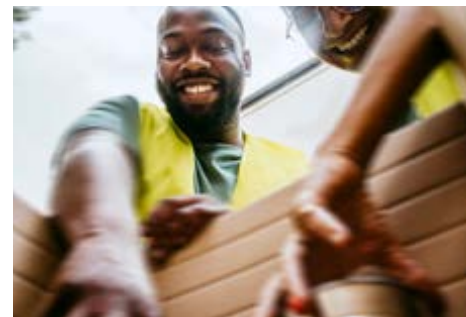




**2022**

**Environmental, Social & Governance (ESG) Report**

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# 01 Intro



# Message from Our CEO

## Welcome to the 2022 Yanfeng Environmental, Social and Governance (ESG) Report.

This year's report highlights Yanfeng International's performance in the areas of governance, human rights, community engagement, labor and people, the environment, anti-corruption as well as the supply chain.

Through this report, we affirm our support of the Ten Principles of the United Nations Global Compact in the areas of human rights, labor, environment, and anti-corruption. In it, we also disclose our continuous efforts to integrate these Ten Principles into our business strategy, culture, and daily operations and contribute to achieving the goals set by the United Nations, in particular the Sustainable Development Goals.

### Our Accomplishments:

Throughout 2022, the global Yanfeng team continued to make remarkable progress and is committed to ESG. Sustainability is integrated in all that we do. It's prominent in everything from how we design for sustainability in our products to how and where we manufacture them – in plants that leverage renewable energy and sustainable processes. This is all led by a diverse workforce that is guided by ethics and integrity.

Yanfeng's carbon reduction strategy has a target to achieve net-zero emissions by 2030 for Scopes 1 and 2, and by 2050 for Scope 3. We have reached multiple milestones that help us achieve these targets. You can learn more about them throughout this ESG report.

One step in meeting these goals is through the implementation of a unique, in-house Carbon Emission Tracking System that monitors the impact on

climate change in Yanfeng's operations. This approach, developed with assistance from PricewaterhouseCoopers (PwC), will be implemented company-wide, ensuring a consistent and uniform system that can be used for both internal monitoring and as a basis for external reporting.

From an external rating perspective, we were honored to receive an A minus rating for the second consecutive year from CDP in 2022.

As it relates to our products, our team continued to innovate and introduce new sustainable products, with respect to circularity. We also launched additional products featuring renewable or lightweight technologies in our seating and interiors businesses. Our in-house Non-Metal Materials Institute developed 16 sustainable materials in 2022.

Sustainable technologies and processes aren't something that is new for us.

Interior products featuring Compression Hybrid Molded (CHyM) utilize eco-friendly natural fibers to reduce weight and carbon emissions. Through the end of 2022, we had produced more than 11 million parts featuring this technology.

Our people are at the core of all our accomplishments. I'm continually impressed by the hard work and dedication of Yanfeng's employees around the world, as they deliver not only on our customer commitments, but through ingenuity and innovation continually strive to attain our sustainability goals.

Our team works with the utmost integrity and with a strong focus on health and safety. Yanfeng's employees also are dedicated to supporting people in need and the communities where we do business. This is evident in the many hours of volunteer activities globally and through our business resource groups.

We also are committed to human rights. We recently introduced a Human Rights and Working Conditions Policy that outlines these commitments and expectations.

From an ESG business practice perspective, we hold our supply base to the same standards that we do our employees. To underscore this, we introduced a Partner Code of Conduct, which suppliers are expected to adhere to in terms of ethics and integrity. To ensure transparency in our supply chain, Yanfeng became a member of the VDA's Responsible Supply Chain Initiative.

On behalf of the Yanfeng team all over the world, I am pleased to present the 2022 ESG report to you.

Sincerely,  
**Lu Kai**  
**CEO Yanfeng International**



## Lu Kai

### Chief Executive Officer

Lu Kai was named CEO of Yanfeng International in February 2023. He most recently served as COO of Yanfeng and has held a series of positions of increasing responsibility with the company.

# About Yanfeng

Founded in Shanghai in 1936, Yanfeng entered the automotive industry in 1978. Focusing on smart cabin and sustainable solutions, Yanfeng is committed to be the leading automotive cabin supplier in the world.

# 17<sup>th</sup>

global automotive  
supplier ranking

# 240+

global locations

# \$15 billion

in revenue in 2022

# 57,000

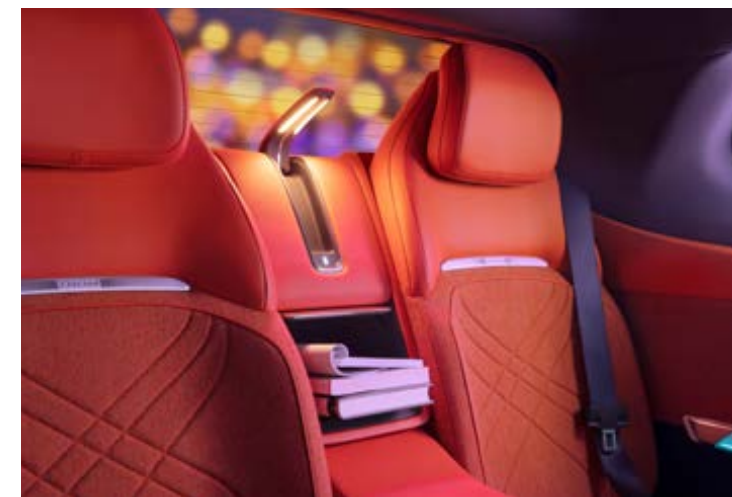
global employees

## Core Product Lines



### Automotive Interiors

- Cockpits & instrument panels
- Door panels
- Floor consoles
- Overhead consoles/headliners
- Air vents
- Deco



### Automotive Seating

- Complete seats
- Metals/mechanisms/motors
- Seating components



### Passive Safety

- Steering wheels
- Air bags
- Seat belts
- Restraint systems



### Cockpit Electronics

- Displays
- Smart cabin controllers/  
electronic control units (ECUs)
- Head-up displays (HUD)
- Audio solutions



### Door Module & Exteriors

- Window regulators
- Door modules
- Bumpers
- Composite tailgates
- Body trim

# Integrated and Innovative Solutions

Yanfeng is one of the only automotive interiors and seating suppliers that can combine and integrate a broad passive safety product portfolio into the vehicle interior. This means, wherever the passenger is seated, Yanfeng is developing advanced, integrated system solutions driving performance, cost-competitive solutions, and a consumer experience that will lead the industry.

Here you will find further examples of our integrated, cross-product line innovative solutions.



Sliding Products



Passive Safety



Pre-Crash Solutions



Smart Steering Wheel



Smart Surfaces



Tailgate Lighting



Door Systems

# 2022 Highlights

Yanfeng had many environmental, social, and governance accomplishments and milestones in 2022. Here are the key highlights:

## Consumer Insights

Conducted the first consumer research study on the topic of the increasing importance of sustainability in vehicle purchase decisions.

## Net-Zero Emissions Activities

With assistance from PricewaterhouseCoopers (PwC), developed and implemented Yanfeng's own unique in-house Carbon Emission Tracking System (CETS) to measure Scope 1, 2, and 3 emissions.

Awarded an **A minus rating from CDP** for the second consecutive year for the Interiors group's global, leadership in transparency and action on climate change in 2022.

Commitment for global Interiors business to short-term goals of the Science Based Targets initiative (SBTi).

## Circular Economy Collaboration

In collaboration with the United States Automotive Materials Partnership LLC (USAMP), automotive recycler PADNOS, and global special materials provider Eastman delivered the first-ever, closed-loop technology proving concept feasibility to recycle automotive-industry mixed plastic waste.

## Post-Consumer Recycling

Using up to **40%** recycled consumer waste material (post-consumer recycling, PCR) from supplier Borealis for polypropylene injection-molded instrument panels.

## Sustainable Materials

Increased global procurement of recycled resin by **44%** compared to 2021 (**5,594,200 kg** in 2022).

Yanfeng's in-house Non-Metal Materials Institute has developed **16** sustainable materials, including eight renewable plastic materials, two bio-based plastic materials, and two bio-based polyurethane (PU) materials.

## Supply Chain Transparency

Became member of VDA's sustainable automotive supply chain group, Responsible Supply Chain Initiative (RSCI).

## Talent Development & Recognition

**818** employees participated in Yanfeng's global leadership development programs (GLDP, OLDP, PLDP).

Management awarded **111** internal employees and teams with the highest distinction for the 2022 annual awards.

## Community Involvement & Charitable Giving

Employees around the globe engaged in more than **80** volunteer activities and helped to raise more than **\$330,000** to support charity initiatives.

## Awards & Recognition (within the area of People, Diversity, Health & Safety, and Environment)



Altair Enlighten Runner-Up Award



AKJ Automotive logistics Award



CDP Environmental Leadership Award



2022 National Green Factory in China Award



Serbian Recognition for Safety & Health at Work



Top Employer in China Award



Michigan Minority Supplier Diversity Council Award for Corporation of the Year



The Great Lakes Women's Business Council in Michigan Award for Excellence in Supplier Diversity

# Sustainability Is a Team Sport: We Will Only Win Together

As a global corporation with 57,000 employees in more than 240 locations around the world, we have a responsibility not only to our employees, supply chain, and the communities we serve, but also for the environment in which we live. That is why we are committed to ESG in all areas of the company. As part of this commitment, we have established a sustainability function focused on sharing best practices to accelerate the achievement of our strategic sustainability goals. In 2022, we appointed Gunnar Büchter as Vice President Global Sustainability to oversee Yanfeng's global sustainability vision, strategy, and progress for all areas of the business.

We spoke to Gunnar about where he draws his motivation for the topic of sustainability, the importance of creating transparency, and his view on our key achievements in 2022.

A portrait of Gunnar Büchter, a man with dark hair and glasses, wearing a dark suit jacket over a white shirt. He is smiling and looking towards the camera. The background is a neutral, light-colored wall.

**Gunnar Büchter**

Vice President Global Sustainability



# Gunnar Büchter

Vice President Global Sustainability

## Gunnar, you have been with the company for more than 20 years, mainly in procurement. Now that you are also responsible on a corporate level for sustainability, where do you draw your motivation with regard to this topic?

When you are a parent, you see that as your children grow up, they start to find their topics of interests and purpose in life. My daughter is a great example of this as she is very much focused on how to change for a sustainable future. She holds up a mirror to me and holds me accountable for choices I make every day, whether it is at home or in business – like when I take a plane or train for a business trip. I truly believe that questioning our daily actions is a good basis for change. Certainly, stopping climate change cannot be achieved by one single country, industry, or person – it is a team sport and most likely the biggest challenge of our generation. It all starts with the will to change.

Let's get started – as one strong team!

## Speaking of teamwork, which 2022 project best demonstrates that we can make a difference as a team?

This is clearly the global introduction of our own Carbon Emission Tracking System (CETS). We know that reducing greenhouse gas emissions is a key factor in stopping global warming. If we want to improve as a company, we need to know our current data in order to identify the pain-points. We checked the currently available calculation solutions on the market but did not find one that fully covered Scopes 1, 2, and 3, so we decided to develop our own software solution with assistance from PricewaterhouseCoopers (PwC). This process truly exemplified teamwork, as we developed, tested, and implemented the CETS, with the overarching goal that all plants in all regions globally, no matter what the input looks like, can work with this tool. I am proud to announce that in this report you will see the first Yanfeng company carbon footprint data calculated in-house. Now we have complete transparency across the Scopes and know exactly where we need to improve on the road to our net-zero emissions goal. Thanks again and congratulations to the global team involved.

## Gunnar, looking back at 2022, what other highlights would you like to mention?

I would say the various collaborations we have established with our OEM customers, suppliers as well as with institutes and industry associations globally.

We all have the same goals in the automotive industry. The first goal is to reduce the carbon footprint of our products today, but also to find ways to improve this footprint over the next few years. I am very proud that we have various product circularity projects underway in all three regions, with different approaches from lightweight design and alternative materials to the use of mechanically or chemically recycled waste materials. The second goal is to strive for a responsible supply chain with a special focus on the social aspects. Here the key is to start with transparency, and I would like to highlight our established supply chain monitoring based on artificial intelligence and our supplier auditing capabilities through our Responsible Supply Chain Initiative membership.

To sum up the 2022 highlights, I think we have made significant progress and are well on the way to complying with both the legal requirements and internal goals we have set. I look forward to the next sustainable steps we are planning for 2023.

# 02 Governance



# Sustainability Governance Structure

Yanfeng's governance structure drives the company's sustainability commitments, ensures that our customer requirements for ESG are fulfilled, and guides activities for the company's net-zero emissions future.

Sustainability is at the heart of our vision: "Focusing on smart cabin and **sustainable solutions**, Yanfeng is committed to be the leading automotive cabin supplier in the world."

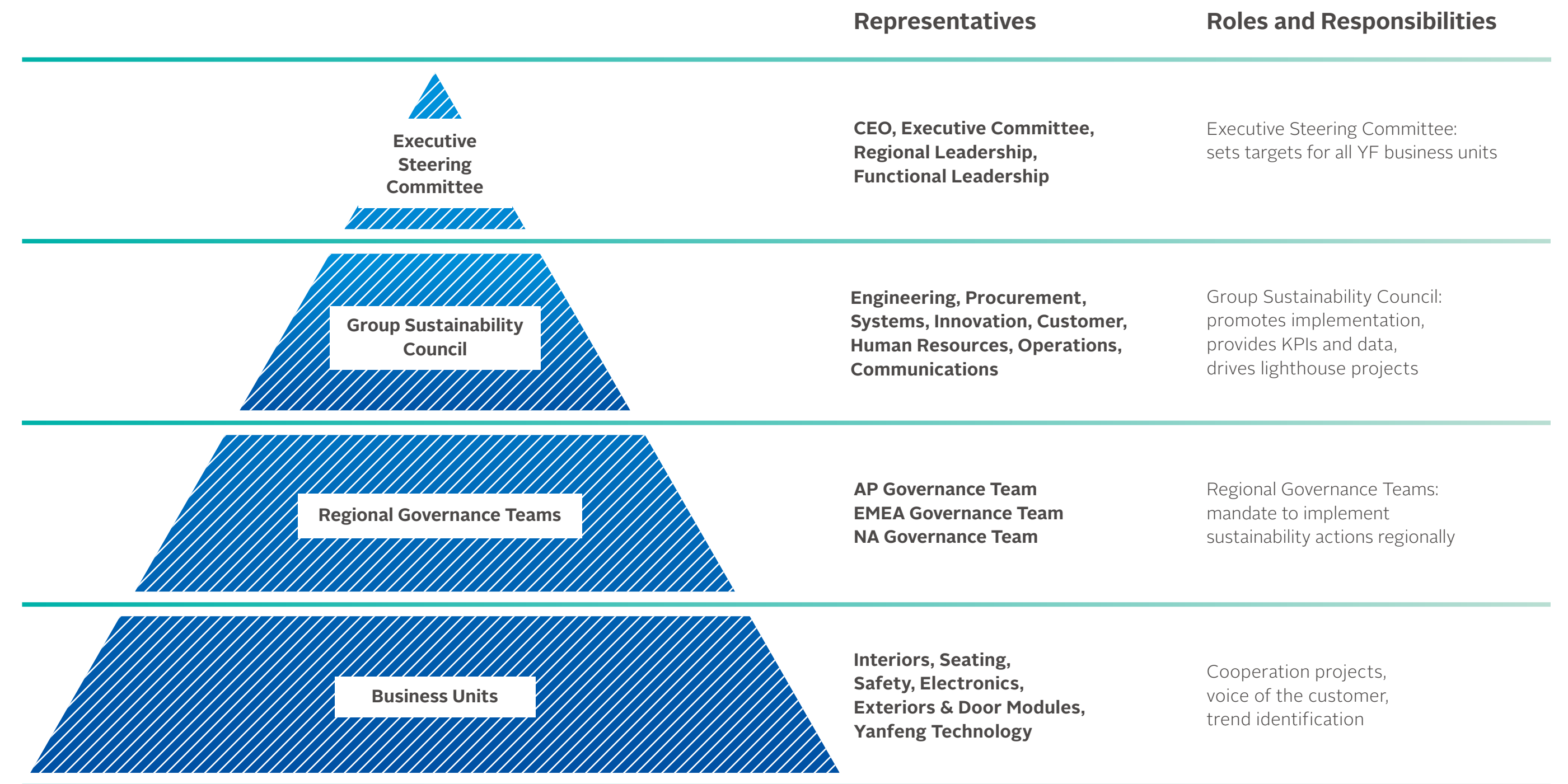
To anchor this vision – not only in our global strategy – but also in our daily business activities across the globe, Yanfeng has established the following governance structure:

The Group Sustainability Initiative Executive Steering Committee consists of Yanfeng's CEO, the Executive Committee, in addition to regional and functional leadership. They are responsible for supervising the company's strategy as well as setting targets and commitments. This Executive Steering Committee meets twice a year.

The Group Sustainability Council oversees the company's sustainability commitments and targets, provides KPIs, and drives projects globally. The Council is chaired by the Vice President, Global Sustainability and has members across all regions, representing functions including procurement, human resources, health & safety and environment, communications, commercial, global tech sales, innovation, engineering, operations as well as advanced manufacturing engineering. This working group meets bi-weekly and focuses on topics such as: the net-zero emissions roadmap, customer requirements and audits, processes and policies, ESG reporting, supply chain initiatives, in addition to sustainability trainings. The structure helps to accelerate and standardize decision-making on a global level.

The Regional Governance Teams from Asia-Pacific, Europe, Middle East and South Africa, and North America are responsible for implementing the sustainability actions on a regional level, while the individual business units cooperate on projects and align customer and regulatory requirements as well as identify sustainability trends.

## Sustainability Governance Model



# CDP

confirms Yanfeng's performance for second consecutive year with A minus rating.

## Transparency Disclosure

We believe that transparency is not only a vital part of corporate governance, but also the foundation to build trust with key external stakeholders, and our employees. This is especially important when it comes to Yanfeng's sustainable future business ambitions. Therefore, we bring transparency not only to our demanding environmental targets, but also to our business practices and processes by participating in various ESG disclosure initiatives such as:

- United Nations Global Compact (UNGC)
- Carbon Disclosure Project (CDP)
- Science Based Targets initiative (SBTi)
- The Responsible Supply Chain Initiative (RSCI)
- EcoVadis
- SAQ 5.0



Our corporate headquarters in Shanghai, China.

# 4

new members have been welcomed by the Group Sustainability Council in 2022, representing global commercial, procurement, human resources, and advanced manufacturing.

# Code of Conduct

Our Code of Conduct (Code) creates the foundation and sets the path for how we globally conduct our business based on ethics and compliance.

This document, which is publicly available in eight languages on our website, anchors 15 guiding principles for ethical business behaviors and applies company-wide to all employees and contract workers globally as well as to our business partners.

This Code is the foundation of our Compliance Management System, which is a risk management system based on the compliance best practices of leading corporations around the world. The elements of the Compliance Management System are part of the Yanfeng International Operating System (YF IOS).



We conduct business with the utmost integrity.

## The 15 Guiding Principles of the Code of Conduct are:

1. We obey the laws and regulations wherever we conduct business.
2. We safeguard the health and safety of our employees.
3. We are committed to provide safe, high-quality goods and services.
4. We always act in Yanfeng's best interest.
5. We use Yanfeng's assets and resources honorably and only for Yanfeng's business.
6. We do not tolerate corruption anywhere in our business.
7. We believe in fair and open competition and will not engage in unethical behavior to obtain business.
8. We ensure our records are accurate, complete, and appropriately maintained and our internal controls sound.
9. We communicate accurately with our shareholders and the public.
10. We do not engage in insider trading or self-dealing.
11. We comply with international trade laws.
12. We protect Yanfeng's confidential information and respect that of our customers and business partners.
13. We protect the privacy of our employees.
14. We take responsibility for the environment by making sure that we follow environmental laws and regulations everywhere we conduct business.
15. We evaluate diversity and equal treatment in our workplace.

# 600+

global documents have been released in YF IOS.

