increased stress, parenting tips for challenging times, ideas to manage social isolation and additional emotional support tools.



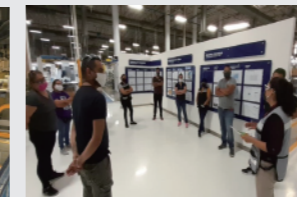
## Preventive actions at Yanfeng global sites



Yanfeng immediately set up a COVID-19 response committee covering all regions and sites around the world, and developed the Global Pandemic Response & Prevention Standard as well as the COVID-19 Prevention Playbook to provide guidance to all Yanfeng locations. It provided details on how to manage, communicate, and fight against COVID-19.



Yanfeng Belvidere, Illinois USA plant, a COVID-19 awareness board was hung to promote preventive actions among employees. Social distancing was also implemented in the cafeteria.



The Yanfeng Santa Maria and Ramos, Mexico plants created COVID-19 prevention awareness boards. They also required teams to socially distance all meeting and training attendees.



In Yanfeng Italy plants physical contact was limited so that appropriate distance was safely maintained in rest areas, meeting areas, and in other public areas throughout the plants.



The Yanfeng India plants implemented temperature screening for all employees and disinfected all public areas in the plants. The Yanfeng India maintenance team saw an opportunity based on their past experience to make a Paddle Sanitizer in-house. Within two days, teams prepared a stand and tested the efficiency. More developments like a foot latch and water dispensing were also added.



In the Yanfeng Thailand plant, social distancing was set by fixed separators positioned on tables in all public areas. Every employee wore a mask when they came to work. At the Yanfeng Japan site, temperature screening and regular disinfection were implemented.



The Yanfeng Czech plant prepared prevention tips for employees to help colleagues take care of their health and follow the safety guidelines.



In the Yanfeng Malaysia plant, temperature screening, awareness training and educational posters for COVID-19 were implemented.

## Working Conditions/Career Management

### Career Management: Advocating for Talent

Our talent is our greatest asset and the key accelerator to help Yanfeng realize our vision and strategic objectives.

The Yanfeng Academy was established to develop our talent at all levels of the organization by providing targeted learning via classroom, online, and action learning opportunities. Competency assessment tools and core curriculum also are provided to assist with Development Plans for individuals and groups.

We have 22 department or functional academies and more than 800 learning assets as a web-based or instructor led training resource. Employees are encouraged to regularly participate in training. Additionally, we have training plans for each region and for all functions. In 2020, we had a completion rate of approximately 94% (AP = 93.4%, EU = 96%, NA = 94%) of annual training plans.



## Developing our Talent

To help develop our future leaders, Yanfeng has a Strategic Talent Review process. This initiative further solidifies a "Talent Advocate" culture across Yanfeng by collaborating with leaders to encourage talent diversity and cultivate growth opportunities for our employees. This allows leaders to evolve from simply putting talent in the right position at a point in time to leveraging and developing people cross-regionally, cross-functionally and/or across business units to best support the strategic objectives of the organization going forward.

Launched globally in 2020, this new talent management activity is evolving with innovative processes, criteria and standards, combined with science-based assessments to increase the diversity and accuracy of qualified talent pools and

improve talent discussions and decisions. In 2020, 100 percent of the company's business leaders participated in the initiative and 46 senior global high potential employees, as well as 600+ regional employees, were identified and provided with targeted training courses and development plans.

In addition, Yanfeng always stands for "Internal Building" as a core talent strategy. We provide clear career paths and offer opportunities for our employees to seek long-term career advancement with Yanfeng. Since its launch in 2020, our internal fill rate for global leadership positions has exceeded 80%, more than 10% of global leaders have been internally rotated within the organization and 100% of key talent were retained, which greatly builds and facilitates our talent culture to embrace internal mobility and development.

## New Leadership Development Programs



In 2020, Yanfeng introduced several global leadership development programs. These comprehensive programs provide targeted learning and development of leadership skills via development programs, classroom and online resources. Competency models, assessment tools and core curricula are provided to assist with development plans for individuals and groups.

These programs include a Global Leader Development Program (GLDP), Operational Leader Development Program (OLDP) and People Leader Development Program (PLDP).

