



北京汽车股份有限公司
BAIC MOTOR CORPORATION LIMITED*
(于中华人民共和国注册成立的股份有限公司)

2016 Environmental, Social and Governance Report

行有道·達天下
Your Wish · Our Ways

Stock code: 1958

*For identification purpose only

Scope and Definitions of Report

When presenting the issues relating to the environmental, social and governance (ESG) performance of BAIC Motor Corporation Ltd. (the Company), this Report will observe relevant policies, concepts and objectives of the Company at the group level as the guide, and describe concrete implementation and performance records of the Company and its subsidiaries.

In this Report, the following terms shall have the following meanings:

“The Company”, “Company” and “BAIC Motor” refer to BAIC Motor Corporation Ltd.;

“The Group” or “We” refers to the Company and its subsidiaries.

Other terms and definitions: please refer to the 2016 Annual Report of the Company, unless otherwise specified.

Publishing Cycle

This Report is the first set of environmental, social and governance (ESG) report published by the Company which covers the period from January 1, 2016 to December 31, 2016. Some contents may go beyond the aforesaid period.

Principle for Compilation

This Report is compiled in accordance with the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Exchanges and Clearing Limited (HKEX or the stock Exchange of Hong Kong), the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) and other standards.

Notes on Data

Some financial data in this Report come from the 2016 Annual Report, and given any conflict with the data in the 2016 Annual Report, the latter shall prevail. Other data mainly come from internal statistical data of the Group. All the monetary amounts in this Report are denominated in Renminbi (RMB), unless otherwise specified.

Form of Publication

The Report is published in both Chinese and English. In the case of any discrepancy between the two versions, the Chinese version shall prevail.

The electronic version of this Report is available on the website of the Hong Kong Exchange and Clearing Limited and the website of the Company.

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BAIC Motor



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行有道·達天下
Your Wish · Our Ways

1 Go a prudential way
Achieve a world of value

2 Go a way of a craftsman's heart
Achieve a world of quality

3 Go a humanistic way
Achieve a world of business prosperity

4 Go a coordinated way
Achieve a world of win-win result

5 Go a low-carbon way
Build a world of quality assurance

6 Go a philanthropic way
Build a world of harmony



14 Collaborated with national strategies
16 Adhered to integrity and compliance
18 Enhanced creation of values



24 Adhered to independent innovation
28 Provided high-quality products
32 Improved customer experience



36 Built a diversified team
38 Boosted employees' growth
40 Created a safe, healthy environment
42 Established a hard work-oriented Enterprise culture



48 Joined hands with suppliers to win and let win
52 Reinforced dealer cooperation



56 Green design
60 Clean production
64 Green products



68 Conducted philanthropic activities
72 Practiced volunteer activities



The Secretary of Party Committee and Chairman Xu Heyi

2016, realized an operating revenue

116.2 billion

2016, a net profit

6,367 million

In the time of change, the situation is changing as quickly as a flying arrow, and at the critical moment of turn, the road of competition is full of rivals racing to sail ahead. In 2016, China realized a total passenger vehicle sales volume of 24,377,000 vehicles, representing a year-on-year growth rate of 14.9%, according to data of the China Association of Automobile Manufacturers. The swift market development, together with the rise of the Internet and the Internet of things, injected numerous opportunities into the automotive industry but also plunged the industry into challenges. During the new era, the Group closely revolved around the keynote of the "structural reform on the supply side", reinforced the proprietary brand building and propelled joint venture brands to grow bigger and faster and facilitated the development of new energy. With the efforts to reshape structure, promote reform and seek development, we realized an operating revenue of RMB116.2 billion, representing a rise of 38.1% year on year, a net profit of RMB6,367 million, representing an increase of 91.9% year on year, attributable to our equity holders, and the earnings of RMB0.84 per share, representing good operating results. While maintaining the effort to strengthen the capacity for value creation, we were active to shoulder the corporate social responsibility as well as promote sustainable corporate and social development.

Go a way of a craftsman's heart. Automobiles are now gradually evolving from the means of transport to large mobile smart terminals, storage units and digital spaces. Anticipating the emerging trend to go electric, smart, networked and lightweight, the Group, following the call of the "craftsman's spirit", moved ahead to refine the open innovative platform featuring the research institute as the core and extensive implementation of industry-academy-research cooperation. Moreover, we forged a high-level technical research ecosystem, and never stopped the pace to reinforce the development and manufacturing capacity for entire vehicles, key systems and core parts of our proprietary brands. In 2016, we teamed up with Baidu in a broad range of areas in the smart vehicle segment, researched lightweight and smart technologies, conferred more connotations on the enterprise and products with innovation, and created more values for our customers.

Go a humanistic way. "Talents are decisive to make a better world". We are deeply convinced that innovation stimulates energy and talents decide the future. At the critical moment of transformative development, we continuously adjusted and optimized the talent structure, attracted high-end, innovative and young talents to join us, and continuously refined the promotion channel for talents. Additionally, we provided a diversity of platforms for learning and enhancement,

extended our care to employees through extensive channels, forged a comfortable working environment and turned the talent dividend into an endogenous drive for corporate development.

Go a coordinated way. The construction of a modern production system in the automotive industry depends on the cooperation between the upper reach and the lower reach of the entire value chain with every effort, and depends on the integration of resources to further optimize core development elements. On the one hand, we joined hands with the upper reach of the value chain to establish a dynamic management and cooperation mode, gradually forge a smart supply chain and pave the way for smart manufacturing and international development. On the other side, we reinforced the management of downstream dealers, gradually opened up a consumer space combining standardization and personalization, refined the sales network to realize sustainable corporate development and benefited every link of the value chain.

Go a low-carbon way. Chinese Government has announced the green development concept in the "Thirteenth Five-year Plan" and set new requirements for the automotive industry to evolve in a greener and low-carbon direction. BAIC Motor has actively adapted to the national strategy, taken a comprehensive part in the

establishment of the "National VI" standard and carried forward further reduction of the environmental impact during entire vehicle production. At the same time, the Group persisted in the direction to "go electric" and develop new energy vehicles. In 2016, we released the pure electric Class-A sedan EU260 and the first electric SUV EX200 in China, thereby leading the trend of green and low-carbon mobility.

Go a philanthropic way. While pursuing its own development, the Group persisted in the organic integration between social responsibility and development strategy. Moreover, we always maintained our continuous contribution to education, environmental protection and care for vulnerable groups in the society, and actively fulfilled our corporate social responsibility.

Looking ahead to the "Thirteenth Five-year Plan", the Group will firmly establish the development concepts of "Innovation, Coordination, Green, Openness and Sharing". We will unify the development, environment and society and stick to the path of sustainable development.

July 25, 2017



Vice Secretary of the Party Committee and President Chen Hongliang

2016, realized an operating revenue

1,929 million

2016, a net profit

710 million

In 2016, the Group went on the way to refine industrial transformation and upgrade as usual, developed the proprietary brands and adhered to prudential operation. During the year, BAIC Motor made encouraging achievements. In detail, the proprietary brands maintained the momentum of accelerating growth and first earned a positive gross profit. The joint ventures represented by Beijing Benz sustained the outstanding performance as usual and recorded a breakthrough in sales and profit. The Beijing brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold 1,929,000 entire vehicles altogether, representing an increase of 16.4% year on year, and maintained a compound annual growth rate of up to 16.7% over the past five years. With the growth rate outperforming the overall passenger vehicle industry in China, the brands finally achieved an explosive sales growth.

Adhered to independent innovation and performed the product responsibility. The Group was dedicated to forging an open innovation platform, establishing hierarchical talent reserves, and respected the protection of innovation results. We strengthened cooperation with universities and continuously refined the industry-academy-research system. By the end of 2016, in the Chinese automotive market with competition getting increasingly fiercer, we had utilized

nearly 80% of the deliverables of innovation projects. As a fruit of the years long efforts, the proprietary brands of BAIC Motor made big breakthroughs from quality to exterior and from reliability to cost control. The brands took only five years to complete the manufacture of a total of 1 million vehicles. As to product quality, BAIC Motor internalized the "craftsmanship" into the corporate culture, reinforced the closed-loop quality management and became more competitive in the market with product innovation and quality.

Cared for employees with heart and built diversified teams. The Group paid attention to employees' health and safety, placed an emphasis on their development, and created more possibilities for employees to grow up while assuring their basic rights and interests. In 2016, the total class hours of employee training added up to 1,770,364 hours, and the per capita training hours reached 70.4 hours.

Joined in hands with supplier and dealer partners and forged a sound supply and dealership chain. The Group allied with suppliers and dealers and sought to benefit all stakeholders. We effectively assessed the environmental and social risks of suppliers and took differential control actions. In 2016, the Company trained 161 suppliers with a training satisfaction of up to 93%.

Adhered to green operation and advocated green mobility. The Group adhered to low-carbon production and fulfilled the pollutant management, energy saving and emission reduction measures. At the same time, we actively disseminated the green and environmental protection concepts to employees and the public, and spent considerable amount of capital to new energy vehicles. In 2016, The Group made a total investment of up to RMB710 million in energy saving and environmental protection, participated in the work to establish the "National VI" emission standard and won the "Outstanding Contribution Award for Preparation of China's Stage VI Emission Standard".

Contributed to social philanthropy and adhered to poverty alleviation and aid for those in need. With a thanksgiving mindset, the Group successively organized the philanthropic educational support for Yushu Prefecture, Qinghai Province, initiated the "Beautiful BAIC Moves together with Love", and initiated the philanthropic campaign against desertification

in Inner Mongolia. We maintained continuous input for educational aid, care for vulnerable groups, environmental protection and other areas. The Group has established a team of young volunteers, serving such large-scale activities as International Organization for Standardization (ISO) Meeting, Beijing International Marathon and International Youth Camp to make active contributions to the community and fulfill social responsibility.

Looking ahead to 2017, the Group will still adhere to the implementation of sustainable development concept, interact with diverse stakeholders to deliver more innovative and greener products and services of higher quality, and fulfill the corporate responsibility for simultaneous development with the society and environment.

July 25, 2017

Company Profile

Established in September 2010, BAIC Motor Corporation Limited is a vehicle integrating passenger vehicle resources and promoting business development under the flag of BAIC Group Co., Ltd. and an enterprise with major support from the People's Government of Beijing Municipality. On December 19, 2014, the Group made an initial public offering of H shares and was listed on the main board of the Stock Exchange. The principal operations of the Group, as a passenger vehicle manufacturer that adapts to the market demand and embodies the robust growth potential, cover the research, development, manufacturing, sales and after-sales service pertaining to passenger vehicles, and contain the production of core parts for passenger vehicles, automotive finance and other related business areas. We own the proprietary brand business with the advanced technical platforms and rapid sales growth, we own the Mercedes-Benz luxury car business, and we own the medium and high-end brand business of Beijing Hyundai with prudential sales growth. Our passenger vehicle brand mix is highly diversified and complimentary, and covers different segments, including joint venture luxury vehicle, joint venture medium and high-end vehicle, medium and high-end vehicle under independent brand and economy passenger vehicle under the proprietary brand. We deliver a broad spectrum of passenger vehicle models that cover large and medium-sized, medium-sized, compact and small-sized sedans, SUV, MPV and crossover passenger vehicle products and can satisfy diverse consumer demands.