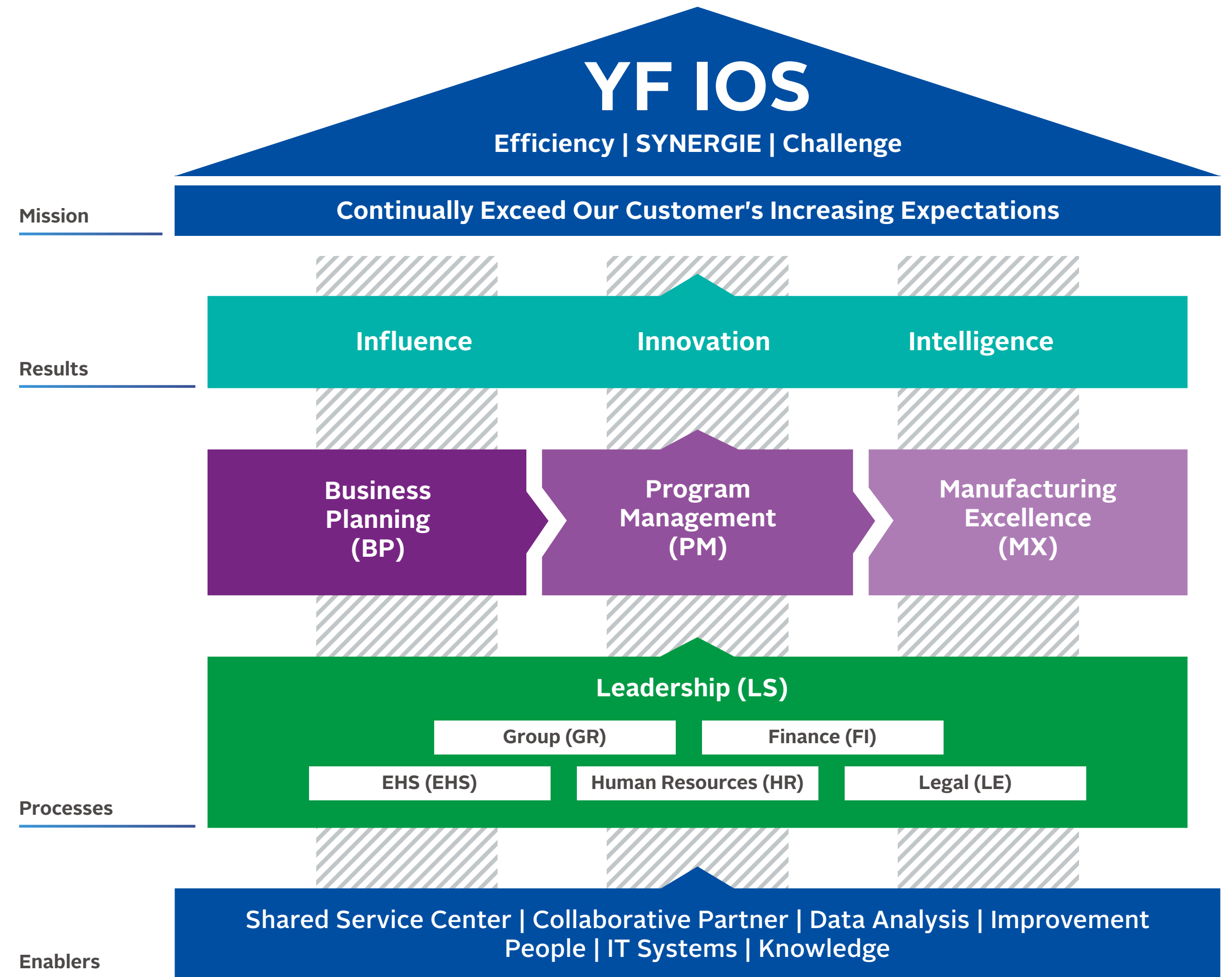
## Yanfeng International Operating System

The Yanfeng International Operating System (YF IOS) is a centralized management operating system that embodies decades of optimization and serves as our framework for making global collaboration more efficient.

Introduced in 2020, YF IOS applies to all wholly owned subsidiaries and both unconsolidated and consolidated joint ventures and affiliates of Yanfeng International. This process was centralized in 2021 to include all company business units. YF IOS centralizes documents that support our high-level

processes, including business planning, program management, manufacturing excellence, and leadership. Key areas of focus include: human resources, finance, legal, and environmental as well as health and safety. YF IOS is also where many of our compliance policies such as anti-corruption, bribery, fraud, money laundering, and rules for gifts and entertainment are controlled. Compliance with YF IOS processes is audited annually, both internally and by an external certification body. Our YF IOS system covers the requirements of IATF, the automotive standard for a quality management system.

### Our International Operating System





Yanfeng is committed to sustainability in all that we do – from our processes to our products to our plants.

ESG is a key part of YF IOS. To further underscore our commitment, we established a Sustainability Policy. This policy places increasing importance on people and human rights as well as the environment, including net-zero emissions and a product portfolio that strives to be circular and reduces weight as well as landfill waste.

### Our Sustainability Policy Commitments Are:

- Our sustainability strategy supports the advancement of the United Nations Sustainable Development Goals (SDGs), through a focus on the environment, our business ethics, and people.
- To reduce the negative impact on the environment by developing innovative, sustainable, and circular business models, products, development and manufacturing processes, materials, and product end-of-life processes, including the reduction of waste and reuse of existing materials.
- To improve energy efficiency, use renewable energy, decarbonize (e.g. the removal of GHG emissions from a company's value chain) and continuously improve energy performance, while producing and providing products and services to our customers.
- To support the requirements of government agencies, utility companies, and other groups, and comply with the laws, regulations, and other requirements related to energy conservation.
- To safeguard the human rights, health, and safety of our employees, while obeying the laws and regulations wherever we conduct business.
- To create and maintain a diverse, inclusive, and professional environment that fosters an atmosphere of trust and mutual respect.
- To commit to sustainability in our supply chain. The company monitors the engagement of our suppliers in sustainability and human rights. We will follow up with suppliers on their performance in the areas of human rights, working conditions, employee safety, and environmental management, including energy.



Yanfeng has policies and procedures in place to keep personal data secure.

# Data Privacy & Cybersecurity

We see the protection of employees' data as well as other personal data as our top priority and apply the respective data and privacy laws. The regional compliance representatives are responsible for monitoring local data protection and privacy laws, to be able to adapt our policies and processes whenever needed.

Processing activities and assets involving personal information are assessed in our Data Privacy Management Tool (OneTrust), with data security being one aspect assessed. The rules relating to the handling of personal information by Yanfeng employees as well as by external service providers are described in the corresponding YF IOS work instruction documents.

We conduct consistent, mandatory cybersecurity awareness training. Training is reviewed, assigned to all users upon hire, and required annually as cybersecurity threats change over time. Metrics for completed training are reviewed regionally in quarterly security and IT meetings. Additional classes related to information security are also available online. In the Yanfeng International Operating System, there are multiple process documents related to information security management, awareness, training, and reporting. Additionally, cybersecurity event alerting/monitoring is continually conducted at all times by the global security team.

# 24/7

Yanfeng consistently monitors any cybersecurity events.



# 03 Human Rights



# Our Workforce

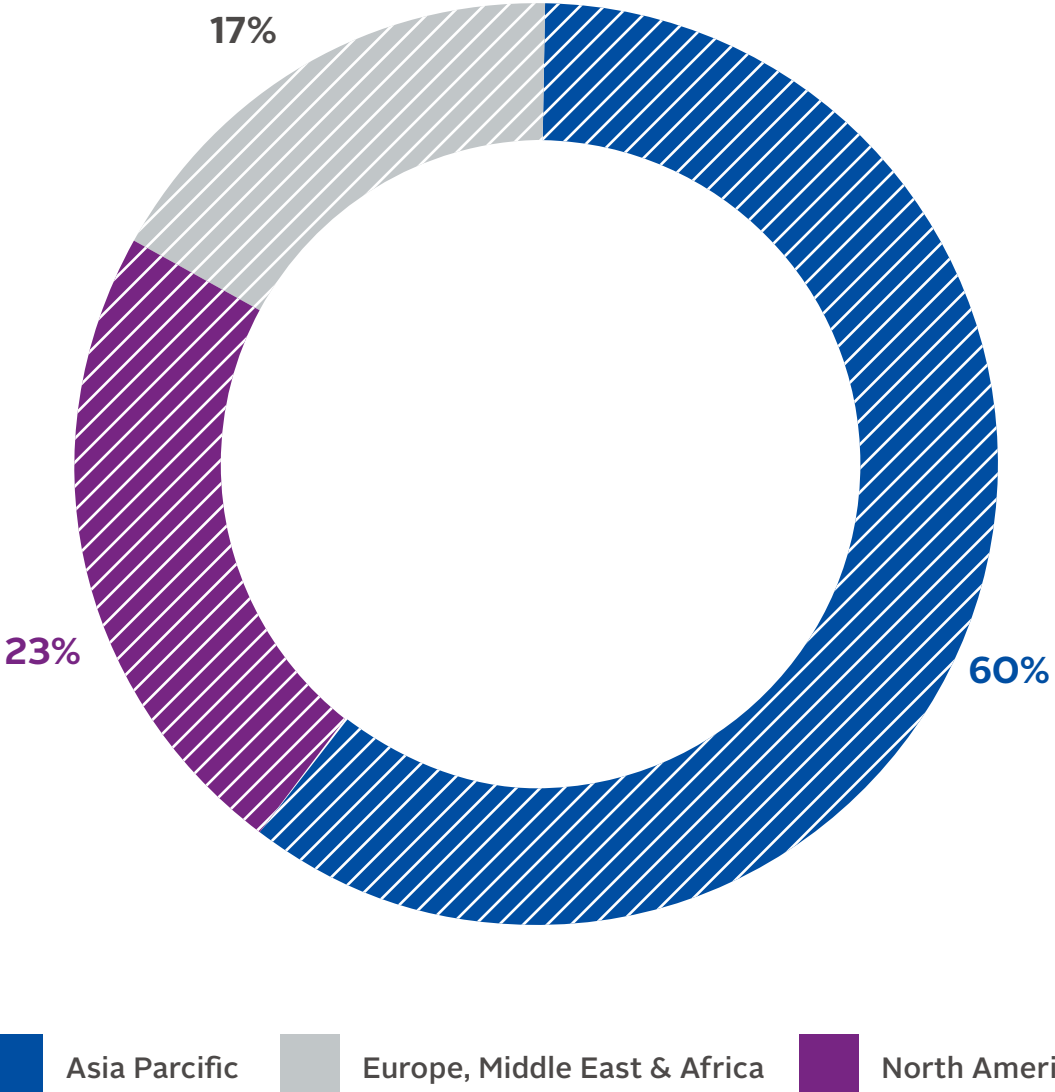
# 57,000

employees across three regions.

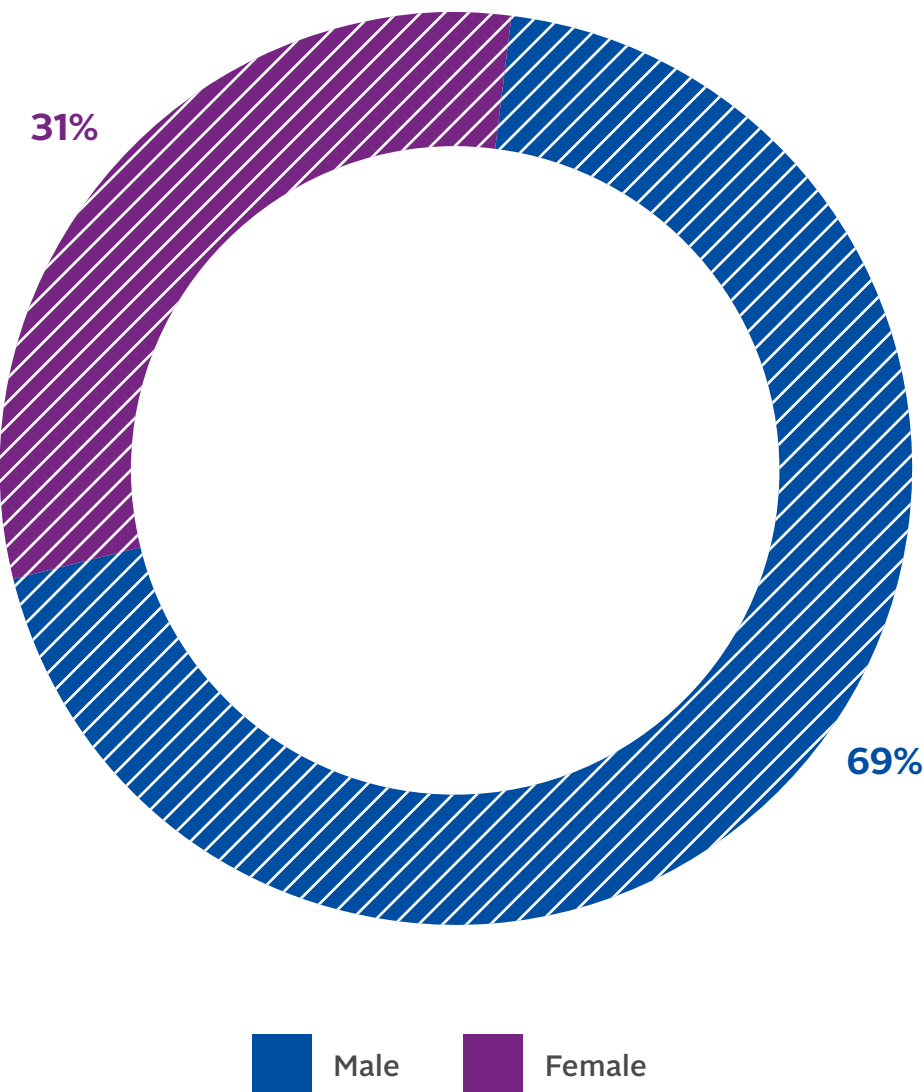
Our 57,000 employees across three regions enable us every day to be a global leader within the area of smart cabins. As an employer, this means taking responsibility for and focusing on health and safety (see more in chapter Labor and People) as our top priority. In addition to that, we must ensure we protect human rights and working conditions (see our Human Rights and Working Conditions Policy) globally.

Regarding our workforce, as of December 31, 2022, Yanfeng employed a total of 57,000 employees, with the majority being based in the region Asia Pacific. The average age of employees in 2022 was 36 years old.

By Region



By Gender



# Human Rights and Working Conditions Policy

# 14

commitments are included in our Human Rights and Working Conditions Policy.

To ensure upholding of human rights and proper working conditions for our Yanfeng employees globally, we established the Human Rights and Working Conditions Policy and Commitment. This commitment is globally available on our website and is also part of YF IOS. There also is a mechanism for employees and stakeholders to report any potential violations anonymously.

Just as we hold our employees to the highest standards from a compliance and working conditions perspective, we also require the same from our suppliers, set out as part of our Partner Code of Conduct (for more details please see the section Partner Code of Conduct).

## Our Policy Includes the Following Points:

**Policy Statement:** We will safeguard the human rights and working conditions of our employees in the execution of our business operations.

**Working Age:** Yanfeng will ensure that child and young workers, who are under the legal minimum working age, are not employed at any of our sites.

**Wages and Benefits:** Yanfeng will ensure that its wages and benefits are competitive and meet applicable regulations and prevailing industry packages, including respecting laws and regulations governing minimum wage, overtime compensation, medical leave, and government-mandated benefits.

**Working Hours:** Yanfeng will respect regular work week standards (working hours) for the countries in which we operate. Laws and regulations on the maximum number of working hours and time off shall be respected. Employees should have a minimum of one day off every seven days.

**Involuntary Work:** Yanfeng will ensure no conditions of “modern slavery,” which refers to all work or services exacted from any person under the menace of any penalty and for which that person has not offered themselves voluntarily, exist at any of our sites. Examples include forced overtime, retention of identity documents, and human trafficking.





Our Human Rights and Working Conditions Policy is of fundamental importance in all that we do at Yanfeng.

**Lawful Recruitment:** Yanfeng will ensure that the Company employs ethical recruiting methods and hires workers law-fully, in line with the International Labor Standards, and in a fair and transparent manner that respects human rights. Examples of unethical recruitment include misleading or defrauding potential workers about the nature of the work, asking workers to pay recruitment fees and/or confiscating, destroying, concealing, and/or denying access to worker passports and other government-issued identity documents. Workers must receive a written notification at the start of their recruitment in a language well understood by them, stating in a truthful, clear manner their rights and responsibilities.

**Freedom of Association:** Yanfeng will respect freedom of association, which relates to the right to freedom of peaceful assembly and to freedom of association at all levels; in particular, in political, trade union, and civic matters, which includes the right of everyone to form and join trade unions for the protection of their interests. Yanfeng will respect collective bargaining, as a process of negotiations between employers and a group of employees, aimed at reaching an agreement that regulates working conditions.

**No Harassment:** Yanfeng will ensure no harassment is tolerated, including sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, or verbal abuse of workers.

**Non-Discrimination:** Yanfeng will ensure our policies support non-discrimination in the workplace. This requires the equal treatment of an individual or group, regardless of their characteristics, including sex, race, color, ethnic, or social origin, genetic features, language, religion, or belief, political or any other opinion, membership of a national minority, property, birth, disability, age, or sexual orientation. The Company will ensure equivalent pay and benefits for work of equal value not only regarding gender but also all other potential bases for discrimination. This does not, however, prohibit unequal payment due to different local living costs.

**Women's Rights:** Yanfeng will ensure women's rights are protected. The Company respects that women are entitled to political, economic, and social equality. Gender inequality underpins problems such as unequal opportunity in employment and unequal pay for equal work.

**Diversity and Inclusion:** Yanfeng will ensure the Company policies promote diversity, equity, and inclusion. The Company will develop and promote inclusive cultures where diversity is valued, celebrated, and everyone is able to contribute fully and reach their full potential. The Company will encourage diversity in all levels of their workforce and leadership, including the boards of directors.

**Minority and Indigenous Peoples' Rights:** Yanfeng will ensure the rights of minorities and indigenous peoples by respecting the rights of local communities to have decent living conditions, education, employment, social activities, and the right to free, prior, and informed consent (FPIC) to developments that affect them and the lands on which they live, with consideration for the presence of vulnerable groups.

**Land, Forest, and Water Rights:** Yanfeng will support land, forest, and water rights. The Company will avoid forced eviction and the deprivation of land, forests, and waters in the acquisition, development, or other use of land, forests, and waters.

**Security Forces:** Yanfeng will avoid the use of private or public security forces to protect the business, as this may lead to violations of human rights.

# Open Communication and Building Our Culture

To keep our employees informed and engaged, as well as to build our culture, we frequently host internal events globally, which are called iCulture events. These events feature such topics as corporate strategy and vision, diversity, health, and safety, as well as innovation and are combined with employee engagement activities. Some examples are Vision Week, Innovation Week, Diversity and Inclusion Week or Safety Awareness Month.

For Vision Week 2022, our theme was “Creating a Sustainable Future Together.” Vision Week is an annual, weeklong celebration of Yanfeng’s vision, mission and values. The 2022 event featured an online kick-off event with our CEO including a speech about the importance of sustainability to Yanfeng’s future. Throughout the week, there were webinars to educate our people about topics like Circular Economy, Biodiversity or Sustainable Food Sources. In addition, all locations organized various sustainability onsite activities like building birdhouses, planting trees or picking up trash in local communities.

Consistent, two-way communication is also important at Yanfeng. To enable this, we offer various opportunities for employees to interact with company leaders, learn more updates about the business, and ask them questions. An example is monthly Business Briefing meetings for employees in the North America and Europe, Middle East and Africa regions. In all Business Briefings, employees hear key updates about the industry and Yanfeng’s operations, have the chance during a question and answer session to address personally or anonymously, their specific questions for all kinds of topics to local leadership.



2022 Internal Vision Week Theme.

# 04 Community Engagement

**45** iCARE projects were realized in 2022.

# iCare Program

We value good corporate citizenship and prioritize giving back to the communities where we operate. That's why we created iCARE, an employee-led initiative that encourages volunteerism and collaboration with local nonprofit organizations and educational institutions. Together, we aim to support the arts, education, environment, health, sustainability, and social services in our communities. In addition to employee volunteer hours, a donation is made to the selected organizations.

Our commitment to respect, integrity, teamwork, sustainability, and putting people first is reflected in our iCARE program. Here are some examples of our 2022 iCARE projects:



## East London, South Africa Team Supports Masizakhe Children's Home

The East London team supported the Masizakhe ("Building Each Other") Children's Home, which was founded in 1989 as an overnight shelter and became an official children's home in 1998. It houses 72 children between the ages of two and 18. Its services are available to children in need of care and protection. These children come from various backgrounds (sexually/physically abused, orphaned, neglected, etc.). The iCARE grant was used to install a new fence around the children's home, which was needed for protection. The team spent a fun day at the home and brought party kits, toys, clothes, and blankets.