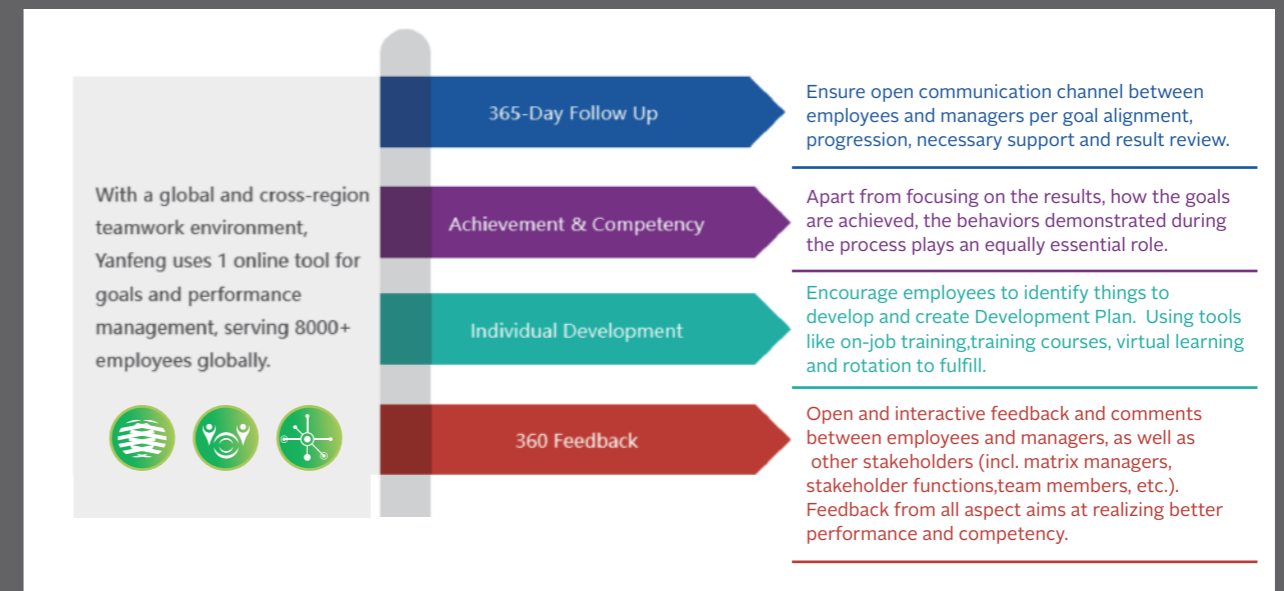
These comprehensive programs are aimed at developing future global and regional leaders and high-potential talent, aligned to the succession planning process.

In 2020, we designed and conducted the People Leader Development Program for new managers via an online global learning journey. PLDP contains five modules and 17 high quality courses. The PLDP and OLDP are organized via online learning and workshops in all three regions (NA, EU & AP). A total of more than 160 employees in 2020 participated in these programs, with even more expected to participate in 2021.

Yanfeng also offers programs that focus on new professionals. The company offers a cross-rotational program (XRP) that focuses on recent university graduates and provides a rotation into various roles within the company, as well as a College Intern Program (CIP).

## Performance Management Process:

Yanfeng has an annual global performance management process that leverages a common online tool. All salaried employees are required to complete the performance management process annually.





## Working Conditions

### Case Study: Working Conditions in China



In 2021, Yanfeng is opening a new corporate headquarters in Shanghai. Part of the campus features Yanfeng Land which was established for Yanfeng Campus Employees and key talent to help employees get established in Shanghai. It covers 8,831.57 m2 on a total of seven floors and has capacity for approximately 230 employees. There are three apartment layouts that can be selected to satisfy different requirements. The new building became operational in January 2021. To date, there are more than 120 employees residing there.

### Compensation & Benefits:

Yanfeng International offers a total rewards strategy with a purpose of attracting, motivating and retaining talent through a combination of compensation, benefits, personal growth opportunities and a favorable working environment.

Corporate Compensation Strategy is based on the principles of a 3P Compensation Model: pay for position, pay for person and pay for performance. One hundred percent of employees have access to all statutory benefits.



#### Pay for **position**:

All individuals in the same grade have the same reference salary and benefits, which is reflected seen in new hire, promotion and transfer practices.

#### Pay for **person**:

Competency determines actual salary relative to reference salary and competencies in high demand receive a premium, which is commonly reflected in new hire salaries and merit increases.

#### Pay for **performance**:

Pay for both short-term and long-term performance. Performance pay is variable, which is commonly reflected in bonus payments.



# Employee Recognition Programs

MERIT CEREMONY

Vanguard Awards

Vision Week – Global Celebration of Yanfeng's Vision, Values and Strategy



Team Rally China

On May 29, 2020, the 2020 Yanfeng Award of Merit Ceremony was held. At the ceremony, the Yanfeng Golden Award, Yanfeng Synergy Award, Yanfeng Management Progress Award and the Advanced Technology Award winning teams' representatives and individuals for the year 2019 were recognized by the top leadership of Yanfeng and each Yanfeng BU. More than 400 people attended the event, either onsite or online.



The theme of the 2020 Yanfeng Award of Merit Ceremony was "Together We Win," and was focused on innovation, business globalization and best practices. Stories of the award-winning teams and individuals were shared to convey the spirit of fearlessness in the face of challenges and the drive to move forward. The ceremony is intended to recognize and thank Yanfeng employees who made significant contributions to the organization.