BAIC Motor follows the view of scientific development as the guide and enhances the core competitive strengths of the Corporation Limited as the objective. We adhere to independent innovation and development of scale and go in the strategic direction to build a "BAIC of Might, BAIC of Scale, BAIC of World and BAIC of Harmonious". We combine international cooperation and endogenous development, adjust and optimize the product structure and business structure and sharpen our comprehensive competitive edges along the entire value chain to build a large automotive enterprise that takes the lead in China and is competitive in the international market, and become a benchmark of medium and high-end passenger vehicles under the proprietary brand. As at the end of 2016, the Group had 25,159 employees in total and recorded an operating revenue of RMB116.2 billion, representing an increase of 38.15% year on year.

By the end of 2016, total staff of the group

25,159 people



Wevan

The "Wevan" series focuses on CUV, MPV and SUV models, and targets small and micro businesses and individuals. "Leading to blissful future" is the brand essence of Wevan.

New Energy Vehicle

Along with manufacturing of traditional oil-powered passenger vehicles, Beijing Brand business has also actively promoted production of new energy vehicles that are adapted from traditional oil-powered car models, and it completed the upgrade for new energy production technologies in all manufacturing bases in 2015. Beijing Brand business has advocated the research, development and production of pure electric new energy passenger vehicles, and has become a leader in pure electric new energy vehicle business.

Beijing Benz

Since 2006, Beijing Benz has produced and sold passenger vehicles under the Mercedes-Benz brand. Now, Beijing Benz currently manufactures and sells four types of Mercedes-Benz vehicles, namely the E-Class sedan, the C-Class sedan, GLC-Class SUV and GLA-Class SUV.

Beijing Hyundai

Beijing Hyundai commenced the manufacturing and sales of passenger vehicles of Hyundai brand in 2002. Beijing Hyundai currently manufactures and sells more than ten types of vehicles, covering a full range of major sedan models including middle class, compact and A0 class models, as well as SUV models.

Fujian Benz

Fujian Benz commenced the manufacturing and sales of multi-purpose passenger vehicles and vans of Mercedes-Benz brand in 2010. Fujian Benz currently manufactures and sells three major types of Mercedes-Benz vehicles, including the V-class model, New Vito and Sprinter.

Business Overview

Passenger vehicles



Senova

"Senova", a mid and high-end passenger vehicle brand of the Group, targets consumers who pay attention to vehicle performance and cost benefit, and upholds the brand concept of "Dedication to Performance".

BJ

"BJ" series is a pioneer brand of BAIC which is inherited from the half century long military vehicle with a strong DNA of hard style off-road vehicle. "Pure Cross-Country, Absolutely Boundless" is the brand philosophy of BJ.

Core parts and components for passenger vehicles

Besides manufacturing of whole vehicles, we also produce engines, powertrain, and other core parts and components for passenger vehicles such as engines, transmissions, camshafts and links through the production bases of Beijing Brand, Beijing Benz and Beijing Hyundai.

Car Financing

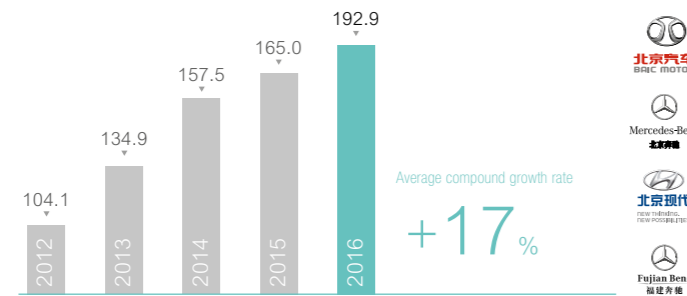
We conduct car financing and automobile aftermarket-related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates including BAIC Group Finance Co., Ltd. ("BAIC Finance"), Beijing Hyundai Auto Finance Company Limited ("BHAF") and Mercedes-Benz Leasing Co. Ltd ("MBLC").

Development History

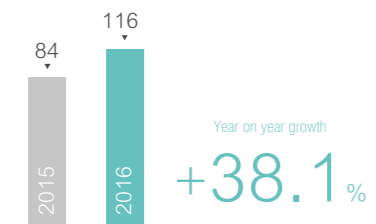


Operating Performance

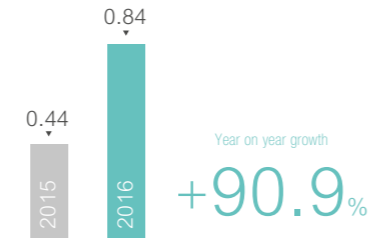
■ Sales volume from 2012 to 2016 (Unit: 10,000 units)



■ Operating revenue (Unit: RMBmillion)



■ Earnings per share (Unit: RMB)



Honors

At the award ceremony for the 2016 China Securities "Golden Bauhinia" Award

- BAIC Motor Corporation Ltd.
Won the "Listed Company with Best Investment Value" award
- Xu Heyi, Chairman of BAIC Motor Corporation Ltd.
Won the "Most Influential Listed Company Leader" award



| | |
|--|---|
| Xuanyuan Award (All-new Experience Award) | Xuanyuan Award Appraisal Committee |
| Senova X55 and X25 won the 2015 China Design Red Star Award | China Red Star Design Award Committee |
| The Construction and Implementation of "Industrial Collaboration" Large Automotive Innovation Platform won the second prize at the Fifth Beijing thirty-first Enterprise Management Innovation Achievement Award | Beijing Municipal Evaluation Committee of Innovation Achievements of Enterprise Management Modernization Evaluation Committee |
| Outstanding Contribution Award for Preparation of China's Stage VI Emission Standard | Vehicle Emission Control Center for Environmental Protection |
| Listed Companies Annual Award | The Hong Kong Institute of Financial Analysts and Professional Commentators Limited |
| Beijing Municipal Work Safety Innovation Award for State-owned Enterprises Beijing Safety Culture Construction Pilot Enterprise | Beijing Administration of Work Safety |
| National Leading Machinery Industry Enterprise with Quality and Benefit National Machinery Industry Quality Award | China Machine Building Quality Management Association |
| No. 1 in Satisfaction of 2016 Market-watched New Car (Class-A0 SUV) | China Association for Quality and the National Users Committee |
| 2016 China Top 100 Proprietary Brands | The People's Daily Office, the People's Forum Magazine Office, the National Governance Weekly and the People's Forum Net |
| 2016 TTA Proprietary Brand Model Appraisal - Annual Influence Award | Tencent Auto |
| 2016 The Fourteenth Annual Conference of Chinese Enterprises' Competitiveness - Best Annual Performance Award of Outstanding Performance Award | China Business Journal |
| Annual Influential Automotive Enterprise Award | Sponsored by Automotive Alliance of China New Mainstream Media and undertaken by Sohu Auto |
| China Brand Annual Special Award - Innovation Award | Global Sources |
| 2016 Beijing Scientific & Technological Advance First Award (project winning the award: Innovation of Key Technologies for Passenger Vehicles and Application in Development of Senova D70 Series) | Beijing Municipal People's Government |
| Second Prize at the 2016 China Automotive Industry Scientific & Technological Award | Society of Automotive Engineers of China |



1

Go a prudential way, Achieve a world of value

- Collaborated with national strategies
- Adhered to integrity and compliance
- Enhanced creation of values

Collaborated with national strategies

BAIC Motor actively echoed the “Beijing-Tianjin-Hebei Synergetic Development”, the “One Belt One Road” and other national strategies, observed the operating guideline of “Overall Planning, Action after Planning, Progress Step by Step and Breakthrough in Major Areas”, and highly unified its development with the national strategies, policies and social and economic development needs”. BAIC Motor declared to reshape the traditional automotive manufacturing industry as well as its value chain and overall business chain, propelled the evolution towards scale, high end, internationalization, service orientation and low carbon with reform and innovation, and facilitated the flow of resources as well as technical, economic, social and cultural exchanges during the implementation of the national strategies.



Case

Beijing Hyundai built a plant in Cangzhou, Hebei Province to facilitate Beijing-Tianjin-Hebei integration



In October 2016, collaborated by Beijing and Hebei and the synergy between the enterprise and the local government, Beijing Hyundai Plant 4 – the Entire Vehicle & Engine Production Base – settled down in Cangzhou City, Hebei Province and started production. The base involves a total investment of RMB7.45 billion, covers a land area of 2,868 acres and can turn out 300,000 entire vehicles and 200,000 engines annually.

The base aligns the Company’s development strategy with the Beijing-Tianjin-Hebei strategy, and seeks synergetic development. It has gone outside of Beijing to drive local employment and economic development. The plant has directly created over 6,000 jobs, and driven an output value of more than RMB100 billion in vehicle part logistics, trade in services, car financing and related industries. ■

Case

Collaborated with the “One Belt One Road” and landed in South Africa

South Africa, reputed as the “Country of Rainbow”, lies at the southernmost tip of the African Continent and represents another end of the Marine Silk Road. BAIC Motor has actively responded to the “One Belt One Road” of the country and built a BAIC South Africa Plant in the Coega Industrial Zone, Port Elizabeth, South Africa. The plant is both the largest automotive manufacturing plant a Chinese enterprise has funded with the largest single investment in the South Africa and Africa, and also the automotive manufacturing plant with the highest localization level. After completion, it will promote BAIC Motor’s export of products and become an “energy source” to power BAIC Motor’s move of internationalization. Moreover, it will further

propel the development of the automotive industry in South Africa, create more jobs for the local community, and promote extensive economic and cultural exchanges between China and South Africa.

The South African plant is a pioneering project under the internationalization strategy of BAIC Group. It is BAIC Motor’s first overseas entire vehicle manufacturing plant and an important bridgehead for us to take a foothold in South Africa and cover the African Continent, European and Oceania markets. We will navigate this project to achieve success with all-dimensional resources in fund, technology, product, talent and brand. ■

— Chairman of BAIC Motor Mr. Xu Heyi

Adhered to integrity and compliance

Continuous honest operation constitutes the cornerstone of an enterprise and also represents an important source at which the enterprise can avoid risks. BAIC Motor conducts business activities in conformity with the laws and regulations promulgated by the place of business, including the “Criminal Law of the People’s Republic of China, the Law of Countering Unfair Competition of the People’s Republic of China”, the “Company Law of the People’s Republic of China, the Interim Provisions Forbidding Commercial Briberies” issued by the State Administration for Industry and Commerce, as well as the basic occupational standards. The Group have formulated a number of internal normative documents, including the “Compliance Management Measures, the Compliance Reporting Management Measures” and the corporate code of commercial conducts, prepared the compliance management code and specified the content, system, organization and responsibilities pertaining to compliance management. In particular, the Group has reinforced the prevention against corruption risk and adhered to integrity and compliance in anti-commercial bribery, anti-monopoly, anti-unfair competition and other major areas. During the reporting period, the Group was not aware of any litigation arising out of the violation of laws or regulations against corruption, bribery, fraud and money laundering in the place of business.