## Neuss, Germany Volunteers Join Forces with Good Night Bus, an Initiative to Provide Food and Warm Clothes for the Homeless

Unfortunately, homelessness affects many people in Germany. When the temperatures drop, life on the streets becomes a struggle for survival for the homeless. There are many services for homeless people during the day, but what happens to those who are on the streets after 10 p.m.? This is where the GuteNachtBus (good night bus) comes in. On a Wednesday night in Düsseldorf, the team supported the initiative by distributing clothes, shoes, blankets, sleeping bags, hot drinks, and food.



## Holland, USA Volunteers Cooperate with Ottawa County Paw Paw Tree Planting Initiative

In Holland, USA, a group of volunteers partnered with Ottawa County Parks to complete the Ottawa County Paw Paw Tree Planting Initiative. More than 70 paw paw trees were planted during this effort. Although this marked the beginning of the collaboration between the groups, the team has a rich history of previous volunteer work, including maintenance of the Riley Trails, situated on the north side of Holland, for the past decade.



## Ramos, Mexico Team Works with Local NGOs to Distribute Essential Supplies

Our team in Ramos, Mexico, worked with local NGOs to provide essential supplies to disadvantaged communities suffering from the COVID-19 pandemic, including shelter residents. The goal was to address food security concerns, especially among vulnerable groups. Despite initial obstacles, determination ensured the successful distribution of resources to multiple sites. A designated delivery was arranged for efficiency. Staff conducted site visits to better understand community needs and identify opportunities for targeted assistance.

# Care & Share and Community Involvement

The Care & Share Program is a US-based, employee led initiative that was established in 1984 to distribute corporate charitable contributions and encourage team member participation in supporting deserving causes. Each year, team members nominate a variety of charitable causes. The Care & Share employee committee then selects several non profits as recipients of donations. These causes provide support for substance abuse, homelessness, poverty, child abuse, domestic violence as well as the environment. Yanfeng also provides matching of employee donations. In its 39-year history, the program has contributed over \$26 million to more than 90 organizations that provide critical services. In 2022, 51 charitable organizations were nominated, 25 organizations were selected by the Care & Share Committee, and \$274,000 was raised. Organizations supported in 2022 include:

**Brightening Lives through Supportive Initiatives: How the Sunflower Project Brings Hope to Those Struggling with Mental Health Issues**

The Sunflower Project in the US strives to improve mental well-being through its three pillars: assistance, community, and education (ACE). By providing mental health scholarships/grants and encouraging open dialogue online and offline, this organization reaches thousands across the US and positively impacts lives. Its third focus is providing low-cost educational opportunities, including Mental Health First Aid and CPR classes, to increase awareness and self-care practices among those facing mental health challenges. Through these combined efforts, the Sunflower Project shines a light of hope in the darkness.

**Unlocking Potential & Transforming Communities through Academics**

I AM Academy empowers aspiring African American students to reach their full potential and change long-standing community narratives. For years, African American students have been inadequately prepared for desirable jobs and equitable compensation, perpetuating generational poverty. They need mentorship and life coaching to break the cycle. I AM Academy supports them by providing rigorous academic programs, innovative teaching methods, and comprehensive support services, enabling them to become leaders and create brighter futures.

Our Care & Share Program Committee.



**\$26 million**

has been donated to more than 90 organizations through Care & Share in its 39-year history.



# China Project Examples

## Transformative Progress through Concerted Efforts:

A Journey to Uplift Dede Village. In 2018, a team from China launched a concerted effort to support the prosperity of Dede Village in Xuanwei City, Yunnan Province. After five years of determined efforts, the village boasts numerous success stories, including the establishment of the Industrial Development Office, “Yanfeng-Dede Squar”, and a dynamic activity center. The village prospects are further enhanced by generous donations of high-quality sports equipment to benefit both the students and their families. These gifts represent yet another positive step in the development of Dede Village, fueled by the team’s commitment to improving the region.

## Empowering Nature: Sustained Efforts for Environmental Excellence

Throughout 2022, a team in China played an active role in the Million Tree Planting Project, marking its fifth consecutive year of participation. By purchasing 2,000 seedlings valued at approximately \$7,100, the team significantly bolstered efforts to preserve the regional ecosystem. Ultimately, this contribution helped to create an 18-acre green space within a community forest focused on promoting sustainable living and protecting the natural habitat of nearby communities.

## Bringing Hope & Opportunity to China’s Rural Students: Volunteers Partner with Local Communities for Positive Change

Over 170 colleagues came together to actively participate in the AmazMe Box Project, an initiative aimed at collecting wishes from students in Yunnan and Guangxi provinces and making them a reality. Through close collaboration with the local community, these colleagues played a pivotal role in collecting wishes from students residing in remote villages and ensuring that their aspirations were fulfilled. Their collective effort and dedication not only made a significant impact on the lives of these students but also exemplified the power of community-driven projects.

# 170+

employees engaged in AmazMe Box Project to fulfill students’ wishes.



Students write down their wishes for the AmazMe Box project.



Children from Dede Village celebrating five years of Yanfeng support.

# 2,000

seedlings planted to create an 18-acre green space within a community forest.

# Other Community Activities



Blood donation drive in Derramadero, Mexico.



West Michigan Women's Day of Service in Holland, Michigan.



Christmas Wish Tree Initiative in Neuss, Germany.

## Support for Ukrainian Refugees

At Yanfeng, we strive to make a positive impact on society and address global issues that affect our communities worldwide. In light of the crisis in Ukraine, many of our employees have expressed a desire to help those who have been forced to flee their homes due to violence and conflict. Our employees play a critical role in driving these initiatives forward. Many have volunteered their personal time and skills to organize fundraisers, collect supplies, arrange shelter, and coordinate distribution efforts directly with affected communities. Their compassionate spirit reflects the core values of our organization and underscores our commitment to making a meaningful difference in the lives of others. As we look to the future, we remain committed to supporting Ukrainian refugees and exploring other ways to enhance our corporate social responsibility efforts.

## Christmas Wish Tree Initiative

The holiday season is a time of joy and generosity, but not everyone gets to experience the joy of having gifts to open under the tree. Fortunately, our team in Neuss, Germany, along with Mobilize Financial Services made it their mission to spread some cheer through the joint Christmas Wish Tree campaign. With 130 cards on the tree, each with a different wish worth up to €20, the campaign brought smiles to the faces of those who need it the most. From games and books to warm scarves and gloves, the wishes were distributed in cooperation with two institutions, Pflegeheim Herz-Jesu and Lebenshilfe Neuss.

## Women's Day of Service

To celebrate Women's Day of Service on October 6, the Women's Resource Network (WRN), and other local companies came together and provided 98 hours of charitable service to several local charities in Metro Detroit and West Michigan, including Kids, Food Basket, Nestlings, Crossroads of Michigan, Earthworks Urban Farm, and Capuchin Soup Kitchen. This initiative is an exemplary representation of our commitment to supporting and making an impact on our local communities.

## Blood Donations

We all know that blood donation is a critical part of the healthcare system. Just one donation can help to save up to three lives. As a result, many of our sites in Germany and the US have partnered with local blood banks and other organizations to organize several blood donation drives, with significant participation from our employees.

Up to  
**1,300**

lives could be saved with blood donations from our employees.

# 05 Labor and People



# Labor Policies and Commitment



Nothing is more important than the health and safety of our employees.

We believe maintaining strong relationships with customers, employees, suppliers, shareholders, and communities is an essential element of being a strong, respected organization. Our efforts and commitments to human rights and labor policies enable us to work toward achieving sustainability together as a business.

## Our Commitments Are:

- To 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.
- To fulfill all applicable legal and other requirements regarding occupational health and safety (OH&S) hazards at each location.
- To 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.
- To 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.

# ZERO

violations or incidents against Yanfeng related to human rights in 2022.

# Talent Development

At Yanfeng, we prioritize the growth and development of our employees. Whether an employee is a recent college graduate or an organizational leader, our goal is to help advance one's leadership skills, business acumen, and career path. To do this, there are a variety of leadership development programs in place, regionally and globally, that assist this company goal.

To highlight a few:

## Yanfeng Young Professional Programs

Young professional programs such as the eXcelerated Rotational Program (XRP), Graduate Development Program (GDP), and Early Career Development Program (EDP) help provide our young talent with resources and opportunities to kick-start their career. These programs help new employees build strong functional business knowledge along with leadership skills. In addition, our North American College Internship Program (CIP) invests in the future generation of talent by offering them opportunities to work alongside our employees in various functions.

## Established Professional Programs

Along with young talent, we are committed to investing in the growth of our established YF professionals. Lead in Future Talent (LIFT), a development program directed toward two-to-five-year tenures, assists employees in developing strong business acumen, basic leadership qualities, and getting involved in our company culture. Targeting those who have recently been promoted to a new manager role, our People Leader Development Program (PLDP) deals with taking on HR responsibility and the critical practices of the business.

## High Potentials Development Program

It is also essential to us to focus on continuing to enhance the leadership skills of those who possess a leadership role within the company. Our Operational Leadership Development Program (OLDP) is aimed toward new directors and successors for director-level positions. Here, employees are educated on the Yanfeng strategy, our four essential roles, and operational leadership competencies.

## Strategic Leader Programs

We have a Strategic Leader Development Program (SLDP), which provides a quarterly briefing on a current topic relevant to senior leadership to provide insight into strategic considerations for the direction of the company. This training program, along with the Global Leader Development Program (GLDP), continues to ensure the qualifications of our company leaders. The GLDP, targeting high-potential employees, highlights strategic leadership, action learning as well as cross-cultural competence. These programs help refine and amplify the leadership skills obtained by our company's directors both regionally and globally.

## Yanfeng Academy

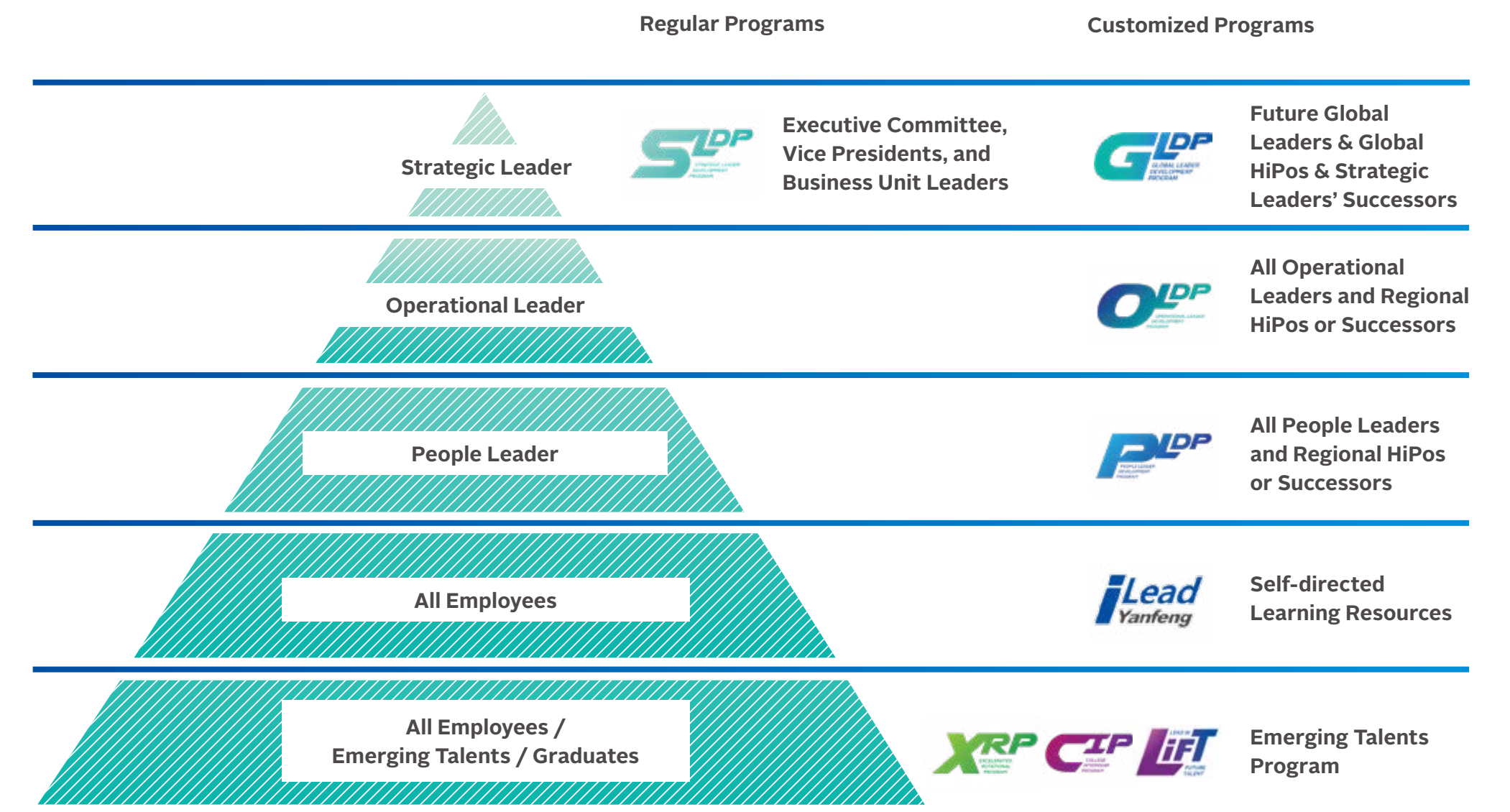
This program provides targeted learning and development for leadership and functional areas via classroom, online and action learning opportunities. It also assists with development plans for individuals and groups. In 2022, the program included:

- 22 academies – one leadership, 15 functional, and six universal
- 2,549 learning courses
- 231 learning journeys

# 89%

of salaried YF employees globally accessed learning in the Yanfeng Academy in 2022.

## Global Leadership Development Program





2022 Diversity & Inclusion Week theme.



Diversity & Inclusion Week celebration in Shanghai, China.

**2** annual scholarships for participants in Yanfeng's College Internship Program have been awarded by the DIG group.

# Diversity, Equity, Inclusion, and Belonging

At Yanfeng, we strive to have a working community that appreciates diversity and is inviting for all. This ensures that our employees feel respected, appreciated, and trusted at work. There is opportunity to reach new levels of success and creativity when employees of different backgrounds come together in work.

## Our Statement on Diversity, Equity, Inclusion, and Belonging (DEIB):

***One Yanfeng – committed to diversity, equity, inclusion, and belonging. We will provide an inclusive culture and equitable talent journey, one that values employees for who they are and is rooted in trust and respect.***

Yanfeng underscores the importance of DEIB every year through a global Diversity & Inclusion Week. In 2022, our employees all over the world celebrated Diversity & Inclusion Week with the theme of One Yanfeng, Grow Together. The week focused on raising awareness on diversity and inclusion all while celebrating the variety of backgrounds, cultures, values, and experiences our talented employees bring to the company. Various events were hosted in all regions including a Diversity &

Inclusion webinar and panel discussion, employee competitions, and videos, just to name a few.

In North America, our Diversity and Inclusion Group (DIG) continues to push initiatives that reach our organization-wide goal of being equitable to and inclusive of everyone at Yanfeng. Thanks to the group's efforts, our employees can become further educated on the importance of DEIB in the workplace.

Over the past few years, our DIG community has continued to evolve with the help of our DEI Resource Networks. Each resource group focuses on a segment of our YF population and ways to make them adequately represented in the organization. In addition, they are dedicating efforts to promoting equal treatment of all people, regardless of race, ethnicity, religion, gender, sexual orientation, age, medical condition, disability, or any other factors protected by applicable law.

The DIG group also offers an annual scholarship for participants in Yanfeng's College Internship Program. Interns are eligible to apply for a one-time scholarship of \$2,500 that goes towards the student's pursuit of their degree and is available to undergraduate and graduate students. In 2022, two scholarships were provided to our interns in North America..



DIG Mexico awareness initiative.

As part of our diversity, equity, inclusion, and belonging efforts, Yanfeng has several Employee Resource Groups (ERG). These groups empower members to make a difference in their workplace and communities with organized initiatives. In 2022, the ERGs included the Black Affinity Network (BAN), Diversity Inclusion Group (DIG) Mexico, Young Professionals Network, and the Women's Resource Network (WRN).



**Black Affinity Network (BAN)**

Our Black Affinity Network creates an inclusive and equitable workplace where Black and employees of color feel safe, valued, and respected. Through education and open discussion, BAN seeks to raise awareness of the inequities experienced by people of color.



**Mexico Diversity & Inclusion Group (DIG Mexico)**

DIG Mexico is a committee of mental health specialists, plant representatives, internal communications professionals, and learning and development regional leaders committed to developing initiatives and trainings that promote awareness, engagement, and equitable opportunities for all employees. By focusing on racial, social, sexual, and gender diversity, the committee provides employees of Yanfeng's Mexico plants with an immersive culture and a positive work experience within a professional and inclusive environment.



**Young Professionals Network (YPN)**

YPN encourages and promotes the development of diverse young (at heart) talent at Yanfeng by fostering meaningful relationships, community, and culture.



**Women's Resource Network (WRN)**

Our Women's Resource Network promotes favorable working conditions for women to further develop and retain female talent within our organization. There are four cornerstones that shape all WRN initiatives:

- Culture
- Career
- Community
- Collaboration

All WRN initiatives promote inclusivity, upward career mobility, social responsibility, and community outreach.

# Mental Health Awareness Mexico

Mental health awareness in Mexico has become a more important topic in recent years at the company through the DIG Mexico program. Every year the team develops an annual work plan that proposes dynamics, psycho-education, and activities around a specific topic each month so employees can have more information and knowledge of what mental health is, achieving greater awareness on issues of wellness, emotional intelligence, and other topics of interest to our employees. Below you will find some examples of those activities.

## Wellness Team

Our wellness team has the primary task of safeguarding and providing psychoeducation about the mental health care of employees through the implementation of initiatives, surveys, and ongoing certification for functional leaders and work teams.

## Collaboration with Institutes

In Mexico, we have collaborated with around ten public and private institutions to seek and establish links that can benefit and provide support to employees and obtain help with mental health and emotional well-being issues by providing tools, various services, and therapy options. Each year at Yanfeng Mexico facilities, we gather private and public institutions where employees can get direct information and help from them.

## Entrepreneurs with Disabilities Fair

As a new project and commitment to the community, DIG Mexico organized a fair for entrepreneurs with disabilities to offer products that they created to our employees including candy bags as well as arts and crafts. This provides visibility for their skill set, productivity, and inclusive rights.



Well-being Fair in Queretaro, Mexico.



Entrepreneurs with Disabilities Fair in Mexico.



# EHS Culture & Performance

To promote the importance of health and safety of our people, we have embedded various initiatives into our company culture. These initiatives aim to educate and inform our employees on the importance of health and safety in our organization.

## Monthly EHS Culture Campaign

Globally, an EHS initiative was launched to help promote a culture that prioritizes the health and safety of our people and organization. Each month, a new EHS culture-building topic is released. A few examples include emergency response, lock out tag out (LOTO), safety commitment and behavior, in addition to others. Related events were also hosted, including EHS inspections, observation and feedback events as well as training sessions, to amplify the effectiveness of this initiative.

## Environmental, Health, and Safety Month

EHS Month is an annual celebration where we promote an EHS culture around the world. EHS Month comprises of both World Environmental Day and Safety Week. In June, a series of activities were hosted to convey the concept and culture of environmental protection, health, and safety to all global employees. The theme for 2022 was “Stop! Think! Then Act.”

## Human & Organization Performance (HOP)

HOP is a new view on safety management philosophy. HOP is focused on protecting people, property, and products from potential failures of all kinds. This philosophy aims to minimize severe accidents by building the strength of our people.

## Duty of Care Awards

Yanfeng was a finalist for the 2023 Duty of Care Awards in the category of Communications. The awards recognize organizations’ contributions in 2022 to protecting the physical and mental health, safety, security, and well-being of employees around the world. This shortlist represents the outstanding contribution made by those organizations in seven categories, which was judged by a panel of industry-leading experts from different internationally recognized organizations.

## EHS Performance

EHS is the most critical element we focus on and is an important factor in our company achieving the desired success. We focus on continuous improvement of the environmental, health, and safety management system and cultivation of the sustainable culture to improve the company’s EHS performance. Thanks to the efforts and contributions of all our employees and sites around the world, we have achieved the annual injury reduction targets this year.