Yanfeng recognizes its employees for outstanding performance via a company awards program and honors employees for their years of service with the company. The company's global Vanguard Award recognizes team and individual employee achievements in each region on a quarterly basis. At the end of the year, several global annual award winners are selected by company leadership from the pool of quarterly regional winners. Globally, employees are recognized for their years of service with the company during annual Service Award events.

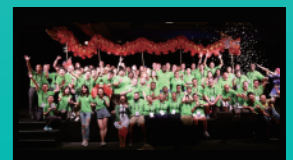


Vision Week is a top-down way to publicize and promote Yanfeng's culture and strategy. Through the activity, we build a platform to help employees understand the company's development goals and value orientation and increase engagement.



The theme of Vision Week 2020 was "Together We Win" and focused on moving forward from the rapid growth stage to the transformation stage of our business while leading employees towards the company's strategic priorities: Conglomeration, Innovation, and Globalization. In May 2020, the Asia Pacific region kicked off Vision Week with a series of in-person events but to comply with safe work regulations, the 2020 Vision Week celebrations in Europe and North America were held virtually.

In China, Team Rally recognizes our employees' commitment to delivering results through Continuous Improvement and provides an innovative platform for the company's continuous improvement culture and an opportunity for shared knowledge and experience. Since 2007, a team rally competition has been held every year. Each participating team presents their most successful continuous improvement projects in the past year in a series of qualifying rallies at local and regional level.



## Recruiting in China

As we recruit new talent, Yanfeng has several focused activities to attract new talent to the company. In 2020, we created a series of activities with the theme of "Young Forever."



### These events include:


**Live Talk Online:** Leverages an online live broadcast to publicize the Yanfeng brand in society and at universities in order to support recruiting. More than **10,000** fans have watched our live talk on the internet.

**Offer Celebration:** We held activities for college students who signed an offer with the company in advance of their first day to show them what it is like to be part of the Yanfeng family. More than **120** new hires participated in this event.

**University Cooperation:** Our employees teach students at universities, in areas including automobile industry trends and career planning.

**Open Day / Summer Internship Program:** We invited more than **300** professional students to participate in our open day activities where we offered them advanced technical internships. We recruited **150** interns for positions in the summer of 2021.

## Working Conditions

 North America Annual Scholarship Program

Since 2018, Yanfeng has hosted the annual Yanfeng Scholarship, an achievement-based scholarship offered to children of employees based in the United States who will attend two- and four-year accredited colleges and universities in the U.S. In 2020, we awarded 16 students a total of **\$42,200**.



In 2020, we updated our program to include Canada and Mexico and we partnered with International Scholarship and Tuition Services (ISTS), a 100% woman-owned company. Since 1985, ISTS has specialized in managing the world's most successful scholarship, grant, and tuition programs, serving applicants and recipients from more than **160** countries worldwide and helping **5 million** students apply for educational assistance.

# Labor Rights

## Labor Requirements

We are continually striving to make our business successful and sustainable. In doing this, we recognize the importance of the relationship with our customers, employees, suppliers, shareholders and communities. The following human rights principles enable us to achieve the sustainability of our businesses. Although these principles are not new to us, they are critical for us to stand for as a responsible corporate citizen.

### Child Labor

The employment of underage workers as defined by law in the countries where we operate is prohibited.

### Forced Labor

The use of forced labor, bonded, indentured or involuntary prison labor is prohibited. Any use or support of human trafficking in the labor force is forbidden.

### Freedom of Association and Collective Bargaining

We recognize and respect the voluntary freedom of association within the limits established by applicable laws. Where worker representation and collective bargaining are restricted by law, efforts will be made to facilitate open communication and receive employee concerns.

### Harassment and Discrimination

We will maintain workplaces free of physical or mental harassment, abuse, or any other behavior that diminishes a person's integrity and self-esteem. The Company does not tolerate any discrimination or harassment in any forms, including that related to color, race, gender, sexual orientation, age, pregnancy, caste, disability, union membership, ethnicity, or religious beliefs.

In 2020, Yanfeng did not have any significant breaches or incidents related to human rights violations. Human rights are also part of Yanfeng's supplier evaluation process. We review and evaluate these topics based on supplier questionnaires.

Sustainability is a broad topic and it is important for Yanfeng to consider all relevant dimensions of sustainability, including its social and economic aspects.