Reinforced the construction of clean practice system

- Achieving preliminary results in the work relating to clean practice education, efficiency supervision, construction of an innovative prevention and penalty system, and other aspects.
- Fulfilling strictly the responsibility to supervise the implementation of clean practices, and focused on principal responsibility and principal operation. We strengthened clean practice supervision covering 6 areas and 22 sections, and lifted the level of supervision, discipline enforcement and accountability.
- Precise supervision – Explored and carried forward the construction of an innovative prevention and penalty system

Smooth reporting and communication channels

- Setting up a full spectrum of petition and whistle-blowing channels, including mail box, email box and telephone number to assure smooth channels of communication.
- When investigating cases involved in the petition by letter and whistle-blowing, strictly carrying out the “Interim Procedure of BAIC Motor Regarding Reporting with True Name” and other provisions, and ensured the rights, interests and safety of reporting parties.

Strengthened clean practice education and promotion

- Differential teaching – Customary classroom boosts the anti-corruption education to make an actual effect
- Disseminated corporate culture of clean practice under the theme of “Responsibility, Simplicity and Integration”
- Conducted family-assisted clean practice event
- Hosted a clean practice-related calligraphy, painting and photograph exhibition
- Visited the anti-corruption education and warning base of the People’s Procuratorate of Beijing Municipality
- Hosted special workshop addressing the prevision of duty-related crime
- Organized the special examination against anti-bribery
- Held a clean practice dialog under the theme of “10 Minutes before Dining”
- Held an online competition about anti-corruption knowledge

Enhanced creation of values




In face of opportunities and challenges during the “Thirteenth Five-year Plan” period, the Group has carried out the “Thirteenth Five-year Plan” and the “Made in China 2025” strategy. Observing the strategy of transformation to a manufacturing service and innovation-oriented enterprise, the Group has continuously integrated resources and gradually forged the entire vehicle bases that echo one another, including those in Beijing, as the center as well as in Chongqing, Guangzhou, Zhuzhou and Cangzhou. We have gradually covered national markets over a short distance and extended the business from one region to another to enhance the ability of the creation of values of the enterprise.



Beijing Brand

During 2016, Beijing Brand's passenger vehicles recorded sales of 457 thousand units with a year-on-year increase of 35.6%. The growth rate is much higher than the general industry level and the overall growth rate of the brands in China, which clearly indicates the momentum for accelerated growth. Among them, Senova Series recorded sales of 201 thousand units, increased by 65.1% year-on-year; BJ Series recorded sales of 28 thousand units, increased by 619.7% year-on-year; Wevan Series recorded sales of 180 thousand units, decreased by 5.8% year-on-year; new energy passenger vehicles recorded sales of 48 thousand units, representing a year-on-year increase of 138.7%.

Beijing brand actively carried forward technical upgrade

- 
Electrification
 - New energy vehicle products take the lead in segment
 - Establish a co-platform development process
- 
Intelligent network connection
 - Started the next generation of intelligent cockpit and other four key projects
 - Joint hands with Baidu in the CES release of “NOVA-PLS”
- 
Internationalization
 - Senova brand completed the internationalization transformation for eight products
 - Set up joint ventures of BAIC South Africa in order to extend overseas markets



Mercedes-Benz
北京奔驰

Beijing Benz

In 2016, Beijing Benz continued its explosive growth momentum and sold 317,000 entire vehicles, representing a year-on-year growth rate of 26.7%, which was much higher than that of other joint ventures' premium branded passenger vehicle manufacturers and continued to lead the rapid growth of premium vehicle market in China. At present, Beijing Benz runs the largest research and development center among all of Daimler's joint ventures. The center contains seven advanced laboratories, including climate erosion, entire vehicle emission, engine and vibration noise, together with the pilot workshop and test track, which provide an important technical support for R&D and production of Mercedes-Benz models locally produced in China.



In 2016, Beijing Benz acquired the honor of "2016 annual best plant with excellent operation - the best large-scale manufacturer" initiated by the Kearney Management Consulting and the world-famous Financial Journal of Produktion. This marks that Beijing Benz has reached the world's top level in manufacturing and operation capacity, and opened a door for Chinese manufacturing to march towards glory while establishing an industrial benchmark.



北京现代
NEW THINKING.
NEW POSSIBILITIES.

Beijing Hyundai

In 2016, Beijing Hyundai further optimized its product structure and achieved an annual sales growth rate of 30.1% year on year for SUV products, and further increased the proportion of D+S (Class-D sedans + SUV models) to 50.3%. In 2016, Beijing Hyundai announced the launch of the new energy strategy - NEW plan and launched the first new energy products - the ninth-generation hybrid-powered Sonata, in a move to cater to the industrial development and consumption upgrade and actively tap into the new energy vehicle segment. In 2016, it recorded an entire vehicle sales figure of 1,142,000 units, representing a rise of 7.5% year on year, and ranked the fourth among the joint venture brands in terms of sales. Its annual sales volume exceeded 1 million vehicles for four consecutive years.

New energy strategy—NEW Plan



Fujian Benz
福建奔驰

Fujian Benz

In 2016, the Company acquired 35% equity interest in Fujian Benz, which, together with the signing of an acting-in-concert agreement with FJMOTOR, Fujian Benz formally becomes the joint venture of the Company. After realization, the transaction further broadens the scope of cooperation among the Company, Daimler and other partners and realize comprehensive strategic cooperation in relation to the Mercedes-Benz brand. At the same time, the transaction also helps enrich the product line of the Company, enable market development through the alliance among powerful players based on the integrated synergy in technology, talent and strategy, and benefit the overall interests of the Company and shareholders. In 2016, Fujian Benz recorded an entire vehicle sales volume of 12,600 units, a rise of 87.5% year on year, and obtained a good development momentum. Moreover, it launched the all-new V-Class and the all-new Vito.



2

Go a way of a craftsman's heart, Achieve a world of quality

- Adhered to independent innovation
- Provided high-quality products
- Improved customer experience

Adhered to independent innovation

As one of the important pillars of the high-end industry and modern manufacturing in the capital economy, BAIC Motor always adhered to the research and development concept of independent innovation, rigidity, respect for truth, outstanding quality and user orientation, and continuously improved quality, cost and progress control. We made breakthroughs on the way to make project development, standard system, product validation and patent management mature, intelligent, green and precise. The Group always paid great attention to the building of the research and development team, and continuously propelled the industry-academy-research cooperation according to the strategy and policy of the state and the government advocating and supporting the development of the automotive industry. Also, we continually refined the incentive mechanism for innovation and the protection system for scientific research achievements, actively encouraged innovative scientific research and dedicated ourselves to developing the proprietary brand. In 2016, we implemented nearly 30 scientific research projects of the proprietary brand and applied nearly 80% of the achievements of these projects.



Open innovation platform

- Teamed up with research institutes, universities, professional alliances and other entire vehicle manufacturers to conduct joint research and technical exchange and propel industry-academy-research cooperation;
- Focused on issues of forward-looking professional technologies, new technologies and R&D work, and established 14 innovation studios at the group, including 6 at the municipal level in Beijing. These studios cover different institutions and departments, consist of experts and professional engineers, and are named after technical pioneers and model workers;
- Built the "Knowledge Management Information System" and prepared the *Management Procedure for Intellectual Property Rights* to create good atmosphere for technical innovation.

Cultivated innovative talents

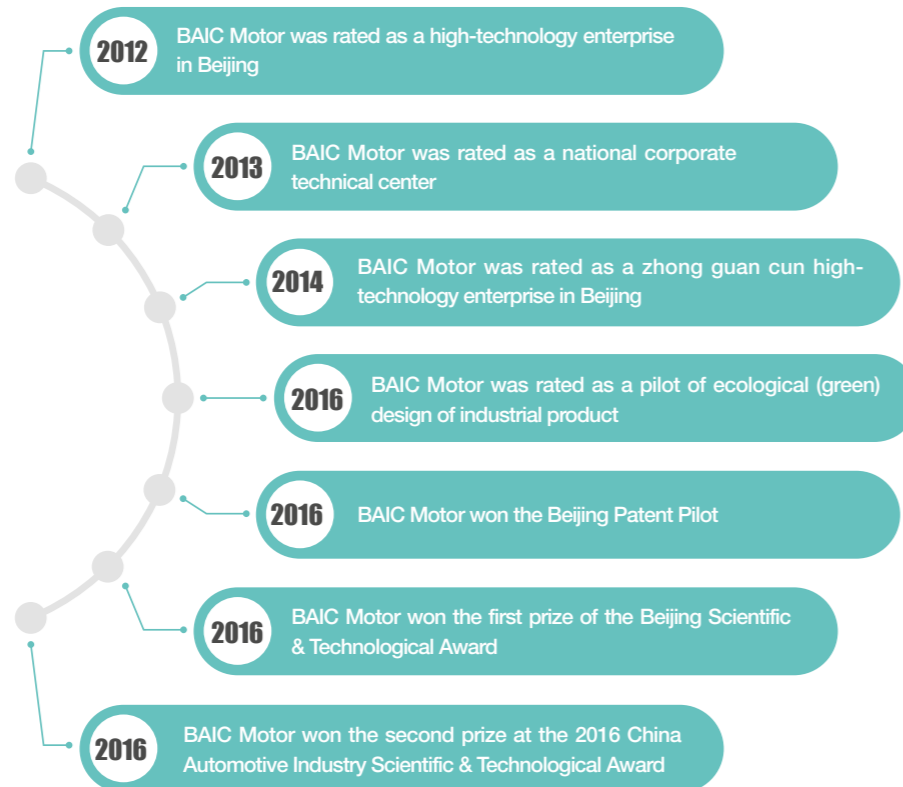
- Focused training on propelling the strategic reform and aiming to improve the working performance of employees, and continuously optimized and improved the BVPD (representing four levels) talent cultivation system;
- The institute did relevant work in relation to system building, implementation of classified training and hierarchical training, premium management leadership project and cultivation of fresh graduates.

Intellectual property management

- Setting up the *Management Procedure for Intellectual Property Rights*, the *Management Procedure for Scientific Research Project* and the *Management Procedure for Scientific & Technological Achievements* to manage and protect our intellectual property rights, scientific research projects, scientific & technological achievements and technical standardization.