Poster from EHS culture campaign.

# 0.07

total incident case rate in 2022.

	2020 Actual	2021 Actual	2022 Actual	Threshold/Target
<b>Total incident case rate (TIR)</b>	0.11	0.09	0.07	0.20
<b>Lost time case rate (LTR)</b>	0.03	0.02	0.02	0.06

Total incident case includes lost time case, medical treatment case, fire alarm accident, occupational illness and environmental incident.

• TIR = Annual total incident case count x 200,000/annual total employee hours

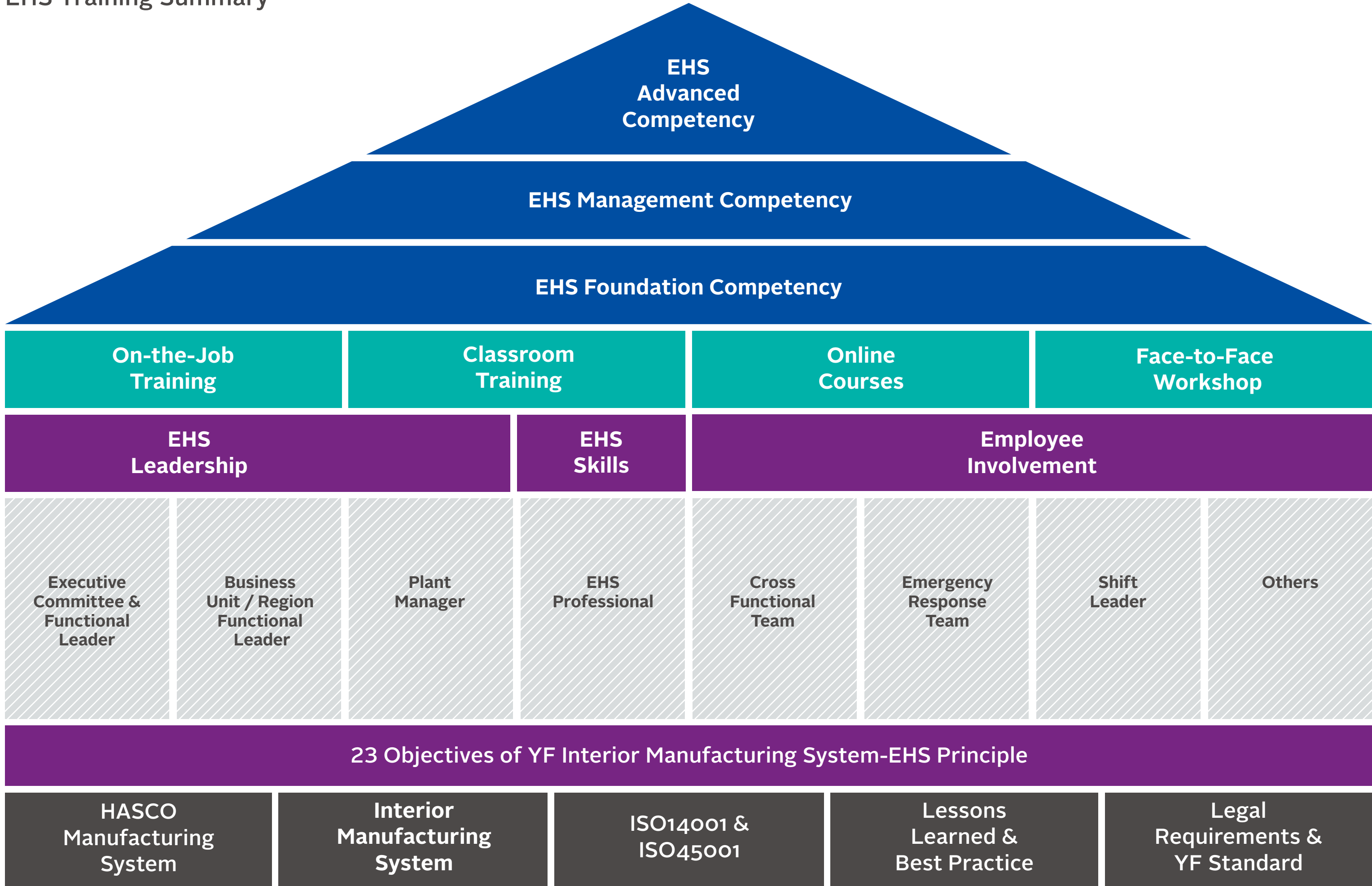
• LTR = Annual lost time case count x 200,000/annual total employee hours

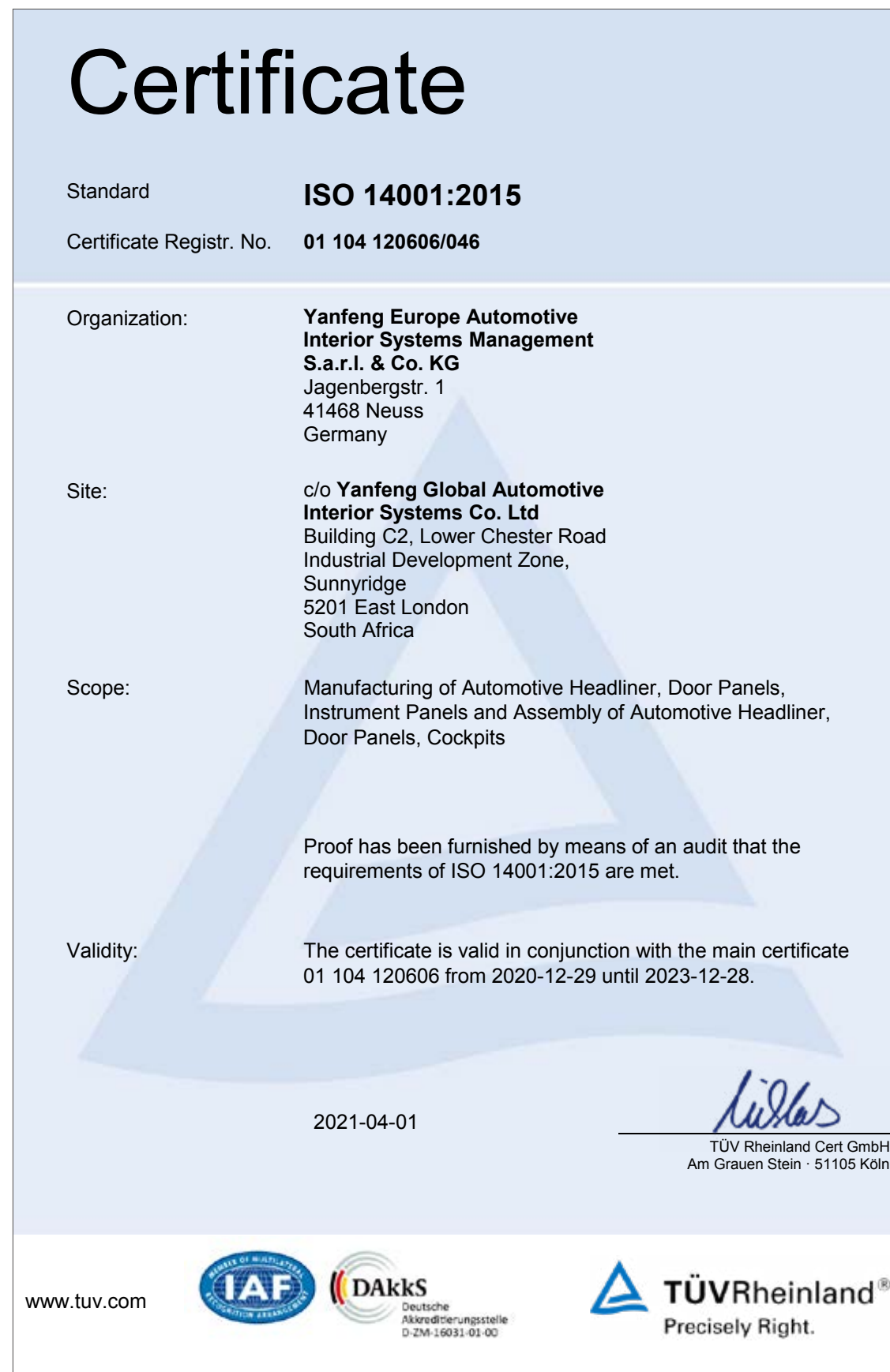
# Regional & Global EHS Training

To adequately train our employees on the significance of prioritizing health and safety, numerous environmental, health, and safety (EHS) training programs have been implemented within the organization. Specifically, global training programs are being assigned to certain roles across different regions and business units. Some topics include personal protective equipment, confined spaces, workplace inspections, global safety principles, etc. Additionally, we have annual functional training plans in each region; these trainings, varying in length, touch on the integral components of environmental health and safety. Each year, the regional EHS team leads the design of a specific training program. Within the plan, there is potential for new training courses along with re-occurring aspects. Some courses may also be implemented as needed when we have new EHS team members. Overall, these global and regional training programs raise awareness of workplace hazards and develop understanding on how to report, control, and avoid these issues.

Our EHS training is aligned to the requirements of an employee's job function globally at all levels of the company, from our plants to the technical centers.

EHS Training Summary





Examples of current ISO certifications.

78

company locations obtained their ISO 45001:2018 (Occupational Health & Safety Management System) certification.

# ISO Certifications

We provide our site locations with the ability to complete two certifications that display their understanding of how to properly manage environmental factors as well as health and safety in the workplace. The two certifications available are Environmental Management System and Occupational Health and Safety Management System.

By December 2022, a total of 83 company locations had obtained their ISO 14001:2015 (Environmental Management System) certification, and 78 locations had obtained their ISO 45001:2018 (Occupational Health & Safety Management System) certification.

# 06 Environment



# Decarbonization: You Can Only Improve If You Know the Data

Accurate carbon data is the foundation for achieving effective carbon management and emission reduction goals. It provides a comprehensive understanding of our carbon emissions. Only with reliable data can correct decisions be made to optimize energy use, improve overall efficiency, and work towards sustainable energy management. To delve into how Yanfeng achieves carbon footprint capture through a systematic approach, we have invited energy management expert Li Xuesong to join us in the discussion.



**Li Xuesong**  
Manager Energy Management

## Li Xuesong, what challenges does a company face in the area of carbon emissions management?

Carbon emissions accounting comprises three Scopes. Scope 1 is the greenhouse gas emissions generated by its own operations. Scope 2 is the emissions generated by the purchased energy. Scope 3 includes all other indirect emissions generated in the company's value chain, including the emissions generated by the company's upstream and downstream transport, the carbon foot-print of the products used by the company, and the carbon emissions generated during the use of these products.

Since Scope 3 emissions are difficult to understand and it is difficult to collect this data, most companies' ESG reports only covered Scope 1 and Scope 2 in the past. The fact is, however: Scope 3 emissions accounted for the largest portion of total emissions for many companies. The difficulty of supply chain carbon emissions lies in Scope 3.

## What were some of the challenges in the development and use of the Yanfeng Carbon Emission Tracking System?

Yanfeng's Carbon Emission Tracking System is a software platform. More precisely, it is a computing platform that combines business scenarios with IT technology, which employs a computing logic based on Yanfeng's business. This calculation logic is relatively complex and requires identification of different business scenarios.

For a large company like Yanfeng, with multiple business segments, the difficulty is that the hundreds of plants under such an organization sometimes interact with each other as upstream suppliers and downstream customers. It is easy to do carbon calculations for a single plant, but when calculating the total emissions for all of Yanfeng, it is necessary to remove some overlapping carbon emission data to avoid double counting.

## One last question, Xuesong: what are the core elements of Yanfeng's Carbon Emission Tracking System?

The core element of this system is the emissions factors. A carbon emissions factor refers to the amount of carbon emissions produced per unit of energy in the process of burning or using each type of energy. According to the assumption of the Intergovernmental Panel on Climate Change (IPCC), it can be assumed that the carbon emission coefficient of a certain type of energy is constant, and the formula "carbon emissions = activity rate x emissions factor" can be used to calculate the carbon emissions directly once the emissions factor is known. However, due to differences in production processes, regional distribution, technical level, and other aspects, in addition to the carbon emissions factor data released by the IPCC, countries and industries also have their own emissions factor data to calculate carbon emissions. Now, Yanfeng has stored 3,100+ factors that are applicable for Yanfeng in the global

authoritative factor database (40,000+ factors), which can connect to the international and domestic mainstream carbon emissions factor databases. In order to ensure the reliability of factors, we label each one in the Yanfeng factor database. This indicates which factor database it comes from and which year's data it is.

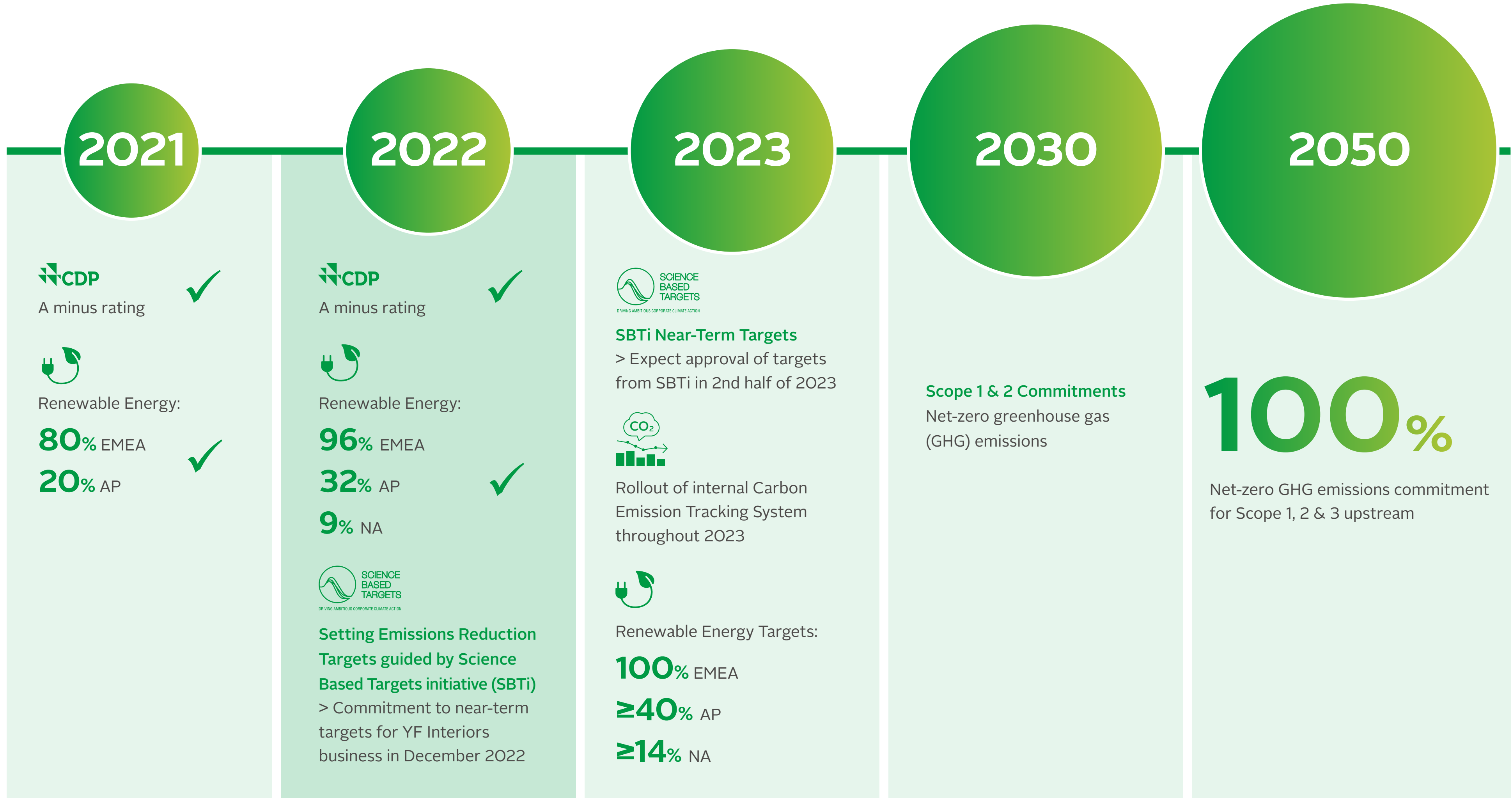
The identification of the factor pool requires expert knowledge. There are often many factors for a given material, and which one to choose depends on the technician's understanding of the process. Take aluminum processing as an example: there are many kinds of processes, and choosing different factors will yield different carbon calculation results.

Therefore, the factor database for the Yanfeng Carbon Emission Tracking System is led by professional technicians, who can identify different materials and process methods from a professional point of view, so as to choose the appropriate calculation factor.

# Roadmap to Net-Zero Emissions

The latest climate science sends a clear warning that we must dramatically curb temperature rise to avoid the immense impacts of climate change. Science also shows that companies must act quickly and reduce their GHG emissions as the main influencing factor to prevent climate change's worst effects.

To support this goal, in 2019 Yanfeng launched its carbon reduction strategy with a target of achieving net-zero emissions by 2030 for Scopes 1, 2 and for Scope 3 upstream by 2050.



Our Changshu production plant in China.



To achieve these ambitious targets, we must first measure our yearly company carbon footprint and then identify and track various activities on how to improve it yearly. We thus introduced in 2022 our own in-house Carbon Emission Tracking System. In addition, external ESG reporting programs are helping us consistently check our current status and guide us through the process.

As an example, in 2022, Yanfeng was awarded a second consecutive A minus rating by CDP for the Interiors group's global leadership in transparency and action on climate change. We improved our scores in value chain engagement and climate-related supplier requirements as well as targets for increasing low-carbon energy consumption or production. Based on CDP information, the result is considerably higher than the Asian regional average of C, and the plastic product manufacturing sector average of C.

In 2022, we also increased the use of renewable energy in all three regions so that globally, 30% of our production plants are using green energy. To take the next step, we have committed to the Science Based Targets initiative (SBTi) on near-term emission reduction targets for the Interiors business, aligning with the level of reduction necessary to limit global warming to 1.5°C, which is the most challenging objective of the Paris Agreement.

Our Net-Zero project is dedicated to managing carbon emissions and using renewable energy in daily operations. Additionally, we aim to reduce the CO<sub>2</sub> footprint of our products by implementing sustainable materials and processes. We also prioritize sustainable product design as part of our innovation efforts. Through these activities, we are determined to be the leader in the industry to support the transition towards zero emissions.

# 30%

of our production plants globally  
use renewable energy  
(96% in Europe & South Africa).



# Carbon Emission Tracking System

To monitor the impact on climate change during the company's operations, we have developed a unique in-house Carbon Emission Tracking System (CETS), with assistance from PwC. The objective for the CETS is multi faceted and essential for our sustainability efforts. The system aims to monitor the impact of the actions defined and track the progress of our activities related to sustainability. This approach will be implemented company-wide, ensuring a consistent and uniform system that can be used for both internal monitoring and as a basis for external reporting to organizations such as the Carbon Disclosure Project (CDP) and EcoVadis. The CETS will also cover all Scopes defined by the GHG project and track science-based targets, further emphasizing our commitment to reducing carbon emissions. Additionally, the system will be in compliance with third-party audit requirements, providing transparency and accountability for our sustainability efforts. Overall, the CETS will play a crucial role in achieving our sustainability goals and supporting a greener future.

Launched in 2022, the CETS is connected to 208 Yanfeng plants around the world. The system links to the carbon emissions factor database that Yanfeng has integrated with the 3,100+ applicable factors out of the 40,000+ global authoritative factors. Through data accumulation, it forms the unique Yanfeng carbon emissions factors as well as collecting data on major raw materials, accessories, and energy sources, which can improve accuracy in the tracing of **corporate carbon footprints (CCF)**.



Example from our CETS software.