Nonetheless, there is a spotlight on environmental and ecological issues in the automotive sector, especially concerning the industry's response to the challenges posed by climate change. With responsibility for 24% of global direct CO<sub>2</sub> emissions, the transportation sector is one of the major contributors to GHG emissions from human activities. With many existing regulations, such as the EU regulation on reducing CO<sub>2</sub> emissions from road vehicles, several net-zero commitments issued by major automotive companies and a rising demand from end-consumers for sustainable products, the automotive sector is facing a complete and disruptive overhaul that is already underway.

### Environmental Management System (EMS) Policy and Commitment:

We will reduce the negative impact on the environment by developing green products and processes and build a green production system through continuous improvement to protect the ecological environment.

Our commitments are:



Implement sustainable development strategy to create value sustainably;



Fulfill all applicable environmental, legal or other requirements;



Encourage the innovation of environmental protection technology and management, continually improve environmental management system and performance from a life cycle perspective to fulfill the commitment of protecting the environment and strive to exceed the expectations of interested parties;



Facilitate energy saving and emission reduction, improving ecological benefits.

### Health and Safety Policy and Commitment:

Nothing is more important than the health and well-being of everyone working at or visiting our global locations.

Our commitments are:



Create a safe and healthy workplace, continually improve the occupational health and safety management systems and performance, and strive to prevent all work-related injuries and ill health;

Fulfill all applicable legal and other requirements regarding Occupational Health and Safety (OH&S) hazards at each location;

Focus on the prevention of injuries and risk controls during the early phase of new projects. Systematically and comprehensively identify risks, improve the effectiveness of risk control and reduce occupational health and safety risks by formulating continuous and forward-looking risk control measures;

Enhance the engagement and demonstration of leadership, facilitate and promote the consultation and participation of workers, improve the safety awareness of employees and build the brand of Safety Culture.

### Energy Policy and Commitment:

Continuously improve energy efficiency, reduce energy consumption, reduce greenhouse gas emissions, and continuously improve energy performance while producing and providing products and services to customers.

Our commitments are:

Establish and implement an efficient energy management system to support global manufacturing capacity and set and achieve appropriate energy goals and targets;

Emphasize the requirements of energy performance when purchasing energy services, products and equipment that have or may have an impact on energy usage and when building and improving the design of facilities, equipment, systems and processes;

Encourage employees to continuously improve energy efficiency in work and personal activities;

Grasp and understand the development trend of internal and external energy efficiency and innovative technology;



### Yanfeng International Operating System Policy

Support the requirements of government agencies, utility companies, and comply with the laws, regulations and other requirements related to energy conservation

### Management system

To achieve our Environmental, Health and Safety (EHS) goals we are putting an extra emphasis on EHS year over year.

All European and Asia Pacific Yanfeng Group sites have obtained ISO 45001 certification (Occupational Health & Safety Management System). In 2021, all North American sites will be certified (delayed in 2020 due to COVID). All Yanfeng sites globally have obtained ISO 14001 (Environmental Management System) certification.

# Energy and GHG

Yanfeng is part of a global value chain in the automotive sector and recognizes its responsibility to actively contribute to sustainable development, not just based on customer-driven or legislative requirements but also with regard to our responsibility for future generations. In order to manage our climate-related impacts and communicate our efforts in the best way possible we have established and improved several climate-related and energy efficiency actions and initiatives as part of our Sustainable Roadmap and strive to continuously improve these efforts in the future.

### Carbon Disclosure Program (CDP)

To communicate our climate-related actions more transparently we are participating in the CDP Climate Change program. For 2019, Yanfeng Automotive Interiors was awarded a B- CDP score. In 2020, we launched several climate-related programs and actions, such as new governance structures for sustainability with an Executive Steering Committee with board-level oversight for sustainability issues and a Group Sustainability Council to promote group-wide implementation, define and track KPIs and to drive lighthouse projects. Yanfeng's goal is to launch additional initiatives to further improve our CDP score and achieve an A level score in the near future.

### Corporate Carbon Footprint (CCP) Scope 1-3:

One key element to better understand and monitor a company's impact on climate change is to create a corporate-level GHG emission inventory in the form of a corporate carbon footprint. Yanfeng Automotive Interiors has created a corporate carbon footprint for all EMEA locations that included all relevant scope 1 and scope 2 emissions for the calendar year 2019 and has extended the carbon footprint to all global locations of Yanfeng Automotive Interiors with the addition of important scope 3 emissions for the calendar year 2020. The applied accounting standard for the carbon footprint was the GHG Protocol Corporate Accounting and Reporting Standard. A well-designed corporate carbon footprint that is in alignment with an accounting standard and maintained on an annual basis serves several important business goals, including:

- Identifying and managing climate-related risks and opportunities
- Alignment of sustainability strategy with value chain partners
- Improved credibility and leadership for climate-related reporting
- Target setting for energy efficiency and GHG reduction

### Product Carbon Footprint (PCF)

Besides climate-related efforts on a company level there is a growing interest from stakeholders to request environmental and climate-related impacts on a product level. This is of special importance for Yanfeng as a leading supplier in the automotive industry. To better understand our environmental impacts and improve our environmental reporting towards our customers on a product level, in 2020 Yanfeng Automotive Interiors has calculated a Product Carbon Footprint beginning with interior door panels. We intend to expand our product-related GHG accounting by including more products in the future.