Innovation Results

- An Electronic Hold Mechanism and Car won the International Special Award of the Portuguese Invention Association at the “Ninth International Exhibition of Inventors granted by the China Association of Inventions”;
- BAIC Motor won the “Excellence Award” granted by Beijing Association of Inventions/the Beijing Technical Association of Staff with 16 projects, including the “BAIC Motor’s Enterprise-grade BOM Management System Project” and “A Safety Belt Automatic Regulating Mechanism and Car”;
- BAIC Motor won two gold awards, two silver awards and three bronze awards of “Inventions and Entrepreneurship Award” granted by the China Association of Inventions with the automatic regulating system for vehicle tire pressure and the load control system for energy-saving vehicle;
- Until the end of 2016, BAIC Motor had applied for 3,791 patents and owned 3,204 patents. In 2016, BAIC Motor increased the application for 941 patents and gained 855 new patents.



Case

BAIC Motor established a strategic partnership with Baidu in the smart vehicle area



BAIC Motor forged a comprehensive strategic partnership with Baidu Smart Vehicle in the area of smart vehicle, and all parties will be dedicated to propelling the future smart upgrade of vehicles. The partners will establish a strategic partnership of mutual benefit in the smart vehicle, Internet of vehicles, L3 smart drive, high-precision map, onboard map, joint brand operation and other emerging areas, and realize technical development, market application, sharing of resources and information, optimization and common development in the aforesaid areas.

BAIC Motor has identified the “intelligence” strategy as one of the major directions on the way to explore the upgrade from a traditional manufacturing enterprise to a manufacturing service and innovation-driven enterprise. The strategic partnership highlights the profound integration between the traditional manufacturing industry and the emerging Internet industry. The partners will exert respective advantages, shorten the R&D cycle of autopilot to the largest extent, jointly move forward smart driving, and create an all-new experience for human mobility. ■

Provided high-quality products

Guided by the “craftsman spirit”, the Group has established the long-term quality strategy, forged a sound quality system, actively carried forward system innovation and implemented the closed-loop quality management to assure product quality in a top-down manner. The quality system of the Group is based on the quality leadership as the core, and integrates the quality culture and puts the culture in practice. With the strategy as the guide and performance as the scale, the system focuses on customer demand as well as stakeholders' demand and expectation, assures the exact implementation of the quality guideline during the operation of value chain, pursues and exceeds customer satisfaction and seeks to satisfy the stakeholders' demand. During the reporting period, BAIC Motor incurred no recall of defective automotive products.



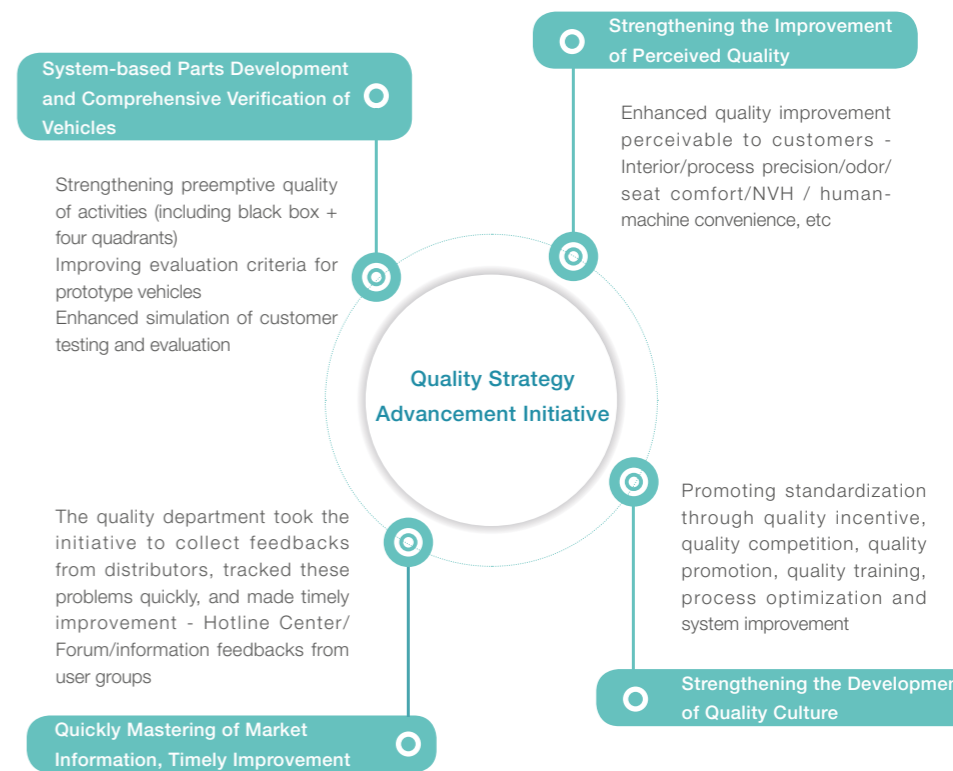
Senova X55 won the 2015 China Design Red Star Award

Senova X25 won the 2015 China Design Red Star Award

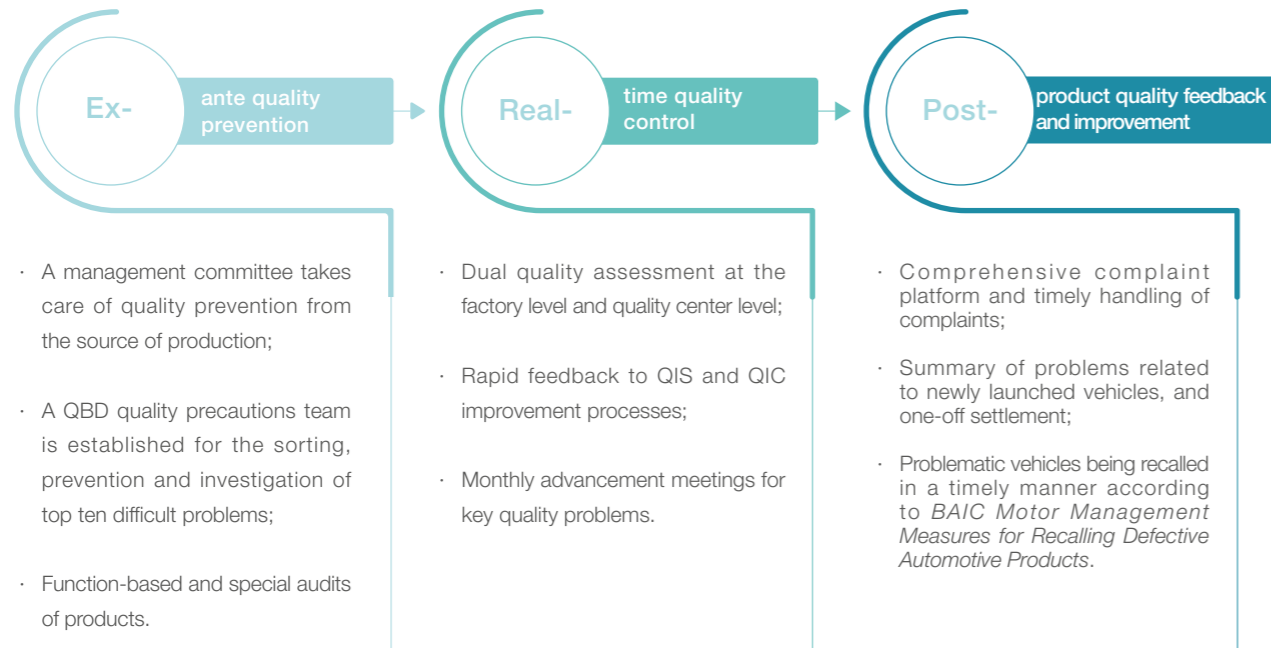
BAIC Senova won the “Star Shield Award” at the China Automotive Safety Award



Carried forward implementation of quality strategy



Strengthened closed-loop quality management



Six-parties review flow



Case

Innovation system: The "1-2-3" quality system integrating prevention and interception

Considering the current status of quality management, BAIC Motor has forged the quality prevention system with the core of "four-quadrant" hierarchical management of suppliers and the Know-How of black box parts as well as the quality interception system with the core of three lines of defense, including simulation of customer assessment, foundation of manufacturing quality and quick improvement integrating market quality attack and prevention. We have tangibly carried forward the work to promote the quality incentive and dissemination mechanism, fused the "quality operation – quality as soul" concept into various operation and management activities, including development strategy, corporate culture, product development and manufacturing, and marketing, and effectively assured the performance of different activities.

Relying on the "1-2-3" quality system, the Company has extended the system to cover a broad range of areas, combed the quality work relating to R&D, part, production, after-sales service and operation segments, and devised and refined relevant flows and procedures to achieve the purpose of quality "interception" and "prevention".

1 Quality Awareness

- Improve the quality awareness of all employees through the quality incentives and publicity, and ensure the effective development and implementation of quality precautions and quality problems interception system.

2 Quality Precaution Means

- The purposes of "four quadrants" hierarchical management of suppliers are to take into comprehensive consideration of quality and cost factors in determining suppliers selection criteria, select appropriate manufacturers as long-term suppliers, avoid quality and cost risks, find a quality assurance approach in the low-cost model, and improve the quality of the entire supply chain through system training.
- The purposes of black box parts Know-How management are to gradually master the core technology of black box parts through joint development of parts, so as to establish BAIC Motor's own Know-How and core competitiveness, prevent and minimize quality risks.

3 Quality problems interception systems

- In terms of simulated user testing evaluation of new cars, vehicle verification procedure and more verification means are adopted to fully identify quality problems in advance, and address them prior to mass production.
- Building the foundation for manufacturing quality means stepping up management over all the links of manufacturing, improving system quality, and preventing product quality problems from reaching the market.
- Integrating market quality problem prevention and improvement measures (improvement "one second faster"), even if there are still unidentified problems on the market, our market rapid improvement team can take swift actions to quickly address quality problems, rapidly respond to customer complaints, and swiftly appease customer dissatisfaction.

Improved customer experience

The Group has sought to highlight the importance of customer demand at every link of the full value chain. We always think what customers think and serve customer wholeheartedly. Observing the concept of meticulous customer care and service, BAIC Motor has gradually improved the safety and management of information software and hardware in the entire sales cycle during the gradual transition of the automotive industry towards digitalization. BAIC Motor has always sought to improve customers' quality and pleasure of the life on wheels through high-quality service, consumer protection and privacy protection while delivering safe and reliable vehicle products.



BAIC Motor After-sales Service Mechanism



Case

400 Platform

To execute timely and efficient response to customer complaints, BAIC Motor has set up the customer complaint management system used to record problems that customers find during their use of vehicles and complain about, accept and allocate these customer complaints, and collect feedbacks about response results.

The system classifies customer complaints into three levels, including general complaint, material complaint and crisis complaint. A general complaint must be handled within

24 hours, and a material complaint or crisis complaint must be handled within 15 days.