In **2022**

for the first time Yanfeng carbon footprint data was calculated globally for the corporation for Scopes 1 & 2. (previously only for Interiors business)

# Corporate Carbon Footprint

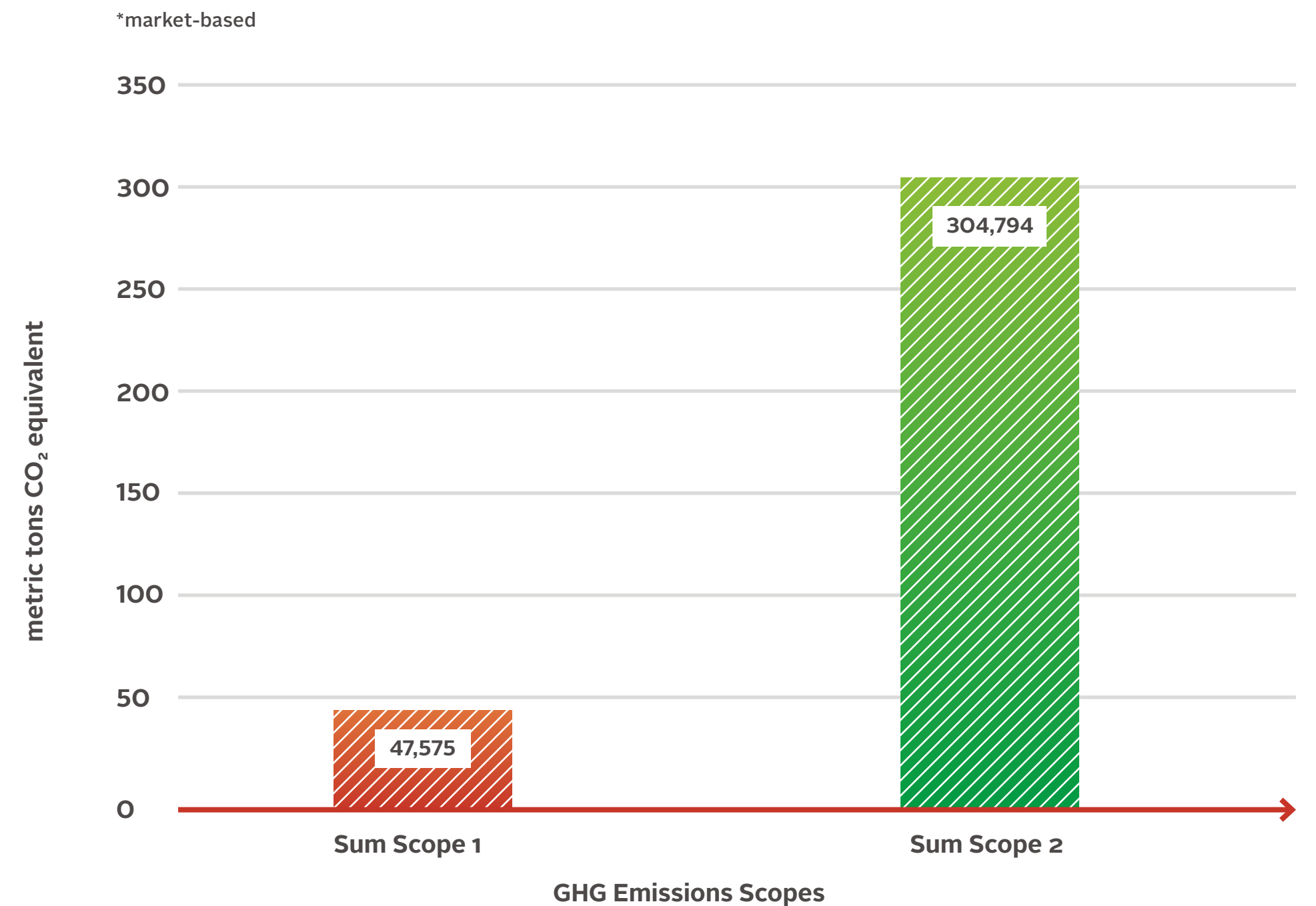
One key element for better understanding and monitoring a company's impact on climate change is to create a corporate-level GHG emissions inventory in the form of a corporate carbon footprint. We have thus been calculating our corporate carbon footprint (CCF), including Scopes 1, 2, and 3 upstream emissions, yearly on a global scale since 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
- Aligning sustainability strategy with value chain partners
- Improving credibility and leadership on climate-related reporting
- Target setting for energy efficiency and GHG reduction

To contribute to the transition to a net-zero emissions economy, we aim to reduce our emissions in line with climate science.

Yanfeng Corporate Carbon Footprint 2022 for Scopes 1 & 2

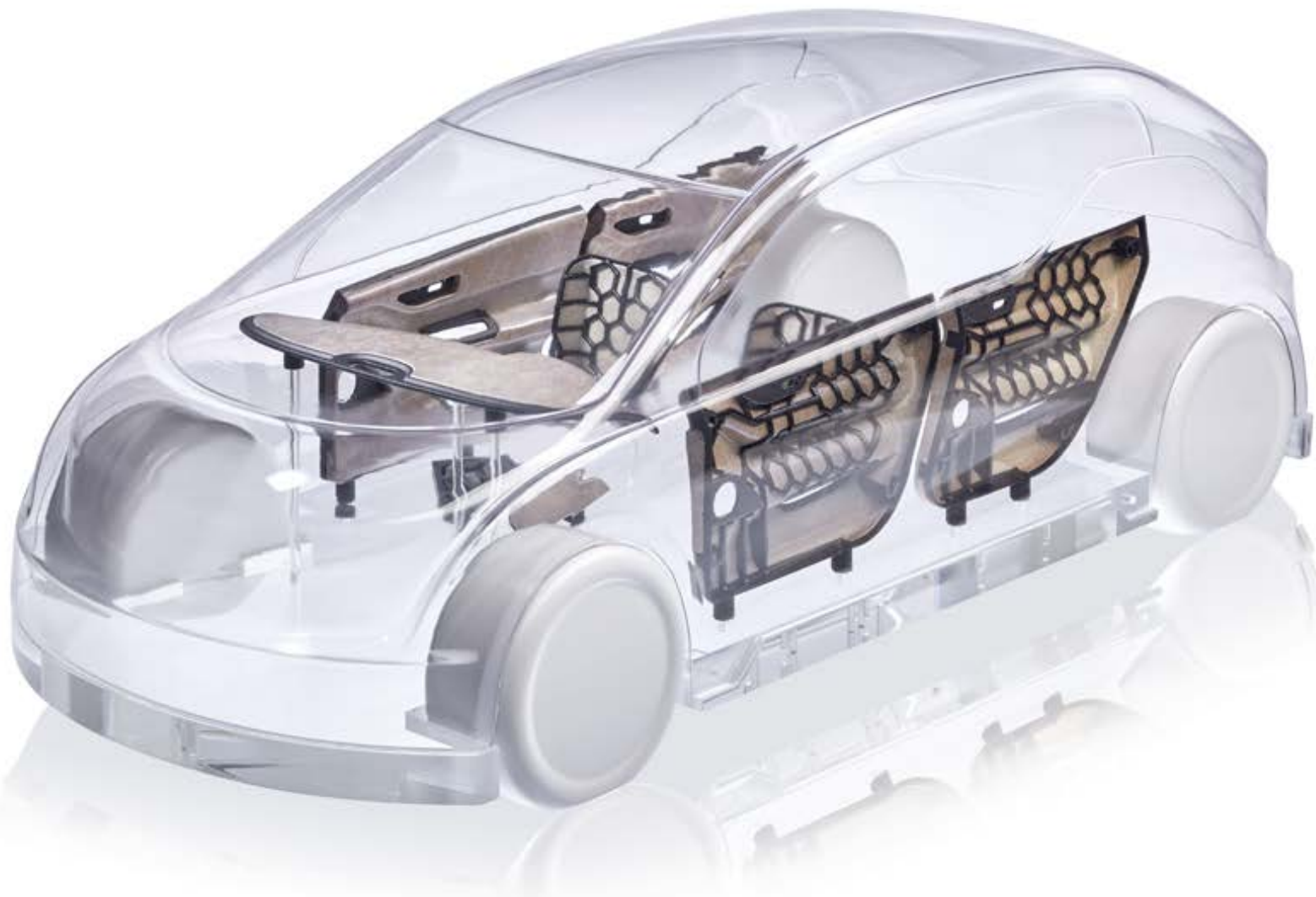


The graph above shows the global Scope 1 and Scope 2 CO<sub>2</sub> emissions for Yanfeng for the calendar year 2022. Analyzing our data in-house provides us the opportunity to exactly define those factors and pain-points that need to be improved in the short and medium term to realize our path towards net-zero emissions.

For the next step we are planning to focus even more on our Scope 3 emissions. We have already addressed with our suppliers along our value chain concrete actions to reduce emissions related to Scope 3 and have been nominated for our efforts among the top 8% of companies assessed by CDP with a full A rating as supplier engagement leader 2022 on climate change.



# Product Carbon Footprint



Our natural fiber-reinforced products are an example for an improved PCF compared to plastic solutions.

Our goal is to improve the carbon footprint of our products as part of our net-zero emissions target.

The product carbon footprint (PCF) is determined mainly through product design and covers the complete product life cycle. To measure the improvements, we used tools that meet industry standards and are accepted by our customers.

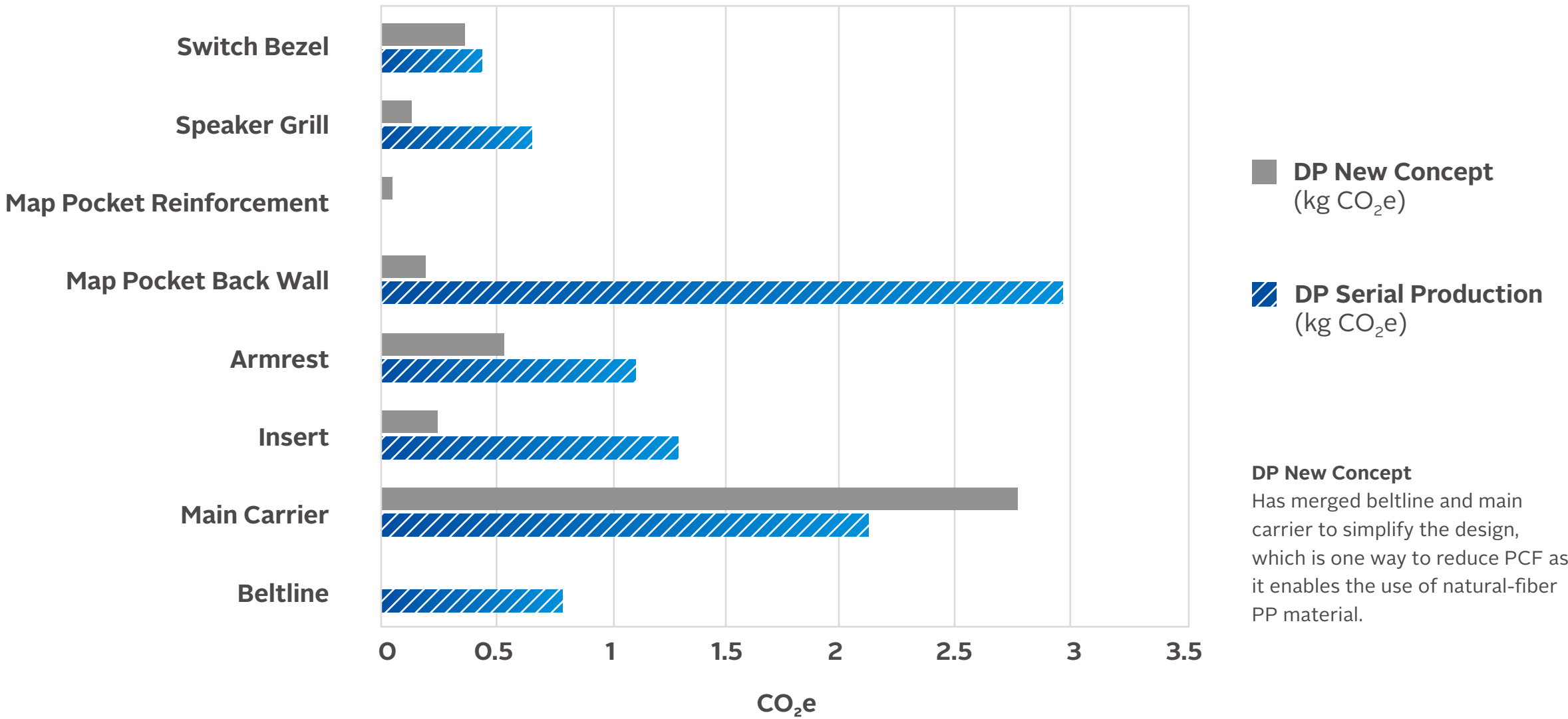
The main tool used for PCF calculation is iPoint (using secondary and also primary data from the supply chain). This system is capable of creating highly professional reports, comparing different product concepts, and assessing not only carbon

footprint (related to ISO 14067, IPCC-GWP 100y, and others) but other environmental impacts of Yanfeng's products (e.g. evaluate changes in soil/nature by acidification, eutrophication factors, and others).

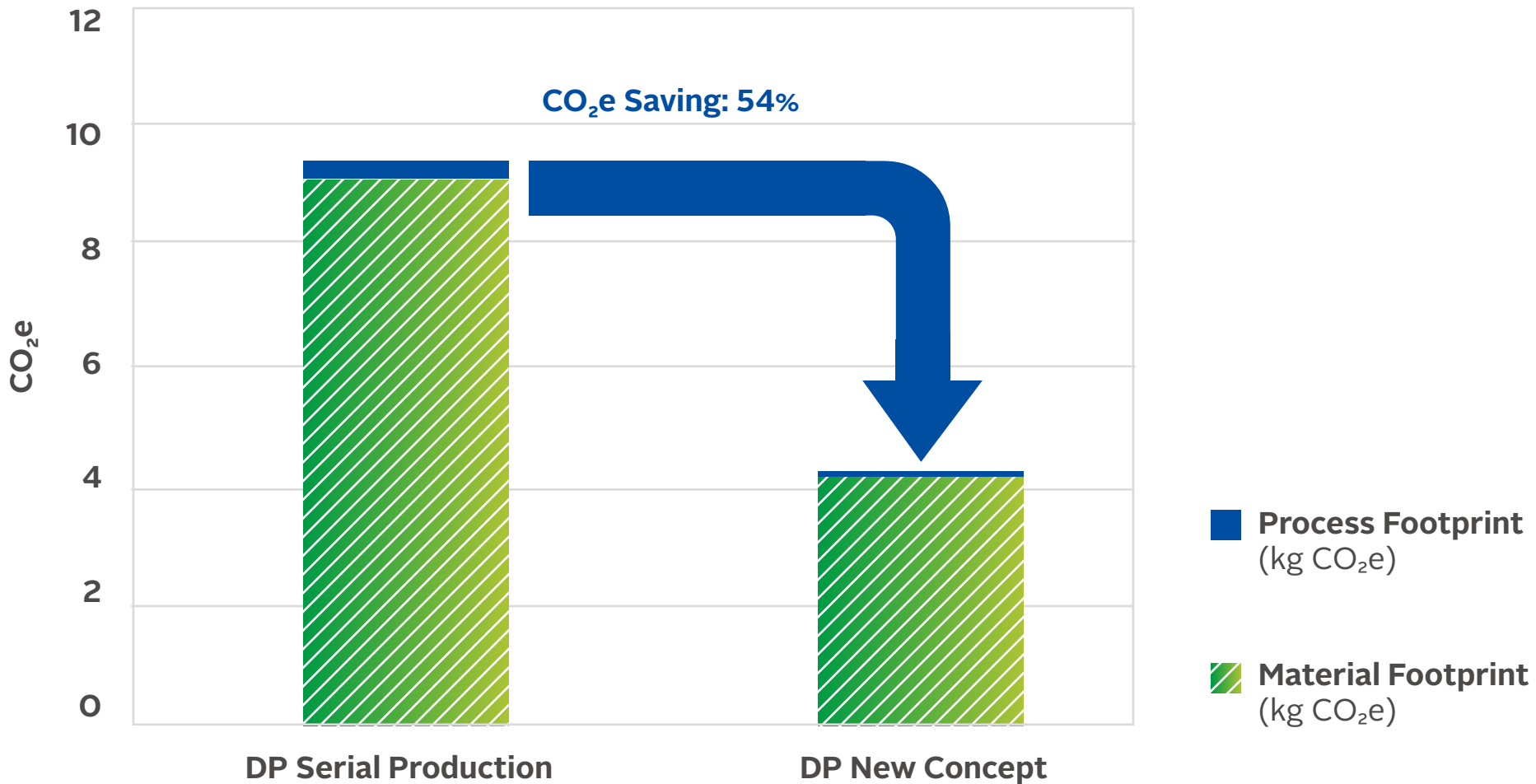
Understanding the main contributors to the carbon footprint of products manufactured by Yanfeng enables us to set a materials strategy for the future and identify suitable change management routes. This allows us to make the right decisions jointly with our customers during the development process. Below is an example of a PCF calculation for a door panel.

## Door Panel Concept YF Production: PCF According to CML\* Standard

### Door Panel Component Calculation



### Total Door Panel PCF Calculation



\*CML is an institute of the Faculty of Science of Leiden University

# Renewable Energy Strategy

Renewable energy sources such as solar, wind, and hydro power can reduce the carbon footprint, save money on energy costs, and promote a sustainable future. Committed to contributing to a more sustainable future, Yanfeng has established a comprehensive energy strategy of decarbonizing via three key methods:

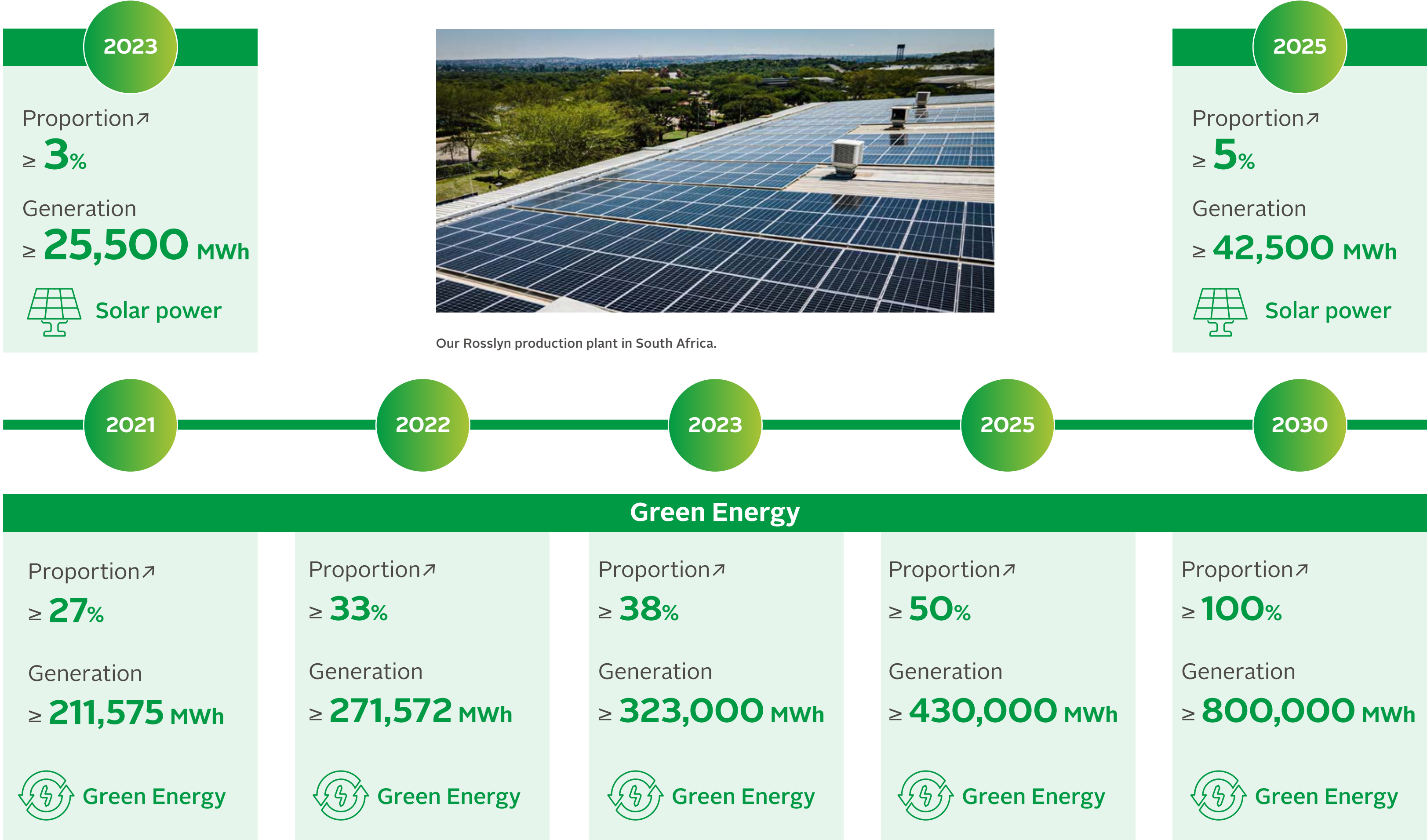
- green energy purchasing
- rooftop solar projects
- carbon offset opportunities

These methods allow Yanfeng to generate its own clean, renewable energy, reduce reliance on fossil fuels, and lower carbon emissions. By investing in renewable energy, Yanfeng is leading the way to achieve net-zero emissions and balance out its carbon footprint and inspire the industry value chain to follow suit.