Greenhouse Gas Accounting on a corporate as well as on a product level are key elements for Yanfeng to manage, control and realize our climate-related ambitions. It is our goal to improve our sustainability efforts and take energy-efficiency and emission-reduction aspects into consideration whenever possible on a strategic and operational level as well as for our procurement management.

One of our key priorities with the opening of the Yanfeng Global Headquarters in Shanghai was to keep sustainable aspects in mind. The project team has taken a number of measures to save energy and reduce emissions, such as the use of innovative thermal insulation materials, building automation systems, rainwater recycling irrigation systems, biodegradable wastewater treatment and photovoltaic power generation. This new headquarters will be fully operational in 2021.

We endeavor to promote measures to save energy and reduce emissions at our company locations as well. For example, we have implemented an e-charging infrastructure at our European headquarters in Neuss, Germany where 40 charging points have been installed next to the main building while another 12 charging points are planned next to the testing building. In addition, we promote the migration to e-cars/hybrid cars in our company fleet, with 60 currently on order. Our Neuss car charging park is one of the largest in the region and 100% of the energy we use is generated from renewable sources.



We have an Energy Hunt Program that applies to all worldwide locations of Yanfeng Automotive Interiors. It is a team-based energy management program that leverages continuous improvement practices and tools to reduce energy use and waste, improve resource efficiency and meet business unit and corporate sustainability goals. At plant level, the plant manager selects an energy champion who is responsible for identifying cost-effective and achievable energy efficiency actions and receives specific training. The program is supported by frequent (minimum quarterly) communication and recognition of Energy Hunt Program activities and achievements and participation by all plant staff is strongly encouraged.



We have awareness training for employees on energy saving, recycling, waste, ergonomic and EHS issues. Energy Saving Projects are a key element of the continuous improvement process running in all YFAI Locations.

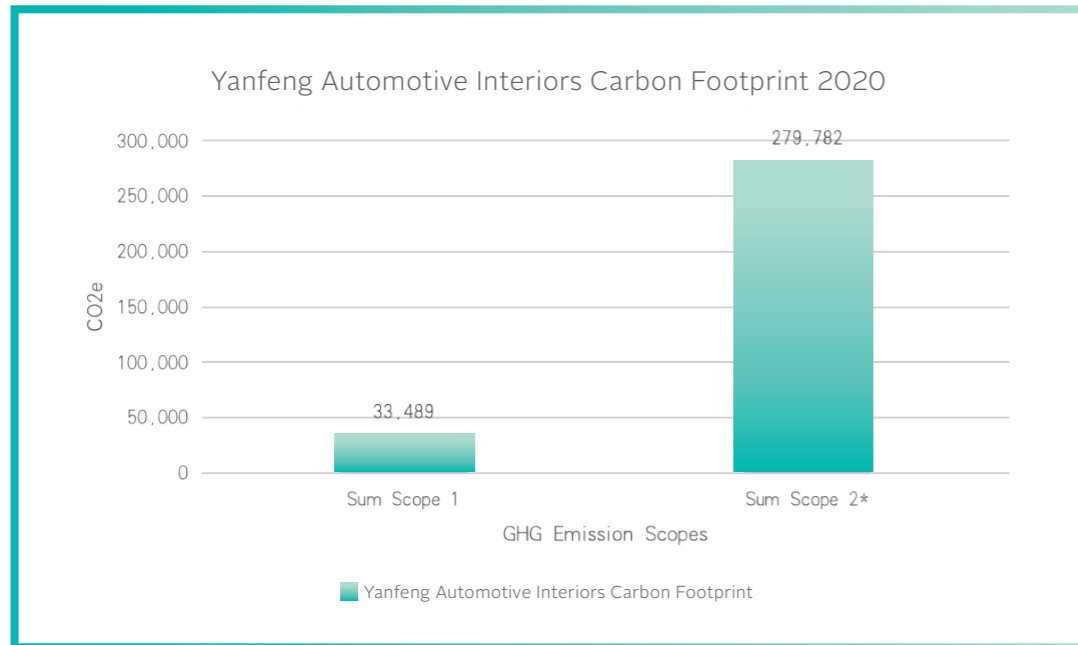
We have negotiated a contract with the Slovakian electricity provider to purchase 100% renewable electricity for YFAI Slovakia.