The system sets up 400 uniform national complaint hotline and discloses the hotline in the product manual, quality assurance manual, official website and dealer store. At the same time, the system interviews customers as to new vehicle sales and after-sales service, and follows up with customer satisfaction. ■



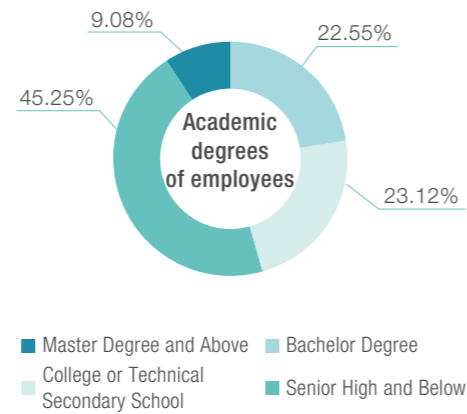
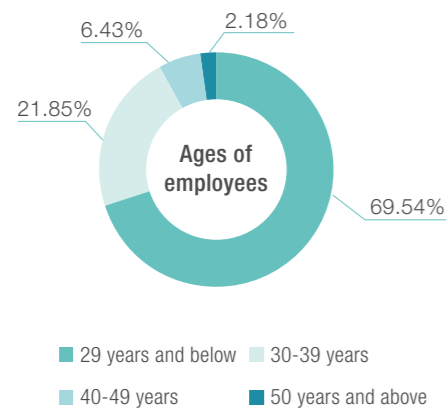
3

Go a humanistic way, Achieve a world of business prosperity

- Built a diversified team
- Boosted employees' growth
- Created a safe, healthy environment
- Established a hard work-oriented corporate culture

Built a diversified team

The Group upholds the people-oriented talent philosophy, follows the requirements of the Labor Law of the People's Republic of China, and other laws and regulations. It adheres to the principle of equal employment, forbids the employment of child labor or forced labor, recruits talents through multiple channels including campus, social and overseas recruitment and insists on signing labor contract with employees in accordance with law. During employment and daily work, we forbid discriminatory conducts in whatever form, and respect cultural and religious beliefs of different ethnic groups. The Group persists in safeguarding legitimate rights and interests of employees. Meanwhile, we have continuously refined relevant policy and management procedures, and continuously refined the remuneration and welfare system pursuant to working hours, rights and interests of employees specified by laws. We have established the feedback channels relating to labor relation, remuneration, welfare and performance result to ensure employees will get real-time answers about relevant questions and policy interpretation. As at the end of 2016, the Group had a total of 25,159 employees, and 100% of the employees signed the labor contract. In particular, we have 36 disabled employees and 1,078 employees from ethnic minorities.



Safeguarded legitimate rights and interests of employees

Remuneration and benefits

- Timely contributions to social security;
- Enterprise annuity;
- Car purchase benefits;
- Employee dormitories, shuttle bus, etc.;
- Paid annual leave;
- 100% coverage of social insurance;

Democratic communication

- Employee Handbook is issued to all employees to notify them of rules and regulations related to their remuneration and benefits, ensuring the legal effect of the company's relevant regulations, and minimizing the disputes arising from or in connection with the insufficient publicity of policies;
- Employees participate in democratic management through such channels as through the workers' congress and disclosure of factory affairs, guaranteeing their rights to recommend and supervise;
- Employees' suggestions are collected through such channels as the President's Luncheon, WeChat, e-mail and bulletin board;
- Focusing on the themes of "Employees' Career Development", "Corporate Safety Work" and "Continuous Improvement of Product Quality", two President's Luncheon and 10 Grassroots Employee Representatives Symposium on Management Problems were organized in 2016 in an innovative manner, collecting more than 200 problems.

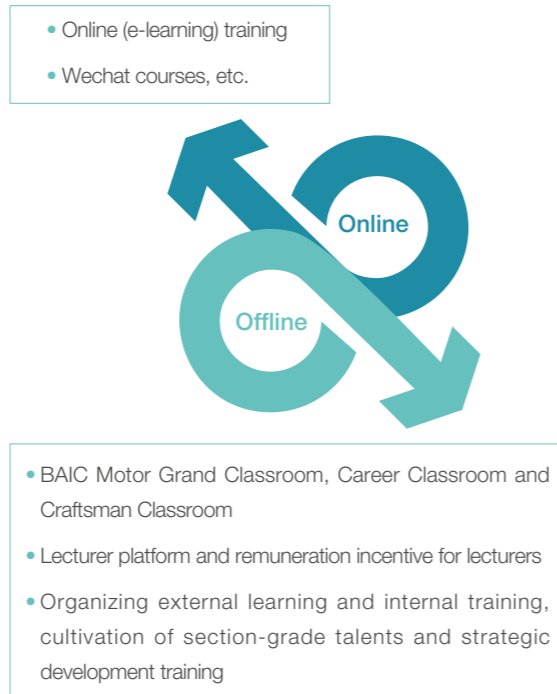
Boosted employees' growth

The Group upholds the human resource concept of orienting everything to employees, exerting full potential of employees, delivering the commitment and seeking mutual benefit. We are dedicated to forging a platform enabling employees to realize personal development and values, and creating an environment that encourages employees to develop and realize themselves. Moreover, we provide a diversity of training courses to help employees develop themselves and realize personal values.



Diverse learning mechanisms

The Group provides diverse learning mechanisms for employees, continuously refines the training mechanism and enhances personal occupational temperament and comprehensive strength of employees. In 2016, with the concept of "cultivating craftsmen with a craftsman's heart", BAIC Motor took a series of effective measures with three pillars, including "lecturer system", "course system" and "management system", and organized various trainings according to the principle of hierarchy and full coverage. We preliminarily attained the periodical objective of "refining BAIC Motor's training system and inheriting BAIC Motor's culture", and took a steady step ahead to build a learning ecosystem featuring "self-concise and self-sufficiency". At the end of 2016, the total hours of training of employees added up to 1,770,364 hours, and the per capita train hours reached 70.4 hours.



Case

Construction of internal training system

The Company actively built the internal training system to systematically extract and inherit the organization's experience and satisfy the needs of resource integration and talent growth. In 2016, we organized three internal trainer cultivation projects, and designed standard course benchmarks for professional and general courses involving a large training demand. At the same time, we established a company-grade lecturer team and refined the internal lecturer management system. We preliminarily drew the learning map, and provided a good platform and resources for employees to get professional training and learning. In 2016, a total of 123 people participated in the training and completed a total of 3,192 class hours, the face-



to-face training satisfaction reached 100%, and 84% of the trainees successfully passed the training examination. ■

Smooth promotion channel

The Group provides a smooth promotion channel as well as chances of occupational development and remuneration adjustment for employees, and creates opportunities and platforms for employees to realize personal values. We actively selected people and sent them to participate in the overseas talent cultivation project to promote the internationalization of talents and enhance the capacity for international operation. From 2013 to the end of 2016, we arranged for a total of 27 people to participate in the overseas training, including 13 people in the Daimler project and 14 in the Inalfa project.

Case

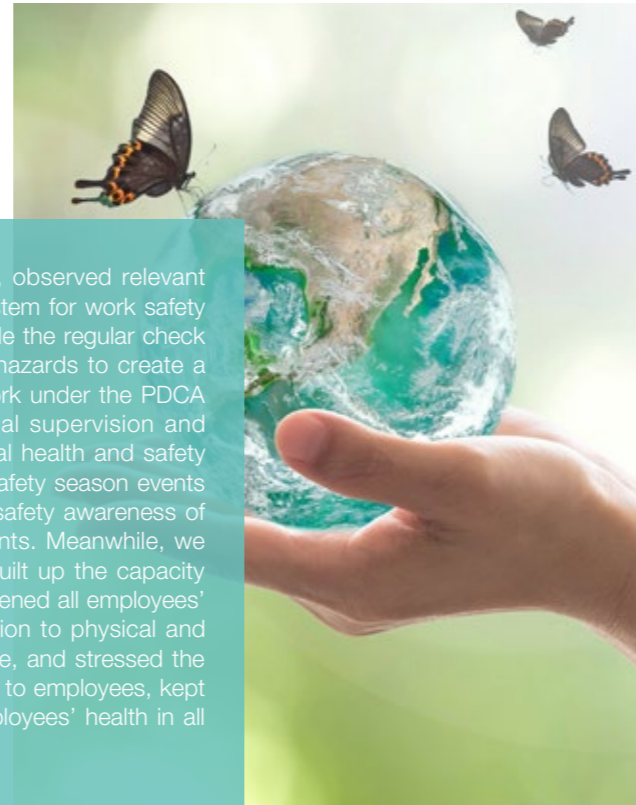
Baby Eagle Plan

Highly attentive to the development of young employees, BAIC Motor has initiated the "Baby Eagle Plan" to provide a speed channel of quick growth for employees. We have selected young excellent employees who have worked for no more than five years, organized the training, evaluation and cultivation and made a long-term customary cultivation plan to fully enhance their learning ability, creativity, vision and influence.

We organized these "baby eagles" to discuss with leaders of department and above, exchange experience with predecessors and understand the flow and standard for the leadership model card in a move to enhance their learning ability. In 2016, we organized three "Reading the Way"

reading events, and took the form of book reading to discuss the way of reading books and improve their creativity. We organized employees to serve as volunteers during the International Organization for Standardization (ISO), the Beijing International Marathon and the G20 meeting of ministers of scientific and technological innovation, in a move to broaden their vision. We organized these young employees to take an active part in the "A Warm Winter" event in order to enhance their influence. At the same time, we cooperated with the Ministry of Human Resources and Social Security to conduct quantitative evaluation of young talents, encouraged these young employees to participate in relevant training or events in a move to bolster their short slabs and improve themselves. ■

Created a safe, healthy environment



The Group has kept strengthening safety and health management, observed relevant provisions of laws and regulations, implemented the responsibility system for work safety and forged the safety management system. Meanwhile, we have made the regular check plan, realized the closed-loop management and eliminated various hazards to create a safe, healthy working environment for employees. Every year, we work under the PDCA (namely, Plan, Do, Check and Action), regularly accept the annual supervision and review of the review institution, and keep improving the occupational health and safety performance. Meanwhile, we regularly host a series of annual work safety season events during the high-incidence season of safety accidents; reinforce the safety awareness of executives at various levels by organizing various safety-related events. Meanwhile, we optimized the internal control mechanism for safety management, built up the capacity for emergency response and prevention of risk accident, and strengthened all employees' safety temperament and danger response capacity. We paid attention to physical and mental health of employees, organized trainings with the health theme, and stressed the food safety of bases. We offered the medical service and examination to employees, kept reinforcing the prevention of occupational diseases and assured employees' health in all dimensions. In 2016, BAIC Motor incurred no occupational casualties.