As of 2022, 33% of our production plants globally use renewable energy. The use of green energy increased from 27% in 2021 to 33% in 2022, with 1,6% generated from solar power. As a significant initiative, 192,000 sqm of solar panels were installed through the end of 2022 in 30 Yanfeng facilities, generating over 13,096 MWh of power for our operations. Our goal is to raise the proportion of solar power to 5% by 2025.

**64** soccer fields' worth of solar panels have been installed at Yanfeng's facilities.  
(assuming one field is about 7,140 sqm)

## Roadmap to Renewable Energy at Yanfeng Globally



Our Rosslyn production plant in South Africa.

1 MWh = 1,000 kWh  
The annual power consumption of a family consisting of 3 to 4 people in a 100-sqm house is typically around 1,000 kWh.

# The Power of the Sun and the Importance of Energy Independence

At our South African facilities, we have taken important steps towards a greener future by harnessing the power of the sun. As the only supplier in the AIDC's Automotive Supplier Park and the Supplier Park of the East London Industrial Development Zone to use solar panels, we are paving the way for sustainable and emission-reduced production. The newly installed photovoltaic systems will bring us one step closer to achieving our sustainability goals and our ultimate goal of achieving net-zero carbon emissions.

What else makes this project special? We spoke to Simon Pella, Senior Manager Procurement at Yanfeng and project leader. Simon mentioned that aside from sustainability, it's important to be independent from brownouts in South Africa.



**Simon Pella**  
Senior Manager Procurement

# Simon Pella

Senior Manager Procurement

## Simon, what exactly are brownouts and why is it so important to have our own solar panels installed for the production plants, especially here in South Africa?

Load shedding or brownouts is when Eskom, South Africa's government-run power supplier, cuts off electricity to specific neighborhoods because of limited generating capacity. This leads to planned blackouts lasting up to several hours, causing problems for both homes and businesses. The reliance on non-renewable resources such as coal means high environmental impact. Switching to solar energy reduces dependence on the electrical grid and lowers one's carbon footprint. Renewable energy options help avoid potential cost hikes and supply chain concerns connected to traditional energy sources.

## How much CO<sub>2</sub> will the new system save per year and how much electricity will it produce annually?

Estimates suggest that these installations will prevent 2,559 metric tons of CO<sub>2</sub> emissions each year. In addition, they'll produce about 2,843,019 kilowatthours of clean electricity during their initial year of operations, and we plan to expand the use of solar energy to other locations in South Africa.

## How long did it take to complete the project phase for each plant? Have there been any specific roadblocks in South Africa that you experienced?

The implementation of solar systems in plants located in South Africa was completed efficiently by Solar Africa. On average, installation per plant took approximately three months. However, one major challenge encountered during the process was obtaining permission to place solar panels on rooftops. This approval process lasted over a year as the team worked to negotiate the agreements. Despite these challenges, Yanfeng has become a pioneer in promoting renewable energy sources within the suppliers' park.

More than

# 11 million

CHyM parts produced through the end of 2022.

## Design for Sustainability

Decarbonization in the automotive industry requires a collective effort beyond the responsibility of just one company. Everyone along the supply chain must be active and play their part to put all pieces of the puzzle together to be successful as a whole.

At Yanfeng, we have various approaches to support the goal of mitigating the impact of climate change, and one of these starts at the very beginning of the product life cycle. In 2022 we published the Design for Sustainability (DFS) Work Instruction with the goal of ensuring that sustainability is considered throughout the entire product design and development process.

To achieve this goal, the DFS process is structured into three phases: the advanced study phase, the program development phase, and the serial production phase. This marks the first time that Yanfeng has included sustainability considerations in its development process to systematically evaluate and improve the sustainability of our products and processes from the initial planning stages to final production. By following this process, we can ensure that sustainability considerations are incorporated into every aspect of our product development, helping us meet the expectations of stakeholders and contribute to a more sustainable future.



Sustainability at Yanfeng starts with the product design.



Our CHyM material.

### Our Solutions for the Future

For more than 65 years we have used material combinations for interior parts that are based on renewable natural fibers. Renewable materials have a positive impact on the product carbon footprint, as the growing plants absorb CO<sub>2</sub>. On the other hand, they reduce the reliance on virgin materials and are lightweight compared to standard plastic products. One example of our renewable solutions is our Compression Hybrid Molded (CHyM) material that uses 50% bast fibers and 50% polypropylene. Using this material helped save 2.7 million kg of plastics through the end of 2022.

# Sustainable Products & Processes

Renewable material combinations are just one example of our long-term perspective, which we continuously develop for the next step. We are also offering a variety of solutions and processes including repurposing waste materials or with the goal of reducing the product carbon footprint and weight, eliminating process steps, or improving the opportunity for recycling.

To be ready for a sustainable tomorrow, we have to invest today in all kinds of different material alternatives. Therefore, we established our own in-house material institutes.

## Natural Fibers Polypropylene Injection Molding

50% natural fibers such as hemp, kenaf, rice husk, and other natural sources.

- Components for instrument panels, door panels, and floor consoles
- Renewable material, reduced weight, reduced CO<sub>2</sub> footprint

## Visible Natural Fibers

Unique natural appearance. Uses sustainable material (50% renewable natural fiber content) for lower product footprint and up to 30% weight savings compared to standard injection molding.

- Components for instrument panels, door panels, and floor consoles
- Renewable material, reduced weight, reduced CO<sub>2</sub> footprint

## Foamlite

50% weight savings over 2.0mm injection-molded PP or TPO. Composed of cross-linked polypropylene foam with PP skins and has a PET surface felt. Main advantages are 50% lighter weight and soft-touch feel vs. injection-molded plastic.

- Components for door panels, floor consoles, and B surfaces
- Reduced weight

## Lignin-Filled ABS

Repurposes waste product from paper making process to be fossil fuel-based plastic displacement (ABS).

- Door panel, floor console, B surface components
- Repurposing waste

## Bio-Based PU Foam

Up to 90% potential reduction of CO<sub>2</sub>. Different combinations and contents of bio-based PPG (polyol) and bio-based isocyanate. Bio foam is made from renewable sources such as soybeans or castor.

- Seat foam
- Reduced CO<sub>2</sub> footprint

## Lightweight Headrest with Carbon-Composite Rods

Achieved dynamic performance with carbon fiber to replace steel, ensuring 30% weight savings. Solution enables deletion of chrome and mechanical recycling.

- Seating head restraints
- Reduced weight, improved recycling opportunity

## Hemp Fiber Back Panel

Polypropylene fiber and renewable hemp fiber carded mat. 13.5% lighter than a plastic part.

- Seat back
- Reduced weight, renewable material, reduced CO<sub>2</sub> footprint

## EPP Back Panel

100% recycled material, 17.5% lighter than plastic, 4% lighter than hemp fiber, 40–50% CO<sub>2</sub> reduction.

- Seat back
- Reduced weight, reduced CO<sub>2</sub> footprint

## Steering Wheel Steel Armature

One-piece stamping and forming, which achieves up to 40% carbon emissions reduction.

- Steering wheel
- Reduced CO<sub>2</sub> footprint

## EcoSkin

Thermoplastic material that is easier to recycle vs. standard PVC slush skins. The production process consumes lower energy and saves up to 50% of CO<sub>2</sub> emissions compared to PVC.

- Instrument panel, door panel, floor console, armrest, seat back panels, instrument panel trim, steering wheel cover
- Reduced CO<sub>2</sub> footprint, improved recycling opportunity

## Lightweight Cross Car Beam

Simplified manufacturing process using one step injection molding process means fewer parts and less post-molding processing. Reduces weight by 30–50% and carbon emissions by up to 50% compared to products made of alloy materials.

- Cross bar beam, cockpit module
- Reduced CO<sub>2</sub> footprint, fewer parts, process steps elimination

## Instrument Panel Passenger Airbag Integration with CHyM

Reduced weight and material through integration of the passenger airbag into the instrument panel combined with a natural fiber CHyM topper panel.

- Instrument panel & integrated passenger airbag
- Renewable material, reduced weight, reduced CO<sub>2</sub> footprint, process step elimination

## Thin Foam Instrument Panel

Lightweight polyurethane solution via reduced thickness, while maintaining performance.

- Instrument panel trim
- Reduced weight

## Compression Hybrid Molding (CHyM) for Instrument Panels

Uses eco-friendly natural fibers. Reduces weight by 25% and CO<sub>2</sub> by 70% in comparison to a conventional PP-based carrier.

- Instrument panel
- Renewable material, reduced weight, reduced CO<sub>2</sub> footprint

## Chemically Recycled Material

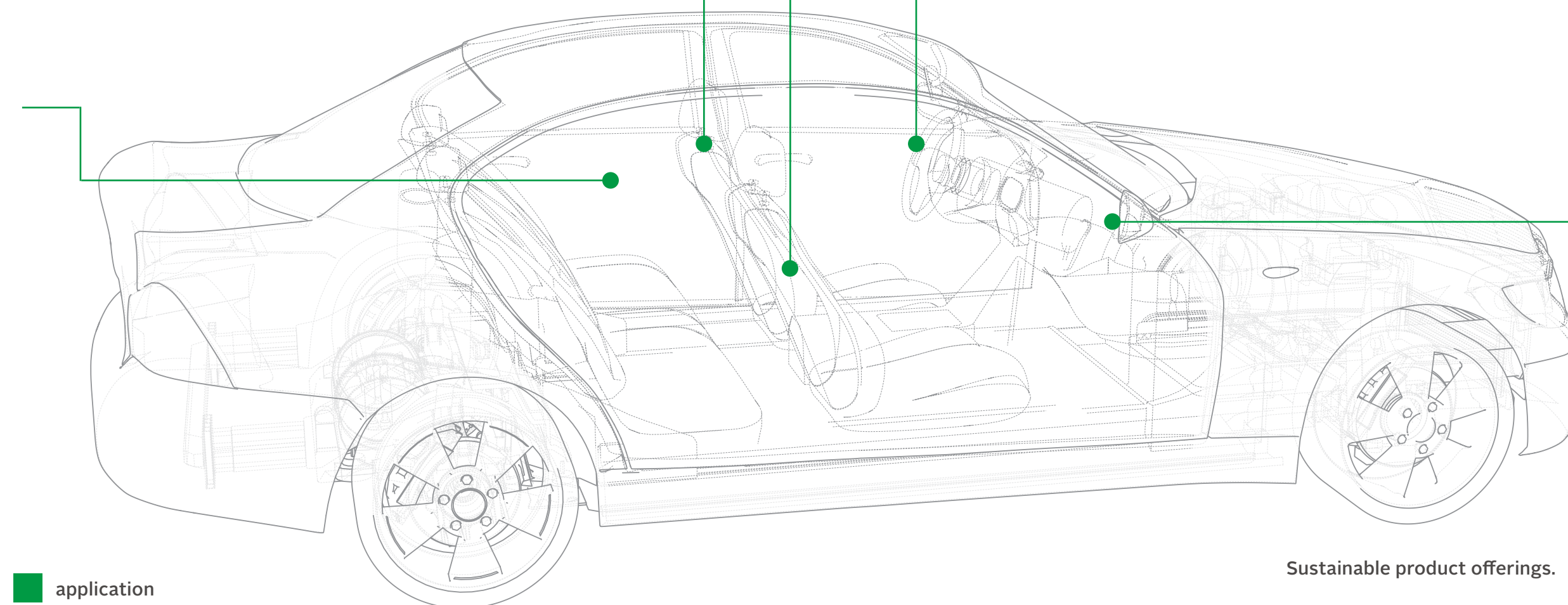
Chemical recycling of industrial waste creates a product with transparent properties very similar to virgin PC/ABS. Automotive shredder residue is also utilized as a feed stock.

- Instrument panel components, door panel components, floor console components
- Repurposing waste

## Mechanically Recycled Material (collaboration with Borealis)

Using up to 40% recycled consumer waste material (post-consumer recycling, PCR) for polypropylene injection-molded instrument panel.

- Instrument panel
- Repurposing waste



Sustainable product offerings.

- application
- sustainability category





Through our Non-Metal and Metal Materials Institutes we have the ability to develop materials in-house.

# In-House Materials Capability

In 2021, Yanfeng established its own in-house capability in China for materials development, which included the creation of two institutes: the Non-Metal Materials Institute (NMI) and the Metal Materials Institute (MMI).

The NMI is dedicated to sustainable materials and has a strategy that prioritizes the use of bio-based, recycled, and low-carbon materials. In 2022, the NMI succeeded in developing 16 sustainable materials, which included eight renewable plastic materials, two bio-based plastic materials, and two bio-based polyurethane (PU) materials. These materials have already been incorporated into several vehicle models and can potentially reduce carbon emissions by 30–60% when compared to traditional petrochemical-based materials.

On the other hand, the MMI has a sustainable strategy that focuses on using electric arc furnace (EAF) steel with direct reduced iron (DRI) and scrap, hydrogen-based steelmaking, and low-carbon metal material. In 2022, we were able to reduce carbon emissions by 10% while maintaining the same level of performance by utilizing EAF technology in the manufacturing of metal products.

**16** sustainable materials developed by Yanfeng's in-house Non-Metal Materials Institute in 2022.

# Our Own Research Institutes: Sustainability Knowledge Is in Our Hands

Yanfeng has been devoted to the development and application of sustainable materials and processes for many years. In 2019 we established the Metal Materials Research Institute (MMI) and the Non-Metal Materials Research Institute (NMI), further increasing our investment in this field. We strive to seek reusable, renewable, and recyclable solutions to reduce waste generation and minimize the negative environmental impact. Let us meet with materials expert Gao Jun, Senior Manager Raw Materials, to see how Yanfeng drives the application of sustainable material technologies.



**Gao Jun**

Senior Manager Raw Material

Yanfeng

# Gao Jun

Senior Manager Raw Material

## Gao Jun, in which fields do the Yanfeng Non-Metal Materials Research Institute and Metal Materials Research Institute conduct their research?

The Non-Metal Materials Research Institute mainly conducts research on plastics, rubber, and other materials. It aims to achieve sustainable development through the use of bio-based materials, recycled materials, and low-carbon materials. Currently, the NMI is researching and developing polyurethane foam, glue, skin, and other materials. We hope to master advanced materials technology through independent research and development, such as transparent materials, self-healing materials, and functional materials.

One of the main tasks of the daily research and development of the Metal Research Materials Institute is to apply renewable metal and low-carbon materials to our product design. This MMI is committed to building the capability of metal materials research and development through solid basic research of metal materials, advanced materials, and process development and thereby improving core competitiveness.

## How is Yanfeng progressing in the research and development of sustainable plastics?

We divide Yanfeng's components into three categories: safety parts, hidden parts, and visible parts. In the past, the plastic materials used in these three categories of products were all raw materials. With Yanfeng's in-depth research on sustainable materials, the future strategy is to increase the use of recycled materials.

To realize this, we'll take a few steps. The first step is to use original raw materials for safety parts, while using mechanically recycled materials for hidden parts, and a mix of raw materials and mechanically recycled, recyclable materials for visible parts. Yanfeng is currently developing various kinds of recycled plastics, among which PP-T20 that can achieve 20–50% recyclability, PP-SGF20 that can achieve 20–50% recyclability, and PC/ABS that can achieve 40–65% recyclability.

The second step is to use chemical and bio-based renewable materials for safety parts; mechanically

recycled renewable materials and bio-based plastics for hidden parts; and chemical and bio-based renewable materials and bio-based plastics for visible parts.

We are currently researching renewable and bio-based plastics and jointly developing them with core suppliers.

## Now to the final question, Gao Jun, could you give us some examples of the innovative application of sustainable materials in our products?

Yanfeng's accumulated research in the field of non-metal materials enables us to launch innovative technologies that meet the needs of future sustainable development. For example, we have launched products such as EcoSkin 2.0, a fully recyclable interior soft-touch skin, and recycled carbon-fiber cross car beams.

EcoSkin 2.0 is produced using low-energy injection processes and achieves the texture effect of genuine or simulated leather through special texture techniques. The use of special environmentally friendly, water-based coatings enhances the smooth tactile feel and

stain resistance. This is an eco-friendly material that exhibits excellent heat resistance, UV resistance, high stability at different temperatures, and low VOC emissions. Compared to using PVC materials, it can reduce carbon dioxide emissions by 50%. Currently, dark-colored EcoSkin products are ready for mass production, while light-colored products are still under development.

In addition, considering that traditional interior skins are usually made of thermosetting materials that cannot be recycled, and conventional leather is processed from various material combinations that are also not conducive to recycling, Yanfeng aims to develop a 100% recyclable soft-touch skin to reduce carbon emissions. The fully recyclable skin is born from this goal. The material utilizes bio-based raw materials and is free of solvents and plasticizers. Both the surface and bottom material layers are made from the same material, enabling overall recycling.

# 44%

increase in global procurement of recycled resin compared to 2021.

## Circularity

Our global resources are limited and therefore the demand for circular solutions is growing with the goal of reducing waste and increasing the reuse of resources. As circularity is an overarching approach, forming collaborations within the automotive supply chain are key for a successful implementation. We have established circular projects based on various approaches with our customers, suppliers as well as other institutes over all three regions.

As the use of recycled material plays an important role in this approach, Yanfeng increased its global procurement of recycled plastic resin by 85% in 2022 to 5,594,200 kg, with the intention to increase further in 2023.

In addition to that we are reviewing in collaboration with external partners, the opportunities for physical and chemical recycling. Physical recycling involves breaking down products or materials into their constituent parts and using those parts to create new products or materials. This process is commonly used for materials like glass, metal, and paper but is also possible for plastics. Chemical recycling, on the other hand, involves using chemical processes to break down materials into their basic building blocks, which can then be used to create new products. This approach is often used for plastics, which can be challenging to recycle physically due to their complex chemical makeup.

For Yanfeng, considering both physical and chemical recycling within the automotive life cycle can help achieve our sustainability goals and promote a circular economy.



One step towards conserving our planet's resources is to significantly increase the use of recycled plastic resins.

### Best Practice:

- Through a collaborative effort, global specialty materials company Eastman, the United States Automotive Materials Partnership LLC (USAMP), automotive recycler PADNOS and Yanfeng, demonstrated first-of-its-kind plastic recycling from the by-product of shredding end-of-life vehicles.



Our Shenyang plant was rated as national “Green Factory” in China.

# Awards & Recognitions

Receiving an award or recognition from an external organization proves that Yanfeng is on the right path for the future. We are delighted that Yanfeng has received the following acknowledgements for our environmental performance in 2022:



- CDP Environmental Leadership Award in China**  
 We have been awarded for the Interiors group a second consecutive A minus rating by CDP for the group’s global leadership in transparency and action on climate change in 2022. We also received an Environmental Leadership Award by CDP China for our outstanding disclosure performance in 2022.



- National “Green Factory” in China**  
 The General Office of the Ministry of Industry and Information Technology of the People’s Republic of China officially announced the 2022 Green Manufacturing List, and the Yanfeng Interiors Shenyang plant was rated as a national “Green Factory” in China. This is an additional recognition for the Shenyang plant in green manufacturing after it won the title of provincial “Green Factory” in 2022.



- Altair Enlighten Runner-Up Award**  
 We won the runner-up in the Future of Lightweight category of Altair Enlighten Award for our instrument panel and passenger airbag integration development work, which not only has weight savings of 23% but also reduces the product’s carbon footprint by 50%.



- AKJ Automotive eLogistics Award**  
 Our Neustadt plant in Germany successfully implemented a new logistics concept, which received the AKJ Automotive “eLogistics award 2022”. In a pilot project, planning of material requirements at the Neustadt plant was optimized to achieve better utilization of trucks and therefore reduce the total amount of transport. With this, we are leading the way to resource-saving logistics, which contribute to reduction of CO<sub>2</sub> emissions at the Neustadt location.