# Energy and GHG

Monitoring KPIs & their coverage:

Figure 1: Global CO<sub>2</sub>-Emissions for Scope 1 & Scope 2 (in metric tons CO<sub>2</sub>e)



\*market-based

Figure 1 shows the global Scope 1 and Scope 2 CO<sub>2</sub>e emissions for Yanfeng Automotive Interiors for the calendar year 2020. Our Corporate Carbon Footprint will serve as a crucial monitoring tool to evaluate all our efforts to realize our Sustainability Roadmap on our path towards carbon neutrality. With our first assessment of our Scope 3 emissions for Yanfeng Automotive Interiors we gained a better and deeper understanding of our upstream and downstream activities and related indirect emissions. This is important in order to effectively engage with our customers and suppliers with regard to more sustainable solutions and reducing emissions across all stages in our value chain.

**NOTE:**

The reporting for GHG and Energy are focused on Yanfeng Automotive Interiors only for 2020. In 2021, this will be expanded further to include more company business units.

## Waste and materials

We strive to develop every product to be easily assembled and dismantled, as well as be service-friendly and easily replaceable in the event of damage. Every product is labeled and marked according to AIAG / VDA Standards to enable sorting activities for recycling in line with Guideline 2000/53/EG. For both internal and external packaging, we develop and utilize both standard and tailor-made packaging, and share a common goal with our customers to use returnable packaging for our products wherever possible.

## Environmentally-friendly products

Our goal is to be an excellent corporate citizen that engages in environmentally friendly and sustainable practices. We integrate environmental protection into the lifecycle of all products. We focus on environmental-oriented design in order to support our commitment to continuously reduce the negative impact of product, services and activities on the environment.

## Our Sustainable Products

Yanfeng seeks to make our smart cabin products sustainable and innovative. We offer interiors, seating, electronics, exteriors and passive safety products that are produced using materials with low levels of volatile organic compounds (VOCs) and are light weight, eco-friendly, renewable and recyclable.

Low Volatile Organic Compound & Eco-Friendly	Lightweight	Low Emission	Recyclable & Recycled Material
<ul style="list-style-type: none"> <li>Material innovation and application on key interior surfaces &amp; advanced manufacturing processes</li> <li>Easy-to-clean Ecoskin™</li> <li>Solvent-free coating process Improves indoor air quality</li> </ul>	<ul style="list-style-type: none"> <li>Select eco-friendly materials such as water-based or hot-melt cement</li> <li>Promote reductions in toxic and harmful solvents</li> <li>Reduce paint usage by employing spray free materials</li> </ul>	<ul style="list-style-type: none"> <li>Compression Hybrid Molding (CHyM) Eco-Lite Natural Fiber &amp; Glass Fiber</li> <li>Expanded Injection Molding with Polypropylene (EIPP)</li> <li>Innovative Cross Car Beam solution: uses plastic materials instead of steel</li> <li>Foam-Lite™ Map Pocket</li> </ul>	<ul style="list-style-type: none"> <li>Smart cabin thermal management solution</li> <li>"Immersive" integrated thermal control: higher thermal efficiency effectively reduce heat loss of AC systems + achieves energy saving and emission reduction</li> </ul>
<ul style="list-style-type: none"> <li>Low VOC glue</li> <li>Use water-based adhesive to replace oil-based adhesive, lower VOC</li> <li>Keep same adhesion strength</li> </ul>	<ul style="list-style-type: none"> <li>Optimize seat foam formulation, lower VOC and pollution</li> <li>Lower cost and improved quality</li> </ul>	<ul style="list-style-type: none"> <li>Plastic tailgate</li> <li>Replace steel insert by composite insert, -40% of insert weight</li> <li>Bumper:</li> <li>Thin-wall, -11% of weight</li> <li>Low density material, -5% of weight</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Steering Wheel:</li> <li>CO footprint reduction with use of alternative material and production methods</li> <li>Changing raw materials reduces up to 90% CO<sub>2</sub>e over lifetime</li> </ul>
			<ul style="list-style-type: none"> <li>Recyclable material application</li> <li>Use hemp fiber backplate to replace PP backplate</li> <li>Recyclable</li> <li>Lower weight and cost</li> <li>Increase stiffness</li> <li>Lower VOC</li> </ul>
			<ul style="list-style-type: none"> <li>Mechanical recycling</li> <li>PC/ABS (Polycarbonate / Acrylonitrile Butadiene Styrene) for belllines and carrier armrests</li> <li>Recycled material</li> <li>Use recycled material on invisible parts like brackets</li> </ul>

One of the most sustainable technologies in the Yanfeng portfolio is our proprietary CHyM (Compression Hybrid Molding) process. Lightweight and sustainable, the natural fibers used in our CHyM process offer an eco-friendly alternative to traditional door panel plastics which can reduce the weight of a door panel by 25%. In the last three years alone, via the CHyM technology, Yanfeng has saved over 1.2 million kg (2.6 million pounds) of plastic in five million door panels worldwide.