Safety Inspection

- Internal review of occupational health and safety management system
- Monthly safety check
- Construction safety check during holiday
- Special safety checks, including hazardous chemical safety check, safety check of power consumption in summer and special safety check involving forklifts

Safety theme event

- Conduct a series of work safety season events
- Hold the sports meeting of fire safety
- Hold competition of work safety knowledge
- Rate pilot shifts of safety culture
- Rate the most beautiful safety officer
- Present safety promotion banner
- Safety speech competition
- Safety crosstalk competition
- Safety cartoon exhibition
- Emergency drill
- Fuel spillover drill
- Present and rate safety bulletins
- Emergency drill involving hazardous waste leakage

Safety prevention measures at workshop

- Front-line workers must wear noise-proof earplugs, safety helmets, masks and other labor protection equipment
- Striking blue lights are installed at the front and tail of the forklift
- Isolating doors and safety locks are installed on the automatic production line
- Use the press and other mechanical equipment with safety protection
- Formulate the labor protection equipment policy and articulate types and changes of labor protection equipment required for corresponding work

We organized the education and training workshops with the themes of etiquette, civilization and mental health. In 2016, we hosted 15 grand lectures and 70 training workshops.

We continuously supervised the canteen, established the Food Management Committee and performed regular check of the kitchen as to contagious disease and other aspects.

We provided the medical room, physical examination and other health assurance services, arranged the physical examination by batches for different work types according to relevant standards, and delivered the door-to-door physical examination service.

We provided noise-proof earplugs, safety helmets, labor protection shoes and other labor protection equipment for employees.

Case

BAIC Motor Powertrain hosted a series of work safety season events

To further propel the establishment of the corporate safety culture, strengthen employees' awareness of safety and environmental protection and enhance their safety and environmental protection skills, BAIC Motor Powertrain initiated the "Work Safety Season" and "Safety & Health Cup" campaigns, marking a start of a series of work safety season events, in June 2016. During the 3-month work safety season, the subsidiary organized different types of safety check and education events, created an environment of safety culture in multiple forms, and enriched employees' safety knowledge and skills. In August, it hosted the "2016 BAIC Motor Powertrain Safety and Environmental Protection Knowledge Competition", in a move to stimulate employees to learn safety knowledge.

Case

Management mode for safety management positioned as negative role

In 2014, BAIC Motor creatively defined the negative role of safety management. At the end of 2016, after two years of gradual improvement, the mode became the core and master line of BAIC Motor for safety management, and grew into a safety management mode containing characteristics of the time and BAIC Motor. We carried forward the top 10 safety problem points (namely, 10 most important safety problem points) and dynamically shot safety hazards. We requested production suspension to remediate material safety risk factors in time. We articulated process management and refined evaluation as the guide. We set quantitative objectives and implemented differential indicators. We identified vulnerabilities and refined systems and flows. We strengthened policymaking with the negative role of safety management as the core and made a total of 39 related policies. Moreover, we organized extensive training, implementation and promotion to assure their implementation.

Since the implementation of the new management mode, BAIC Motor has gradually reduced minor injury incidents and incurred zero deaths from occupational injury, zero serious injury incident, zero material incident involving special-purpose equipment, zero fire accidents causing personal deaths, and zero peace, order and disaster accidents that could be prevented. Safety management had an obvious effect.

Case

Quarterly event of Beijing Branch with safety theme


Considering the characteristics of safety management at different stages, capacity utilization and seasonality, Beijing Branch made the special working plan, and initiated five special campaigns, including "Special Treatment of Aerial Work, Special Treatment of Lock Out and Tag Out, Body Technical Reconstruction Project Review, 100-day Safety Action and Assurance Plan for Production Sprint at End of Year". The branch did the work to identify hazards, make special working plans, organize safety education and training and refine management procedures. It also combed the management responsibilities and flows of two levels and propelled the landing of safety work.

Meanwhile, the branch sponsored the competition of work safety knowledge targeting front-line shift workers under the theme of "Mastering Work Safety Knowledge, Being a Compliance Employee". The competition no longer adopted the original mode but performed the selective examination on the site during the production break and contained three stages, including promotion and education, local review and selective examination of the company. It has greatly motivated employees and further strengthened their awareness of work safety and self-protection capacity.

Established a hard work-oriented Enterprise culture

The Group has established the human resources concept of “focusing on users as center, orienting to hard workers as base, observing the craftsman spirit as rule and shifting to operator”.

Enterprise culture

- 
Corporate Mission Leading future's auto life
- 
Corporate Vision Create values for users, enhance values for shareholders, realize values for employees, extend values to partners, contribute values to society, and become a respectable leader in the automotive industry!
- 
Core Values User first, pragmatism & integrity, openness & integration, brave to be the first, enthusiasm & devotion, and efficient execution
- 
Corporate Spirit Fight hard, play teamwork, advance despite difficulties, and resolutely fight for the goal
- 
Operating Philosophy Quality, Responsibility, Leanness & Innovation
- 
Brand Concept Your wish · Our ways
- 
Craftsman Spirit Tenacity, Persistent, Concentration, Perfection





Helped employees balance work and life

- We launched the Migrant Bird Nursery, the Summer Camp and the parent-children event to eliminate employees' concern about their children during holidays of schools;
- We arranged special coaches to pick up employees;
- We hosted social events to promote the exchange between employees;
- We cared for female employees, reinforced the construction of the Maternal Care Room and promoted the trade unions to build 34 Maternal Care Rooms, and the "Mummy Room" covered all affiliates. Moreover, we organized family planning, health workshop, salon, flower arrangement, outdoor excursion and other events for female employees;
- We gave employees the right to build the Staff Home at their own discretion, and permitted them to build their recreation sites within the company. As at the end of 2016, The Group had a total of 1,133 staff homes.

Organized cultural and sport events

- Organized the photography exhibition, a Bite of BAIC, calligraphy & painting exhibition and other cultural events;
- Organized five sport events, including sport walking, table tennis, basketball, badminton and swimming, and attracted extensive participation of employees. In 2016, about 2,000 employees participated in sport events.

Cared for employees in need

- Formulated the Management Procedure for Care and Assistance Fund for Trade Union Members, and vigorously carried forward regular management of staff care;
- Tilted the care for employees in favor of front-line employees by extending warmth to them in winter and coolness in summer, and distributing consolatory materials and money to them;
- Strengthened the effort to aid employees in need. In the full year, we aided a total of 13 employees or their family members suffering major diseases by providing a total aid of RMB65,000;
- Made full use of the member service function of the BAIC Card & Mutual Service Card • to better serve employees;
- Beijing Hyundai created an innovative aid center and offered regular service.

Case

Established the staff home

The Group encouraged employees to build the Staff Home actively, strengthened the support of the facility at different affiliates and also reinforced the facility. We vigorously carried forward the home building in a compliant manner according to the Guideline for Creation of A Little Model Staff Home and the Acceptance Standard for Staff Home. During their spare time, the employees built the Staff Home with joint force, contributed their wisdom from plan design to building and decoration, and greatly promoted mutual exchange.

At the Staff Home, employees can take a rest, have a chat or workout. For example, the Staff Home of Beijing Hyundai arranged a series of themes, including ecosystem, football, music, health, mental health and bar, and the joint venture specifies that all employees at three levels from senior management to the workshop can build and enjoy the Staff Home. In particular, the Staff Homes in Beijing and Guangzhou won the "Excellent Staff Home Award granted by the All-China Federation of Trade Unions".

Case

"Show Our Skills, Show BAIC Life" – Staff Calligraphy, Drawing, Handiwork and Art Exhibition

In 2016, the Company organized the Staff Calligraphy, Drawing, Handiwork and Art Exhibition under the theme of "Show Our Skills, Show BAIC Life" to enrich the cultural life of

employees. We collected a total of 1,151 calligraphic, drawing, photographic and handicraft works from employees and their children, singled out 400 works and exhibited them.

Case

Cultural Festival

By organizing the Cultural Festival as an important vehicle of corporate culture development, BAIC Motor focused on the central work of the enterprise, concentrated wisdoms of all employees to carry forward the cultural construction and enriched the cultural connotation with employees' personal experiences. Moreover, we hoped the event would create a dense cultural atmosphere within the company and present the cultural charm and influence

of BAIC Motor to outsiders. We always hold a cultural festival event once every two years. The event lasts more than half a year. By the end of 2016, we had held two events, organized nearly 20 components and attracted the extensive involvement from 40,000 employees. The event has injected a great cultural force into our transformative development.



4

Go a coordinated way, Achieve a world of win-win result

- Joined in hands with suppliers to win and let win
- Reinforced dealer cooperation

Joined in hands with suppliers for win-win results

The Group upholds the operating concept of sincerity, compliance, collaboration, mutual benefit, punctual supply and cost optimization. Considering the scale of economy, supporting facilitation and other factors, we mainly develop strategic partners and high-end suppliers, build a modular, international procurement management system, and continuously refine the scientific supplier management system and the lean, efficient procurement execution system. We strengthen supplier training, ensure products provided by suppliers are consistent with laws and regulations, and guide suppliers to evolve in the direction of cleaner production, environmental protection and low carbon through green procurement.



Supplier management

The Group has formulated the Potential Supplier Management Procedure, the Supplier Performance Management Procedure, the Management Procedure for Green Supply Chain and other supplier management procedures. With the SRM (supplier relation management) information system platform, we perform real-time monitoring and visual management of the procurement and logistics process of the entire supply chain, realize the data exchange between suppliers and integrate resources and competitive strengths of both parties. On this basis, we jointly develop the market, enlarge the market demand and share and optimize the supplier relation. As well, we reduce the cost, promote profit growth and realize mutual benefit.

At the same time, we have introduced and refined the supplier access and performance evaluation method, and continuously optimized the supplier structure. We have established the coordinate axis with quality competitiveness and cost competitiveness and implemented the "four-quadrant" management system for suppliers. With the "four-quadrant" management, we perform quantitative analysis of suppliers' advantages and disadvantages, make the supplier development plan, and control the total number of suppliers. On this basis, we optimize the overall supplier structure and promote the quality of automotive products to take new leaps continuously.



- For every all-new product platform, start systematic design of the supplier chain from the research and development stage, broaden ways to seek potential suppliers, actively identify domestic and overseas excellent resources based on the existing supplier system, take the initiative to find high-end suppliers without monopoly, and continuously satisfy the Company's need to quickly develop new products;
- When selecting suppliers, take into consideration suppliers' environmental qualifications, including certification of ISO14000, and preferentially select green and environment-friendly suppliers.
- Establish a scientific, rigorous supplier selection and assessment system, implement potential supplier assessment (PSA) and supplier management system review (Q-Star), and review six elements, including manufacturing, quality, environment, technology, service and price, in multiple dimensions;
- Built the supplier database, drew the supplier blacklist and introduced the supplier exit mechanism in 2016;
- Perform on-site review and check of suppliers who have completed supplies under the system, and record review results in the performance review system.
- Through joint quality assurance, cost reduction and technical development with suppliers, continuously introduce BAIC Motor's corporate culture and management concept to suppliers, and keep optimizing supplier relation strategy and procurement strategy to increase the efficiency of the supply chain in rotation;
- Exert rigorous quality control over external parts, designate engineers to work on sites of suppliers, and solve quality problems together with suppliers.