We established an Environmental Policy to ensure long-term ecological protection.

# The E in EHS

Maintaining the health and safety of our employees and protecting the environment is something we take very seriously. Therefore, we established dedicated training programs and are living an EHS culture including various recurring activities. Please see the Labor and People chapter to learn more about what we are doing to keep our employees safe.

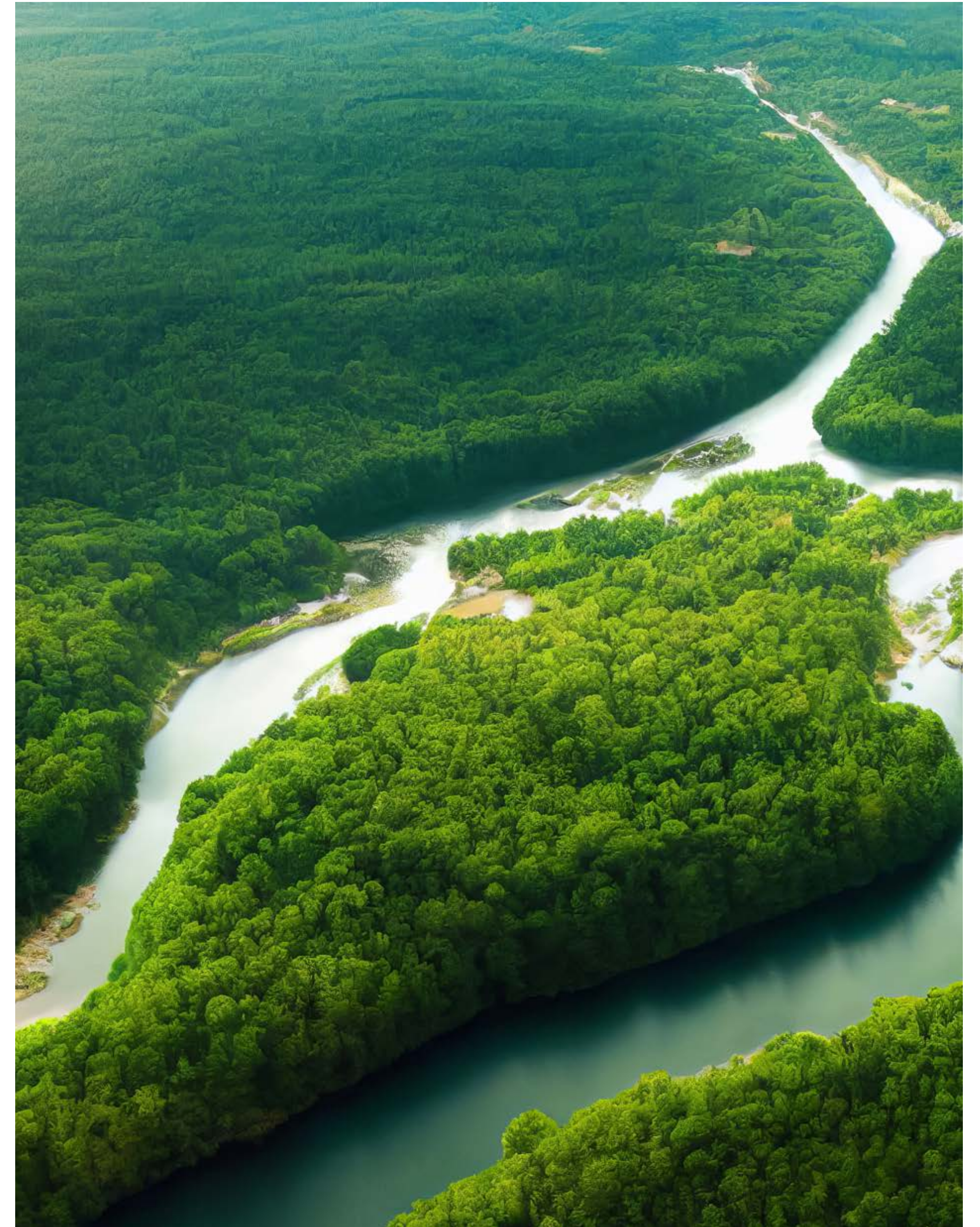
For more details about the environmental aspect of EHS, please find more information below regarding our policy, ISO certifications, performance, and raising internal awareness.

## **Our Environmental Policy:**

***We will reduce the negative impact on the environment by developing green products and processes, and build a green production system through continual 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 striving to exceed the expectations of interested parties.
- Facilitate energy savings and emissions reduction, improving ecological benefits.





To enhance our environmental performance, we are consistently increasing the number of locations that are ISO 14001:2015 certified.

# 83

company locations obtained their ISO 14001:2015 (Environmental Management System) certification.

To enhance our overall environmental performance, we are getting more of our global production plants certified according to ISO 14001:2015 (Environmental Management System). This certifies that environmental obligations are managed with consistency and meet legal requirements, reduce waste as well as providing assurance that environmental impact is being measured. To name some specific examples:

- **Water use**  
We ensure our facilities reduce water consumption and avoid negative effects on the quality and availability of water for our surrounding communities and the environment.
- **Wastewater, waste, local air emissions, noise and light pollution**  
We take reasonable efforts to ensure at our locations that wastewater effluents are safe to receiving surface and ground waters. We will prevent the contamination of water and soil, in addition to preventing noise and light pollution. We put preventive precautions in place to ensure the safe and compliant handling, transportation, storage, reuse, recycling, and disposal of all types of solid and liquid wastes. The management of waste is in line with governmental regulations. We are specifically focused on avoiding or minimizing the release of hazardous substances or active ingredients via spills or fugitive emissions to the environment.

In addition to our ISO certification activities, we also focus on the following areas:

- **Biodiversity, land use, and deforestation**  
We protect our surrounding ecosystem from deforestation, forest or land conversion, and ensure that flora and fauna are not lost and natural habitats do not suffer irreparable damage. Yanfeng is mindful when using high-risk forest commodities (or deforestation-linked products), like palm (kernel) oil, soy, or other agricultural, or forestry feedstocks.

# Raising Internal Awareness

It is our duty to inform and educate our employees about current environmental developments and regulations and help them understand what Yanfeng is doing against global warming. We look to provide ideas about small steps they can take to make a sustainable impact now and for future generations.

To do so, we have created the following different communication formats for our employees.

## Sustainability Training

In 2022, we introduced our first online training to inform our employees about Yanfeng’s overall sustainability direction and commitment. The online module includes our commitment to the United Nations Global Compact and the related 17 Sustainable Development Goals, why sustainability is essential for maintaining our quality of life and the future of our plant, the need for circular economy, in addition to the explanation of our key goals and actions.

## World Environment Day Event

In the universe, there are billions of galaxies, in our galaxy there are billions of planets, but there is only one Earth. Together we can protect it. The theme of World Environment Day 2022, “Only One Earth”, calls on countries to change their policies and choices to promote cleaner, greener, and more sustainable lifestyles that live in harmony with nature. The earth is our only home, and we must protect its limited resources.

Our global employees were encouraged to participate in the Yanfeng World Environment Day campaign put their pledge into actions. More than 2,600 ideas and actions were submitted from employees around the world. After a review process, 20 entries were selected for implementation.

## Sustainability Ambassador Meetings for NA & EMEA

Keeping our employees informed about how we are progressing on our sustainability journey is important. In 2022, our Vice President Global Sustainability hosted three virtual town hall meetings to provide updates about current projects and future developments.



Our 2022 World Environment Day poster.

Agenda topics included:

- Yanfeng’s status for Science Based Targets initiative (SBTi)
- Global in-house Carbon Emissions Tracking System
- Corporate carbon footprint
- Circular economy projects
- Design for sustainability
- Lightweight product examples
- Renewable energy strategy
- Waste management
- Supply chain due diligence
- Consumer research study
- Yanfeng’s Environmental, Social & Governance Report



# 07 Anti-Corruption



# Anti-Corruption

It is vital to prioritize anti-corruption measures, fair practices, and transparency in all business dealings. We must hold ourselves accountable to these values to build trust and maintain ethical standards. It is only through honest and responsible behavior that we can ensure a sustainable future for our organizations and the communities we serve. We strive to uphold these principles every day and create a culture of integrity and excellence.

As an organization, we truly value ongoing education and are committed to providing our employees with the resources they need to succeed. That's why we're proud to offer 22 different learning academies, including our Legal/Compliance Academy. This academy is designed to help our team members better understand the various compliance guidelines that apply to their work, including topics such as charitable contributions, gifts, and entertainment as well as the important provisions of the U.S. Foreign Corrupt Practices Act (FPCA). By investing in our employees' knowledge and skills, we believe we can continue to deliver the highest levels of quality and value to our customers and stakeholders.

As part of our commitment to maintaining a safe and respectful workplace, we provide new employees with a variety of training opportunities. This includes courses on our Code of Conduct, cybersecurity, safety protocols, and anti-harassment and non-discrimination policies. Additionally, we have added 700 new instructor-led and web-based courses to our learning system. This is part of Yanfeng's dedication to continuous learning and ensuring that everyone has the tools and resources they need to succeed. These courses are designed to ensure that everyone has a common understanding of our expectations and how we can all contribute to a positive and productive work environment.

We are dedicated to fostering a culture of integrity and responsibility. Our aim is to establish risk identification, risk mitigation, and risk prevention mechanisms while promoting sustainable growth through our Compliance Program. As part of our commitment to excellence, we have instituted an integrity helpline called Ethics Point, which supplements our Code of Conduct. The helpline is there for employees to ask questions or report any possible violations and is publicly available.



“In my opinion, doing business with integrity is never a hindrance, but a business driver. Ethical behavior will be recognized and rewarded by others in one way or another.”

Pia Stoffels (second from right), Regional Data Privacy and Compliance Counsel EMEA

# 08 Supply Chain



# Partner Code of Conduct

Our suppliers are key partners and a strategically important resource for Yanfeng. We rely on the competitive high-quality products and services provided by them. They share our belief that mutual trust and high standards are essential to effective partnerships.

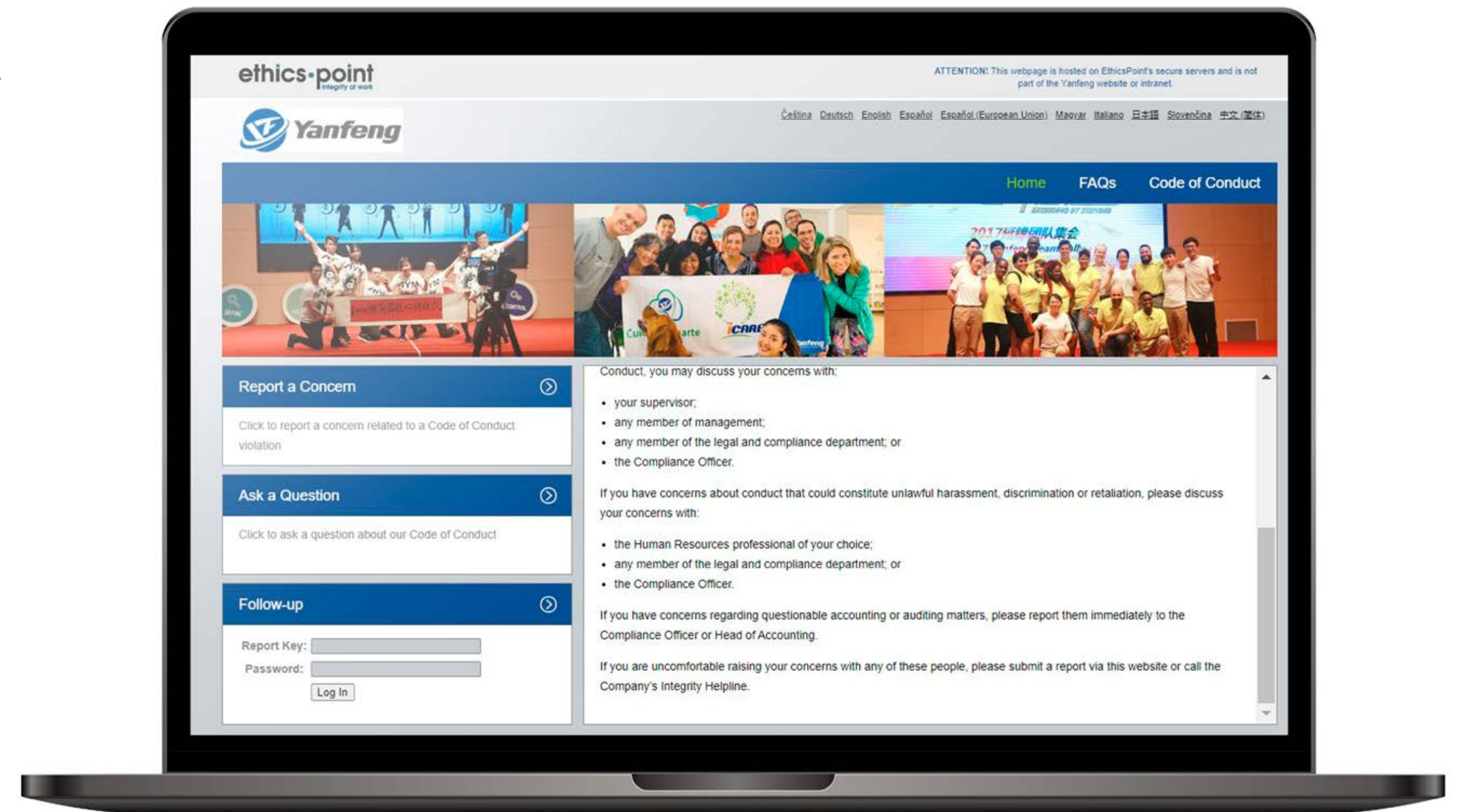
All our suppliers must act according to the ethical and legal principles defined in our Partner Code of Conduct, which can be found on our official website. This document outlines the minimum requirements that must be met as well as the clear expectations that we have of our business partners. It applies to all suppliers – regardless of the materials or services they provide. We expect our partners to conduct their operations in an environmentally and socially responsible manner and require them to commit to our global supplier standards.

We also encourage them to adopt business values and practices aligned with the UN Global Compact's Ten Principles for environmental and social responsibility as well as sustainable development. These requirements also apply to their own supply chain.

We at Yanfeng respect, protect, and care about the environment and the communities where we operate. Our products, services, and manufacturing operations reflect this commitment, which is beneficial to the environment, society, and for our company. As our partner, suppliers must comply with all applicable government regulations of manufacturing and selling countries relating to the health and safety of employees, environmental protection, toxic and hazardous substances, and free trade. Also, they should achieve ISO 14001, ISO 45001 management system certification or compliance with local country regulations.

Partners who do not accept and comply with our requirements could be restricted from receiving any new business. We have also implemented a process to report potential conflicts of interest or law violations.

Our partners have a duty to report all suspected or actual violations of the Code, or of any applicable laws and regulations, and they must make all such disclosures to us. Reports can be made anonymously, online via our integrity helpline (for all countries outside of China), or the corresponding integrity helpline in China.



Any suspected violations to our Code of Conduct can be reported anonymously via our Ethics Point website, which is available in multiple languages.



Yanfeng was honored to be named Corporation of the Year by the Michigan Minority Supplier Development Council.

# Supplier Diversity

Yanfeng has been committed to working with diverse suppliers since the company established its presence in North America. In 2022, the company spent \$184.2 million with third-party certified minority-owned suppliers in North America and exceeded the annual goal by \$33.2 million.

## Engagement and Leadership in Multiple Minority Supplier Development Councils and Organizations Including:

- National Minority Supplier Development Council (NMSDC)
- Michigan Minority Supplier Development Council (MMSDC)\*
- Women’s Business Enterprise National Council (WBENC)
- Great Lakes Women’s Business Council (GLWBC)\*
- WEConnect International
- Michigan Hispanic Chamber of Commerce\*
- National Veteran Business Development Council (NVBDC)

\* Denotes that a Yanfeng representative holds a board seat in the council or organization.

## Our Supplier Diversity Best Practices Include:

- Established a corporate policy that is signed by our company CEO.
- Established a corporate diverse supplier development plan.
- Regularly identify opportunities for diverse suppliers in strategic sourcing.
- Established a comprehensive diverse supplier development process.
- Established tracking, reporting, and goal-setting mechanisms for supplier diversity.
- Established a second tier program.

# 13%

of our total procurement spend is with certified minority-owned suppliers.

# Supplier Diversity Is a Differentiator and Part of a Responsible Sourcing Strategy

As supplier diversity is an important part of our sustainable procurement strategy in North America, we established a dedicated function to coordinate all related activities. Jacinto Blanco, Senior Manager of Supplier Diversity, is representing this key function within the region. We spoke to Jacinto to find out what is behind this approach, what is different to other supplier programs, and what key achievements in 2022 make him proud.

**Jacinto Blanco**  
Senior Manager of Supplier Diversity



# Jacinto Blanco

Senior Manager of Supplier Diversity

## Jacinto, can you provide an overview of Yanfeng's supplier diversity program? Why is it important?

Our supplier diversity program is part of our business model in North America, which includes a policy that diverse-owned businesses have equal opportunity to compete for contracts or subcontracts with Yanfeng.

We believe our program provides a competitive advantage for Yanfeng that contributes to the overall growth and expansion of our business. Our program is more than just purchasing goods and services from a minority business enterprise. We also assist in developing and strengthening diverse-owned businesses, through such initiatives as knowledge sharing. Some examples of this include providing cybersecurity training and mentoring support to diverse-owned companies.

In addition to Yanfeng's established processes and the company's participation in councils, industry events, networking, and development programs, the dedication of our leadership to mentor, partner, and advocate for supplier diversity has led to significant business opportunities for minority-/women-owned enterprises and supplier diversity professionals' growth and program maturation.

## Please highlight some key accomplishments of the program. What are you most proud of?

In 2022, we had several key accomplishments, including our spend with minority-owned business. Please keep enterprises. This is the formal reference. Our spend accounted for 13% of total procurement dollars. We also received multiple accolades for our performance, including Corporation of the Year from the MMSDC 2022, and Supplier Diversity Excellence Award from the GLWBC. What I'm most proud of, however, is Yanfeng's commitment – with leadership support – to including and growing our supplier pool with diverse-owned companies, which ultimately has an economic impact on disadvantaged communities.

## What differentiates Yanfeng's program from other suppliers?

There are multiple differentiators. Procurement has included supplier diversity in our KPIs, and all commodity managers and buyers have it in their goals that they must participate in at least one supplier diversity outreach/networking event per year. Supplier diversity also is included in our overall supplier scorecard.