# Yanfeng International Operating System

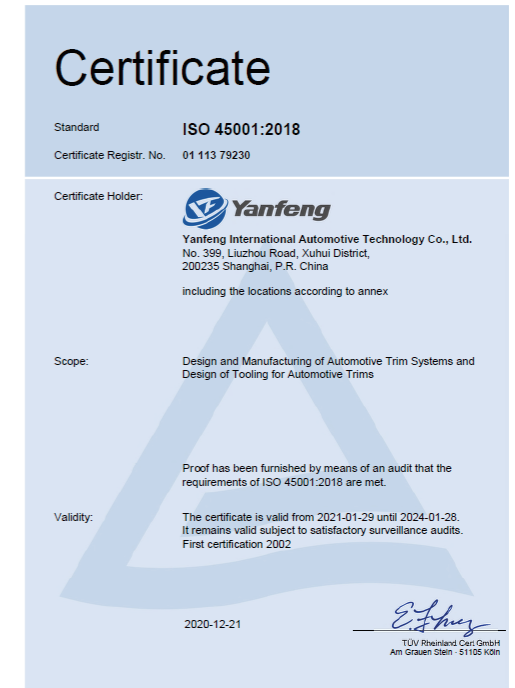


The Yanfeng International Operating System (YF IOS) is a centralized management operating system that embodies decades of optimization of our business processes. As our company expands, we must continue to develop our business processes to meet the needs of our customers, the environment (including sustainability), and an ever-changing automotive industry. YF IOS is our foundation and serves as a framework that will make global collaboration more efficient by improving cross-business unit synergy.

YF IOS was introduced in 2020 and applies to Yanfeng International, all wholly-owned subsidiaries and both unconsolidated and consolidated joint ventures and affiliates. Previously, all Yanfeng business units had their own operating systems. As the company globalizes, these are being merged into one operating system. All company business units will be fully migrated and all employees trained in YF IOS top-level documents in 2021.

YF IOS consists of 473 documents that support our high-level processes of Business Planning, Program Management, Manufacturing Excellence, and Leadership. Leadership covers several areas, including Human Resources, Finance, Legal and Environmental, Health and Safety where many of our compliance policies such as anti-corruption, bribery, fraud, money laundering and rules for gifts and entertainment are controlled.

Compliance to YF IOS is audited annually both internally and by an external certification body. Yanfeng certifications include IATF16949, ISO 45001, ISO 14001, and ISO 27001.



# SUPPLY CHAIN

Yanfeng is committed to sustainability in our supply chain. The company monitors the engagement of our supply base in sustainability and human rights.

Yanfeng has set up specific requirements aligned to our code of conduct. Suppliers must comply with the Yanfeng Code of Conduct or an equivalent policy. Our Code of Conduct provides guidance for ethical business conduct and serves as a foundation for our commitment to integrity as a company. Suppliers must demonstrate their level of compliance to these requirements by completing an on-line sustainability survey.

The survey contains questions related to human rights, working conditions, employee safety, and environmental management, including energy. The resulting sustainability rating is used for measuring sustainability activity within Yanfeng's supply base and as an input to the supplier scorecard. The survey is performed every five years.

Suppliers are required to show documented evidence of compliance to ISO14001 and OHSAS 18001 / ISO 45001 or conformance to local country regulations. Specific to the Asia-Pacific region, suppliers must obtain an official environmental protection approval and fire completion acceptance from the local government.

Supplier sustainability risk assessments are performed by a third party conducting regular onsite audits. As a result, Yanfeng has a clear status of supplier environmental performance and can request further actions if necessary. Sustainability is embedded at the core of the purchasing process as a key criterion for the supplier scorecard, with 90 percent of suppliers having undergone this process to date.

## Responsible Sourcing: Working with Diverse Suppliers

In North America, Yanfeng is committed to diverse suppliers. In 2020, the company spent a total of \$135 million, which is 10 percent of Yanfeng's spend, with certified diverse suppliers. The company conducts an annual in-depth analysis of diversity spend in each commodity category.

Yanfeng actively participates in multiple Minority Supplier Development Councils in the United States, including the National Minority Supplier Development Council, Women's Business Enterprise National Council, WeConnect International, and National Veteran's Business Development Council. In addition to corporate involvement, Yanfeng leadership holds board positions with the Michigan Minority Supplier Development Council (MMSDC), Michigan Hispanic Chamber of Commerce, and the Women's Business Enterprise National Council. Our supplier diversity efforts have been lauded by multiple automakers.

In 2020, Yanfeng was honored as a Corporation of the Year by the Michigan Minority Supplier Development Council, and James Bos, vice president, global procurement for Yanfeng Automotive Interiors, and a MMSDC board member received the Executive of the Year Award.