Case

Green procurement

To deliver environment-friendly entire vehicle products, the Company has vigorously guided suppliers to evolve in the direction of clean production and environmental protection and endeavored to forge a green procurement system. The Company has formulated and implemented the Management Procedure of BAIC Motor for Green Supply Chain, the Technical Specification for Part Assembly and other management documents, favored suppliers with outstanding environmental performance in the procurement of parts, raw materials, auxiliary materials and product packages, and introduced the Hazardous

Substance Testing Report on forbidden and restricted substances across the supply chain.

We have defined the environmental performance element as one of the supplier access conditions, and required suppliers to obtain the third-party environmental certification and sign the Letter of Compliance Commitment. This will ensure products from suppliers satisfy the requirements of environmental protection laws and regulations, ensure product safety, reduce the use of package materials and achieve green practice and environmental protection.

Supplier training

The Group has established and put in practice the Management Procedure for Supplier Training and other related policies. Every year, we offer professional courses involving our own flows and PPAP (Production Part Approval Process) for suppliers, and organize environmental and green training for suppliers. Also, we annually train suppliers as to the end-of-life vehicle (ELV) laws and regulations, the China Automotive Material Data System (CAMDS) and our vehicle development process (BVDP) to ensure products from suppliers conform to related laws and regulations. In 2016, we organized a total of 17 supplier training events, which covered 15 courses in 6 types, benefiting 534 persons from 161 suppliers and achieved a satisfaction rate of 93%.



Supplier training

Case

Combined procurement from training suppliers

In 2016, the Company introduced the combined procurement from training suppliers to achieve cost reduction and benefit enhancement. We have built a combined procurement platform and selected suppliers through one tendering process. When we need certain courses, we will directly sign a training contract with corresponding supplier. This innovative process has simplified the complex and time-consuming tendering procedure, greatly increased the working efficiency, saved a lot of procurement funds and also facilitated management.

For suppliers, the combined procurement has increased their sales volume, won the qualification to serve as a designated partner and also enhanced their reputation and social influence. The combined procurement assures the quality of courses provided by suppliers and assures high-quality service. Moreover, it facilitates management and slashes the procurement cost.

Reinforced dealer cooperation

The Group has strengthened cooperation with dealers and continuously refined the “1+N+X” dealer network (where 1 represents 4S stores, N represents satellite stores and X represents the tier-2 network). Moreover, we have assisted and supported dealers in a broad array of areas like sales, management and service, and trained dealers on how to improve the sales capacity and management capacity. Meanwhile, we have opened a smooth channel. When having any question during product sales, a dealer can fill the question list and submit it to the regional sales management department. After the regional sales management department confirms the question, the sales department will register the question for recording, classify the question and attribute the responsibility based on the question content. Afterwards, the department will track related department’s response until the question is closed to help the dealer optimize the store and improve the management capacity. In 2016, the regional sales management departments recorded a combined problem feedback rate of 98.11%.



Major points and contents of sales and management capacity training for suppliers:

Sales capacity training

- New product training
- Skill training for sales advisors
- Training for major sales advisors
- Training about certification of sales advisor position

Dealership management training

- Business training for new dealer store
- Basic training for new dealer store
- Dealer management training

Case

Spark Plan

The Company select and authorize the “Brand Spokesperson” of dealers to provide a concentrated training for dealers, regularly invite authorized dealers in different war zones to participate in the “Public Relation Knowledge Training Seminar”, which cover public relation communication and media maintenance. Meanwhile, we inspire dealers to carry out the practice through

evaluation, feedback and end-of-year award to achieve a comprehensive, integral closed loop of execution. Inspired by the “Brand Spokesperson” system of the Spark Plan, the regional dealers have greatly increased the media communication, which has effectively supplemented the manufacturer’s communication, better boosted terminal sales and enhanced brand reputation.



5

Go a low-carbon way,
Build a world of quality assurance

- Green design
- Clean production
- Green products

Green design

We strictly carried out the “green” concept during vehicle research, development and manufacturing, and observed laws and regulations regarding environmental protection. While continuously raising the safety and quality level of vehicles, we actively explored the use of various green and energy-saving materials as well as green processes, and followed the “full lifecycle” concept as the guide. We fused the “green” concept into the entire vehicle lifecycle from part manufacturing to production, use and recovery, and propelled entire vehicle products to evolve in the “green” and “environment-friendly” direction.

In 2016, the Company became:

- The “Green Design Pilot Enterprise in Automotive Industry”
- Executive Director of the “Beijing Association of Green Design and Green Manufacturing Promotion”
- The director unit of the “China National Alliance for Industrial Green Product Promotion”



Carried forward lightweight research, energy saving and emission reduction of vehicles

- Actively developed and refined the lightweight body technology and flow
- Prepared the Strategy Development Planning for Lightweight Technology and the Lightweight Development Standard for Early Vendor Involvement

Case

BAIC Motor actively participated in research and application of lightweight vehicle parts

In November 2015, the Ministry of Science and Technology issued the 2016 special pilot plan for new energy vehicles, a major national R&D plan. BAIC Motor Research Institute actively responded the call of the state and the Society of Automotive Engineers of China, and allied with Chongqing Chang'an, China Baowu Steel Group, Shanghai Jiaotong University, Zhejiang University and other Chinese enterprises and universities. The institute undertook the Design, Forming and Assessment Method for Erosion-resistant Magnesium Alloy Vehicle Parts, a part of the Research and Application of General Key Technologies for Light Weight of Electric Vehicle Structures. In December 2016, the institute formally started the project, which was the first national major R&D project the institute had undertaken.

The magnesium alloy part has many advantages. When applied to new energy vehicles, the part will realize lighter weight, better radiating performance and recoverability, and enhance the noise, vibration and harshness performance of the entire vehicle. At the same time, it will evidently improve

the maneuverability and safety performance of the entire vehicle, thereby enhancing the market competitiveness and overall quality of the Company's new energy vehicles. The application of the magnesium alloy wheel hub can improve a multitude of performance indicators of the vehicle, including: It can reduce fuel consumption and emission, reduce the brake distance, acceleration time and turning force and extend the tire life. For an electric vehicle, the new material will be equivalent to increasing the energy intensity of the battery and extending the range. For an intelligent vehicle, light weight will help increase the effective load.

When applied to a new energy vehicle, the magnesium alloy wheel hub is expected to reduce the unsprung mass by 10kg-15kg, equivalent to a weight reduction of the entire vehicle by 70kg-100kg (a reduction of unsprung mass by 1kg is equivalent to a reduction of sprung mass by 7kg). This will reduce the fuel consumption of traditional petrol vehicles by 5%-6%, and extend the range of new energy vehicles by 6% to 7%. ■

Participated in establishment of industrial standard and strengthened vehicle emission control

- Participated in the establishment of the latest National VI standard and made an early preparation
- We fully considered the interior air quality at the design stage, exclusively invented the method and device for vehicle odor identification, and provided technical solutions for interior environmental quality design.

Case

BAIC Motor coordinated the work to establish core contents of the "National VI" standard

As the haze weather and atmospheric pollution grew increasingly serious in the past years, the "National VI" standard was already published at the end of 2016 to further reduce the tail gas emission from vehicles. When the "National VI" standard was initially established, a survey team from the Vehicle Emission Control Center under the Ministry of Environmental Protection hailed BAIC Motor Research Institute's technical team, testing equipment and professional expertise after evaluating the institute's technical resources and strength. Finally, the center designated BAIC Motor to serve as the coordinator and organized 15 core members in the industry to take on the establishment and demonstration of the innovative part of the "National VI" standard and also the core content of the stage six emission standard – fuel evaporation and refueling emission.

The institute quickly set up a preparation team for the "National VI" standard and started working. During the actual road emission experiment, BAIC Motor, as the exclusive Chinese brand, selected two models to complete the actual road test



and data collection, and successfully passed all requirements for the test. This marked BAIC Motor had taken the lead in the entire industry in terms of the research on the onboard refueling vapor recovery (ORVR) and the constant real demand effect (RDE), two new contents of the "National VI" standard compared to the "National V" standard. At the same time, BAIC Motor Research Institute won the "Outstanding Contribution Award for Preparation of China's Stage VI Emission Standard". ■

Propelled application of environment-friendly materials

- Designed the Warm Formed Part Pilot and Assessment, the Application and Development of Polylactic Acid for Vehicle Material and other technical solutions, and actively explored new materials
- Fully considered the recoverability of products at the design stage and carried forward the use of environment-friendly materials

Clean production

The Group has kept strengthening clean production and paid attention to the management of pollutant and resource use during production operation. At the group level, we define annual objectives and tasks of energy saving and environmental protection, break down these indicators and implement evaluation. We segment, implement and carry forward energy saving, pollutant emission and environmental upgrade indicators for the affiliates to ensure these objectives will be transmitted level by level, broken down level by level, evaluated level by level and attained level by level. In 2016, BAIC Motor made a total investment of up to RMB718.5038million in energy saving and environmental protection.



Strengthened pollutant management

- Hazardous waste: Implement uniform recovery and deliver to qualified company for disposal
- General waste: Use recoverable materials whenever possible to reduce garbage
- Waste water: Build a proprietary sewage treatment plant and implement uniform discharge of waste water after production/domestic waste water is treated to comply with the standard
- Waste gas: Apply the advanced coating process and material to reduce the emission of volatile organic compounds (VODs) and implemented the boiler upgrade to low-nitrogen combustion to reduce the emission of nitrogen oxides and other hazardous waste gases
- Noise: Essentially control the noise within the plant area without affecting ambient residents. We have introduced industrial robots, provided protective equipment for workers and updated equipment to mitigate the impact of the noise and the environment exposed to noise such as stamping and assembly

Saved energy and resources

- Regularly hosts the "Energy Saving & Environmental Protection Promotion Month" and encourages employees to put forward suggestions about energy saving and environmental protection. During the reporting period, we received a total of 260 improvement suggestions
- Actively implemented technical reconstruction projects to realize energy saving and benefit enhancement
- Adopted energy-saving equipment
- Used the energy management system to monitor energy consumption and realize precise measurement (Zhuzhou Plant II)
- During daily operation, BAIC Motor laid an emphasis on the use of new energy and actively carried forward rooftop photovoltaic generation and other projects
- BAIC Motor completed a total of 96 various trainings, including environmental protection training for new employees, the training for national clean production auditors and the clean production training on the World Environment Day. These trainings involved a total of 1,350 class hours and covered 7,241 people

Case

Beijing Benz introduces the Dürr dry spray room absorption system (EcoDryScrubber)

Since 2013, Beijing Benz has used the new technology in the MRAlI painting workshop and actively introduced the Dürr dry spray room absorption system (EcoDryScrubber) to mitigate the environmental impact of the coating process. The application of the new technology has effectively reduced the pollutants in the coating process and further increased the resource utilization efficiency.