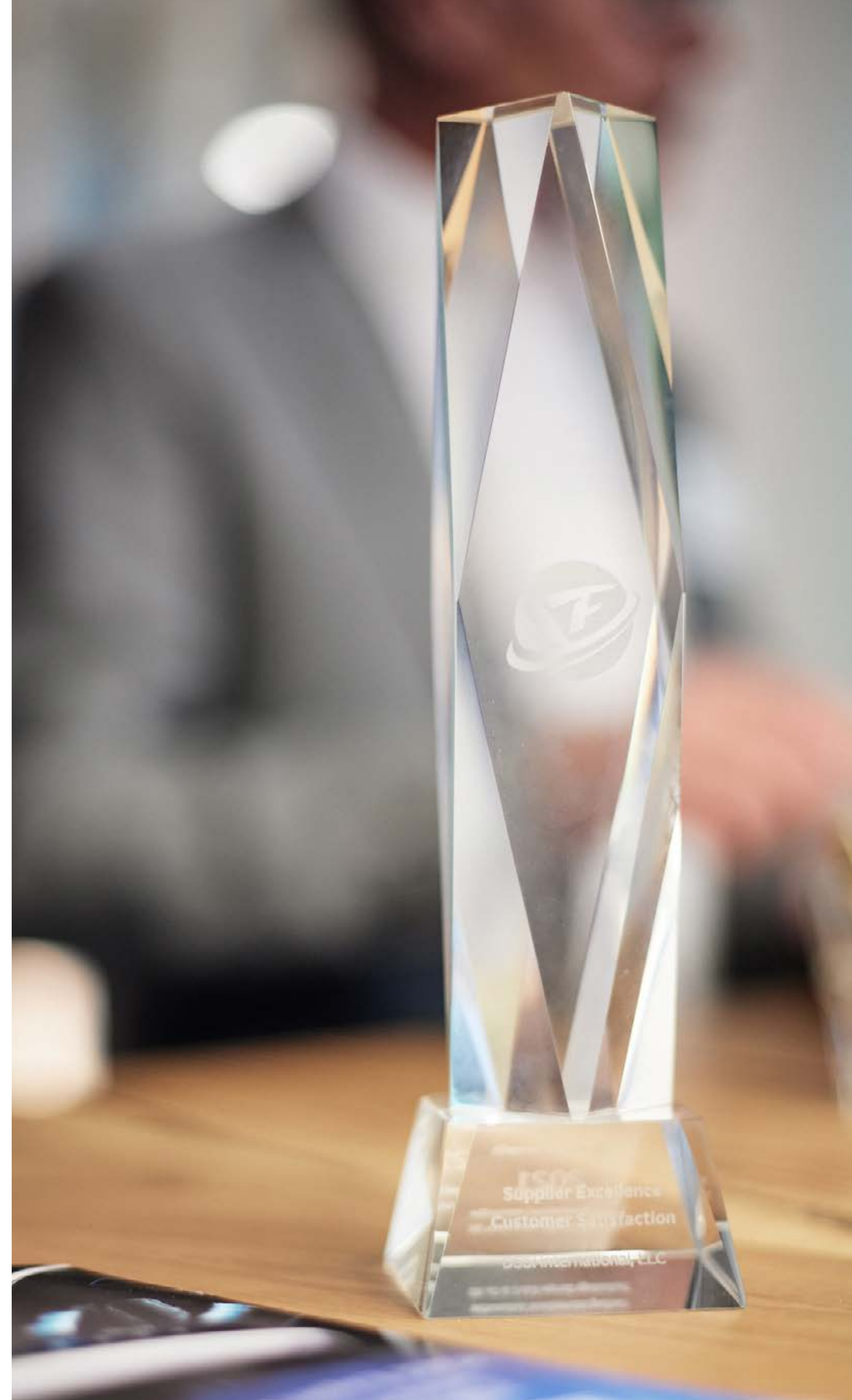
We also established a tier-two program, which is a reporting process for our tier 1 suppliers, that encourages 5% of their spend be sourced to diverse suppliers. We also are looking at ways to expand our supplier diversity program to outside of the US and Mexico. We are currently seeking to expand globally and are in the process of implementing the program in Germany.

We honor the performance of our top suppliers and their teams with our supplier awards.

# Supplier Awards and Expectations Day

Our supply chain plays an important role in our success in delivering and exceeding our customers' expectations. That's the reason why we recognize our top suppliers and their teams for their hard work and dedication annually. We evaluate our suppliers according to several criteria and honor their performance with our supplier awards in different categories. Our company's vision of technology and innovation, as well as sustainability, is particularly important. Moreover, quality, cost, service, and customer satisfaction are also assessed. Depending on their total rating they are recognized as Supplier of the Year, Distinguished Supplier, or honored with an award for Supplier Excellence.

A total of 13 European and 16 North American top suppliers received awards for their excellent performance in 2022. For Asia Pacific, 64 suppliers in seven different categories, including quality, service, innovation, and cooperation were awarded.



# 93

of our top suppliers around the world received a supplier award in 2022.

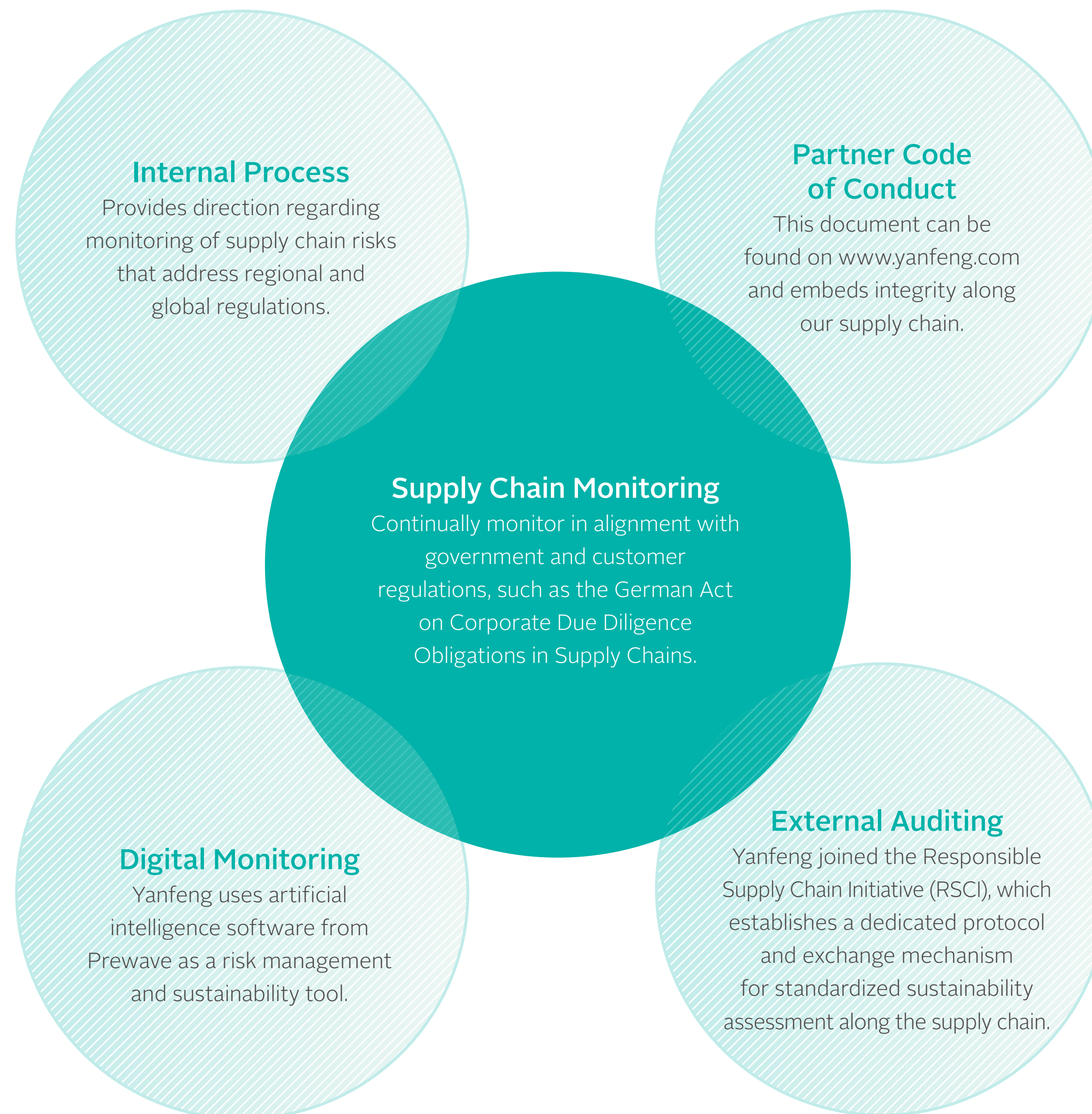
The supplier awards event focused on the hard work and consistent efforts of companies across our supply base. The ceremony is part of our Supplier Expectations Day, on which we inform our supply chain partners about updates in our current and future business as well as customer requirements.

We provide regular updates about our sustainability initiatives and what we are doing to make our products and processes more sustainable as we intend to include the entire supply chain on this climate journey. We also encourage them to participate in our efforts to drive actions together to reach our greenhouse gas emission reduction targets.



# Supply Chain Monitoring

The new German Act on Corporate Due Diligence Obligations in Supply Chains to prevent human rights violations in supply chains, more commonly known as the German Supply Chain Act, imposes extensive new requirements on companies regarding human rights along the supply chain. The due diligence obligations as part of the regulation apply to an enterprise's own business area, to the actions of a contractual partner, and to the actions of other (indirect) suppliers. This means that a company's responsibility no longer ends at its own plant gate but applies along the entire supply chain. Yanfeng's effective date for implementation of the German Supply Chain Act is January 1, 2024.



# 750,000

direct and indirect companies are monitored by Prewave through artificial intelligence.



We leverage AI to monitor for supply chain risks.

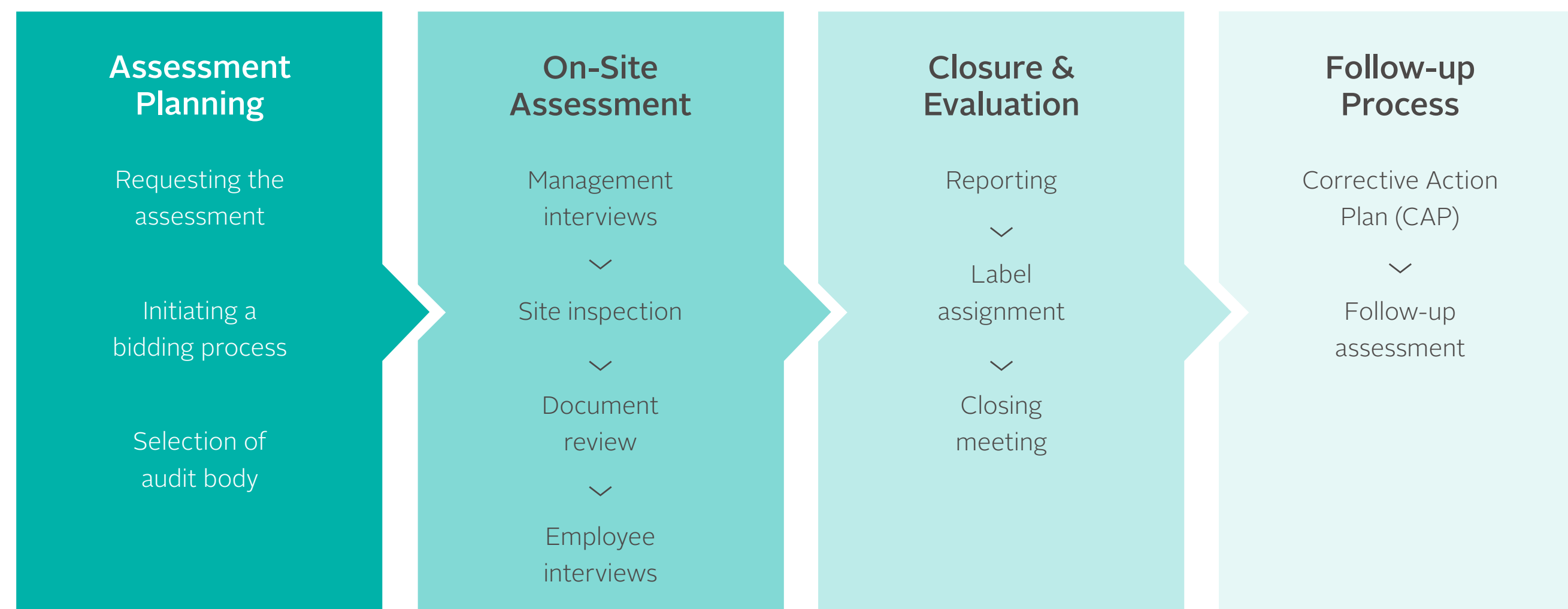


In 2022 we started to prepare for compliance with the German Act on Corporate Due Diligence Obligations in Supply Chains. To identify potential risks in our supply chain, we continually monitor our supply base in alignment with government and customer regulations. In 2021, we integrated a tool that uses artificial intelligence from the Vienna, Austria, start-up, Prewave. Their supply chain risk management and compliance platform helps manage supply chain risks, covering every phase of the risk life cycle in accordance with legal requirements. Their software monitors all publicly available information online and in social media, in more than 150 countries and over 100 languages.

It monitors more than 750,000 direct and indirect suppliers and provides an alert if a risk in the supply chain is detected. This enables us to proactively identify sustainability risks along our entire supply chain such as pollution, corruption, or human rights violations in real time. By identifying, analyzing, mitigating, and reporting issues, we strive for a more transparent, resilient, and sustainable supply chain.

We also continually assess potential industry and country-specific risks. Our suppliers also complete self-assessments if required.

# Responsible Supply Chain Initiative



The RSCI assessments are an integral part of implementing corporate due diligence in our automotive supply chain (source: RCI).

We are fulfilling our due diligence obligations in the supply chain and further develop our suppliers by pursuing a risk-oriented approach. Besides a human rights risk analysis, our company also conducts sustainability risk assessments via standardized questionnaires as well as other internal processes. Social audits, which we conduct in justified cases in accordance with the Responsible Supply Chain Initiative (RSCI) standard, are part of these processes. This initiative assures shared values related to social responsibility and compliance within the supply chain. It also enables suppliers to share their label with other business partners and thus avoid redundant auditing.

Since spring 2022, Yanfeng has been an active member of the Responsible Supply Chain Initiative (RSCI), which that enables us to identify, control, and eliminate risks along our supply chain.

The initiative was founded in October 2021 under the German Association of the Automotive Industry (VDA) governance as a coalition of companies and organizations to join forces for a common assessment standard.

The assessment standard was developed and validated by stakeholders in the automotive industry and the VDA. The initiative focuses on identifying gaps and enhancing sustainability in the supply chain through on-site audits and corresponding corrective action plans (CAP). As the program was developed specifically for this purpose, it ensures the most efficient deployment of efforts and costs. The intention is to create transparency about working conditions by conducting audits on-site. The RSCI assessments are an integral part of implementing corporate due diligence in the automotive

supply chain. The program fosters supplier development as well as further promoting sustainability in the industry.

Thanks to our involvement in the RSCI, we have a standardized testing and exchange mechanism for assessing the sustainability performance of companies in our supply chain and mutually recognizing the results. In addition, this program also supports us in implementing the requirements of customers, legislators, and stakeholders and thus also contributes to the implementation of companies' human rights due diligence.

**3** auditors were certified internally in 2022.

# Logistics Optimization Example

For our interiors business in Europe, all direct components we purchase for production are now delivered in mega-trailers or ocean shipping containers. Up to now, collections or deliveries were usually planned on set days and did not take into consideration full utilization of the transport equipment.

During a pilot project in 2021/2022, material requirements planning at our Neustadt plant in Germany was optimized to achieve better utilization of transport equipment and reduce the total number of shipments. Manual planning of routes that usually are planned as a full truck/full container was replaced by a cloud-based software solution. The complexity of logistics planning was defined to allow simulations and optimization of transport equipment by using mathematical algorithms. All load details, items and packaging specifications, route information, and delivery call-offs are interfaced into MasterScheduler from the Graz, Austria, start-up s² data & algorithms. After calculation and optimization of logistics planning by pulling the requirements for following days forward, the updated supplier release is interfaced back with our enterprise resource planning (ERP) system to show demands for a full trailer or ocean shipping container. The impact achieved is better utilization of the selected transport equipment from in average of 70.9% to now 92.2%. The optimization also works for milkruns (a type of delivery method) where more than one supplier is loaded into the same transport for one customer.

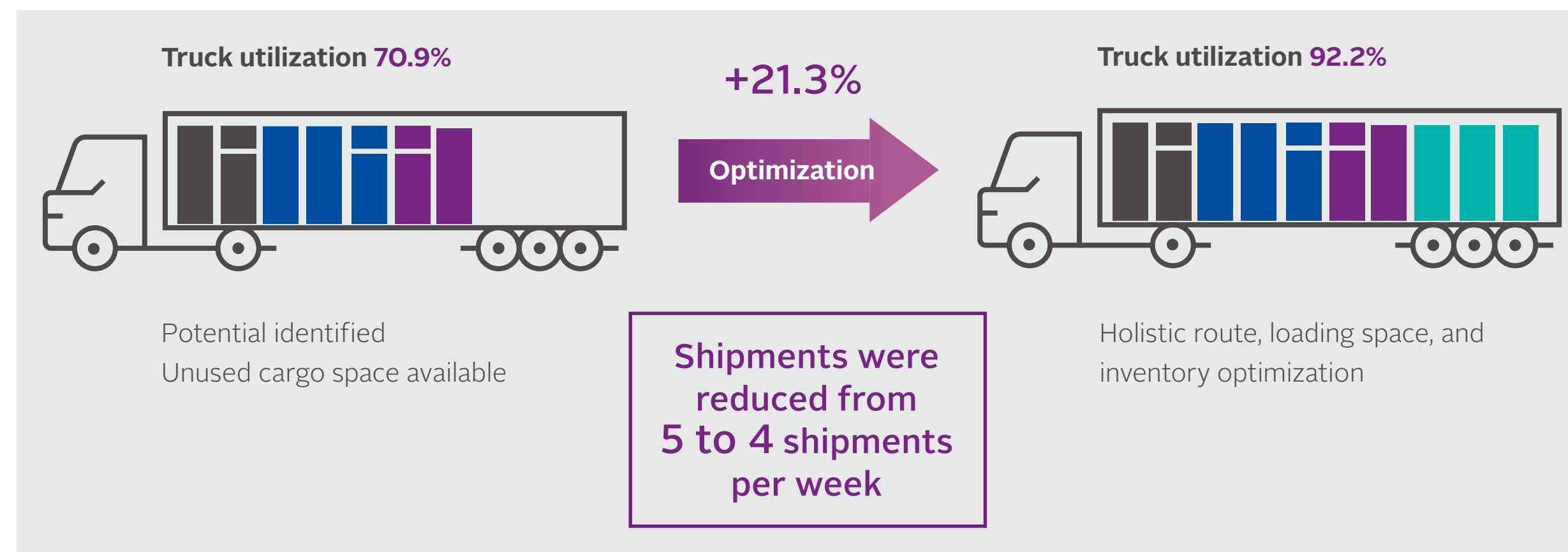
As additional output, MasterScheduler provides a detailed visual loading plan to show the suppliers how they must load their parts into the transport equipment to maximize utilization.

In a balancing act between transport and storage/capital tie-up costs, weekly algorithmic planning means that on average, only four instead of five transports are required per week.

Ultimately, with more efficient utilization of transport capacities we not only reduced our costs, but also CO<sub>2</sub> emissions. With the new logistics system, we are consistently continuing our path toward greater emissions savings at the Neustadt location. As a result of the favorable results of the pilot project, we are now rolling out this solution for logistics optimization in Europe and North America.

Together with our partner – s² data & algorithms – we received the AKJ Automotive “elogistics award 2022” for the successful implementation of the new logistics concept.

## Supply Chain Logistics Optimization at Yanfeng in Neustadt



# 21.3%

increase in transport utilization of the available load capacity after optimization.

# Appendix

## Sustainable Development Goals

Yanfeng's sustainability strategy supports the advancement of the United Nations Sustainable Development Goals (SDGs), through a focus on the environment, our business, and people. Examples of how Yanfeng is advancing the SDGs are included in this report.

### Key highlights where Yanfeng is supporting the SDGs are:

3) Good Health and Well Being: Through our EHS and Human Rights and Working Conditions policies we are committed to a safe working environment.

5) Gender Equality: Women's rights are part of our Human Rights and Working Conditions Policy. We also have a DEIB statement and have Employee Resource Groups focused on diversity.

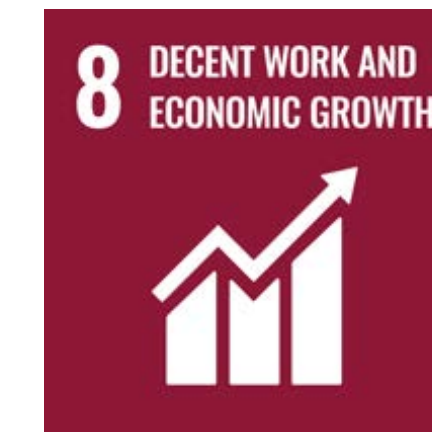
8) Decent Work and Economic Growth: Wages and benefits are addressed in our Human Rights and Working Conditions Policy.

10) Reduced Inequalities: This is addressed in our Human Rights and Working Conditions Policy and in our Code of Conduct.

13) Climate Action: For 2022, Yanfeng received an A minus rating from CDP. We leverage and are increasing our use of renewable and solar energy at Yanfeng locations in all three regions.

16) Peace, Justice and Strong Institutions: Yanfeng has a global Code of Conduct and a Human Rights and Working Conditions Policy in place. A Partner Code of Conduct was also introduced for suppliers. The company also has a global ethics hotline in place.

17) Partnerships for the Goals: Yanfeng is a member of the UNGC, Responsible Supply Chain Initiative, SDGI, and actively collaborates with customers and suppliers. YF also signed the General Motors Sustainability Pledge.



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