## Supplier Expectations Day & new requirements

In March 2021, all suppliers were invited to take part in our Supplier Expectations Day where we summarized 2020 performance and set expectations for 2021. The agenda featured Yanfeng's current and future sustainability activities and aimed at increasing collaboration with our suppliers on sustainability initiatives in products and processes. We also announced our policy that all suppliers should migrate to renewable energy and that this will be a key element of our sourcing criteria going forward. We are working to ensure that all suppliers are aware of our requirements and that the green energy use will be maximized in the coming years while continuing to drive actions to reduce our Scope 3 Emissions and reach our target of climate neutrality for Scope 3 by 2040.



# Community Engagement

## Global Charitable Activities

Yanfeng employees around the globe are committed to our communities and supporting those in need. A global pandemic did not keep Yanfeng employees from supporting their communities.

In 2016, Yanfeng began its global involvement program, iCare, which encourages employees to work on team projects focused on environmental stewardship, social service and education in their local communities. Each project executed contributes greatly to strengthening the relationships between employees and nonprofit organizations, increasing brand awareness and building community trust in Yanfeng. At Yanfeng, we honor our social, environmental, and economic responsibilities. We believe that it is our responsibility to take care of, add value to, and give back to the communities in which we live and work.

In 2020, our team members donated clothes, food and time to their communities and to each other in all three regions (North America, Europe & South Africa and Asia Pacific).



### North America

In 2020, our plant in Fountain Inn, South Carolina raised funds for charity through T-shirt sales, raffles and hosting seasonal volunteer and charity events. The annual spring campaign for March of Dimes, the leading nonprofit organization dedicated to improving moms' and babies' health by preventing congenital disabilities, premature births, and infant mortality, ran from February through April. The plant's other seasonal volunteer campaigns included a summer park cleanup project, a breast cancer awareness campaign in the fall, and a winter toy and clothing drive, done in partnership with The Salvation Army Angel Tree program, a program providing new clothing and toys to more than one million children and families in need each year. In 2020, the Fountain Inn plant adopted 20 families as part of the Angel Tree program.

Our McCalla, Alabama and Belvidere, Illinois plants also participated in The Salvation Army Angel Tree program and held a food drive for community members. The Belvidere plant consistently partners with The Salvation Army to host their annual Food Drive. The McCalla team collected canned food and nonperishable items for four team members in need and seven families in total. In addition, Yanfeng employees from the Novi, Michigan North American headquarters and the Holland Technical Center contributed to the company's Care & Share program. This is an annual charitable giving program where employees make contributions and Yanfeng matches donations. In 2020, the program raised approximately \$250,000 for 42 charities throughout the state of Michigan between employee contributions and the company match. Since the inception of the program 37 years ago, more than \$25 million has been raised to support communities.

### Europe & South Africa

Five of our locations in Europe gave back by donating time and resources to their communities in need. Our team in Žatec, Czech Republic spread holiday cheer to children by donating more than 100 gifts to families in a local shelter where mothers with children are supported. For more than 20 years, this shelter has helped families navigate life after trauma via job placements and additional services.

In Pápa, Hungary, our plant was awarded the Corporate Social Responsibility Award in 2020 by the Pápa Employer Pact for its commitment to the community and for being a major employer in the area.

Our Tech Center in Trenčín, Slovakia, collected groceries, personal care products and cleaning supplies for PRE RODINU (Help for Families). This organization provides for more than 50 families in and around Trenčín. Yanfeng employees contributed by buying goods, donating meal vouchers and money used to purchase items needed and distributed directly to families in need.

Volunteers from our Neuss, Germany campus celebrated another year supporting the charity Gutenachtbus – Düsseldorf, a bus that travels around Düsseldorf to distribute food and clothing to people in need. Throughout the cold winter months and with the added challenges of COVID-19, demand for these services was greater than ever before. Our volunteers not only made financial contributions but also donated 3,000 face masks for those in need.

In Bratislava, Slovakia, our team supported an addiction recovery center by decorating the facility with colorful flowerpots and repainting the wooden gazebo in the garden, creating a beautiful and welcoming space for those in need.

### Asia Pacific

Our Nanjing, China Plant volunteers went to Hui Fu Elderly Care Home to visit and help the senior residents. Our volunteers prepared nutritious meals for the residents that included milk and cornmeal.

In October 2020, several Yanfeng volunteers traveled to the Yunnan Province in China to donate sporting goods for Dede Elementary School in Dede Village, Reshui Town, Xuanwei City in Yunnan. The donation contained more than 200 pieces of equipment for sports like football, basketball, and volleyball and was a gift from Yanfeng and the Shanghai Football Association.