- 1** Save float coating process under integrated coating process (IP2)

 - Reduce float coating line and oven
 - Reduce operating expenses by 30% and consumption of paint materials by 20%
- 2** All-robot painting

 - Automation
 - Reduce noise
- 3** Air supply and exhaust system for painting room

 - Recycle 80% of air exhaust at the painting room, and save energy consumption by 60%
 - Use the heat recovery device to recover 20% of the heat/cold from the painting room
- 4** Separate treatment of sewage with heavy metal

 - Effectively reduce heavy metal pollution
- 5** Ovens use the centralized heating device (TAR) with waste gases to recover heat

 - Promote recycling of energy and resources
- 6** Dry-process coating room

 - Save energy consumption of the painting room by 60%, and recycle about 80% of the air in the float painting
 - Avoid waste water, and reduce water pollution and subsequent sewage treatment process
 - The entire process realizes automatic operation, waste limestone powder can be used for cement production and other purposes, and the paint content in the waste limestone doesn't exceed 5%

Case

Beijing Hyundai implemented the reconstruction project involving the zeolite concentration rotor

Beijing Hyundai Renhe Plant I has processed the waste gas from the floating coat room by adopting the zeolite rotor process, absorbing, concentrating and incinerating the waste gas from the floating coat room in order to reduce the total emission of volatile organic compounds (VOCs), to further satisfy the Atmospheric Pollutant Discharge Standard for Entire Vehicle Manufacturing Industry (Coating Process) (DB11/1227-2015) of Beijing Municipality, to control and reduce the emission of VOCs and to realize an annual VOCs emissions reduction of over 290 tons.



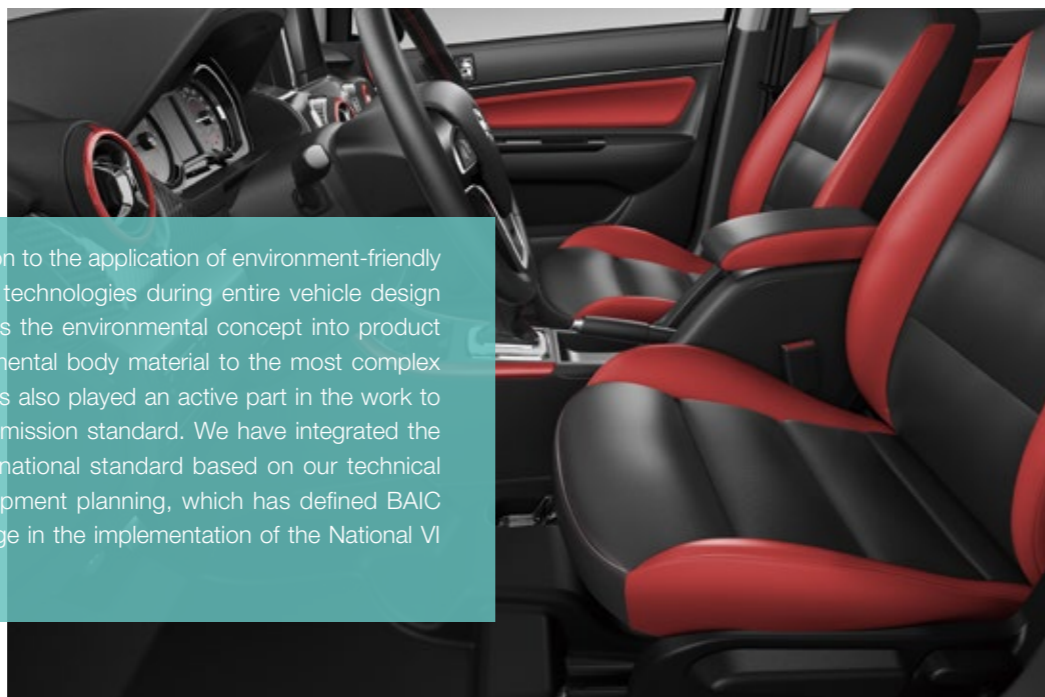
Case

Beijing Branch implemented the fume waste heat recovery project from the centralized heating device (TAR) with boiler waste gases from the Coating Plant

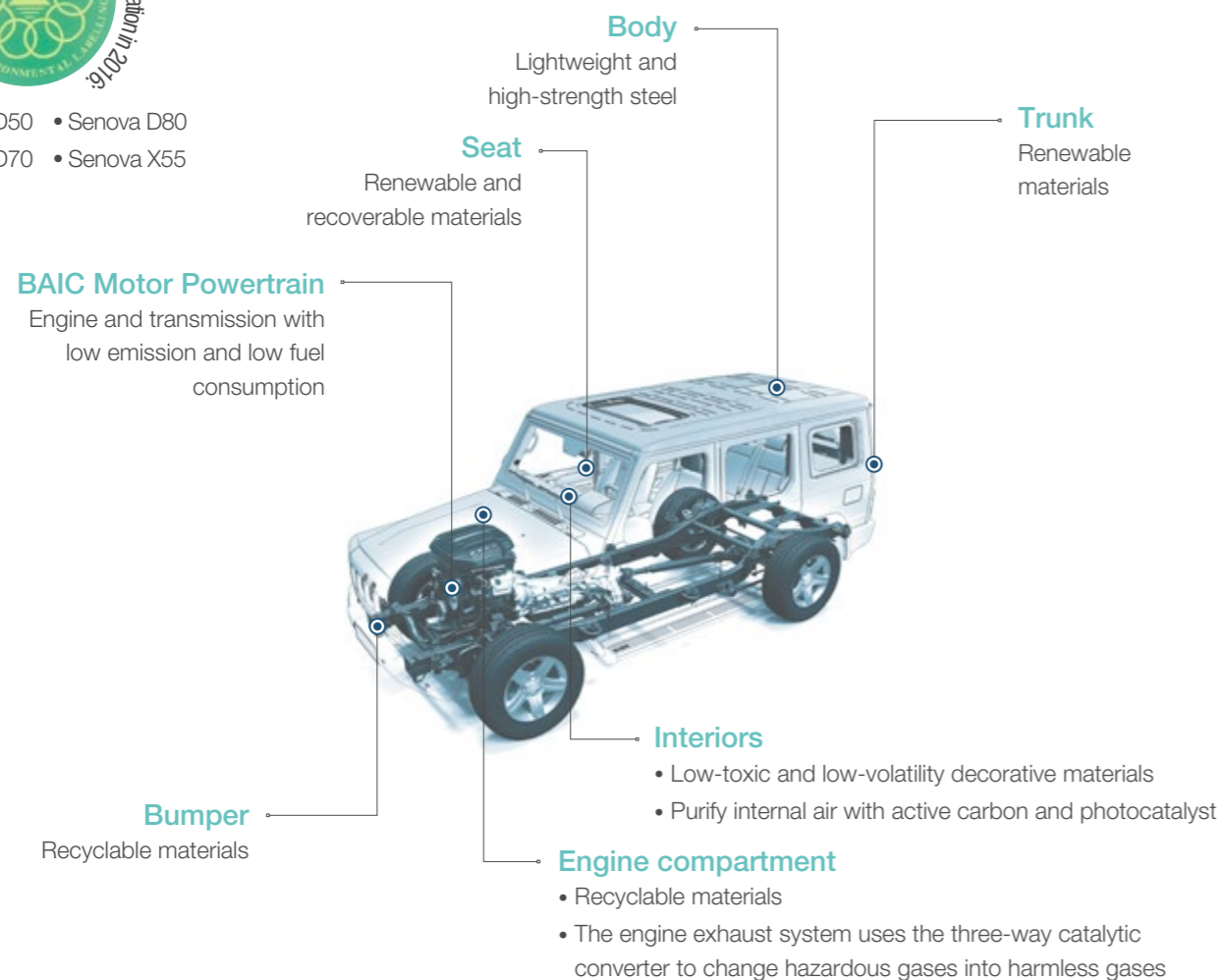
The waste gases from the coating process contain volatile organic compounds (VOCs) that must be incinerated before discharge, but this will result in a pure waste of huge heat contained in the high-temperature waste gas. In 2016, the Coating Plant of Beijing Branch initiated the residual heat recovery project involving high-temperature fume and added a heat recovery device used to heat boiling water to the original waste gas incinerator. The project involved a total budget of more than RMB2 million, used the heated hot water for preprocessing hot water and degrease tank liquid and replaced the original steam heating, in a move to reduce the heat loss and save resources. Moreover, the workshop connected the hot water pipeline after heat exchange with the hot air conditioner to serve as the heat source for heating supply in winter, thereby realizing comprehensive recovery and utilization of the high-temperature fume. After completion, the project will annually save 3,300 tons of steam, which is equivalent to reducing the greenhouse gas emission by 759 tons and will create an energy saving benefit of RMB616,000.

Green products

The Group pays great attention to the application of environment-friendly materials and energy-saving technologies during entire vehicle design and manufacturing, and fuses the environmental concept into product details from the most fundamental body material to the most complex powertrain. The Company has also played an active part in the work to establish the latest national emission standard. We have integrated the corporate standard into the national standard based on our technical strength and product development planning, which has defined BAIC Motor's early-mover advantage in the implementation of the National VI standard.



- Senova D50 • Senova D80
- Senova D70 • Senova X55



Case

Assured effective management of hazardous substances and recoverability rate with the ELV system

On June 9, 2015, the Ministry of Industry and Information Technology issued the Management Requirements for Automotive Hazardous Substances and Recyclability & Recoverability Rate, and set the requirements for the recovery and use of restricted or forbidden substances for vehicles. The New Technology and Material Department of BAIC Motor set up a special working team instantly to lead the management of the ELV directive. Observing the basic principle for prohibiting the use of materials and processes that pollute the environment and harm human health, BAIC Motor established the ELV development flow, fused the control requirements for restricted and forbidden materials into the entire lifecycle, and preemptively considered the use of environment-friendly and energy-saving materials. At the same time, BAIC Motor collected data relating to part quality, component, recoverability rate and content of forbidden and restricted substances with the China Automotive Material Data System (CAMDS), the ELV, the China Automotive Green Dismantling

System (CAGDS) and other industrial information platforms, in a move to track and analyze the use of hazardous substances on entire vehicles in a comprehensive, accurate and timely manner.

- On January 15, 2016, two models of BAIC Motor passed the review of the first ELV announcements in China;
- During 2016, five model projects successively passed the review of the ELV announcements;
- Completed the authentication of ELV third-party inspection agencies, which has increased the quality regarding restricted and forbidden substance management, shortened the inspection cycle and reduced the inspection cost. Moreover, the Group has realized the real-time validation and control pertaining to technologies, reporting and practice of restricted substances. ■

Case

Development of new energy vehicles

While developing traditional vehicles, BAIC Motor also spent a lot of money on the development of new energy vehicles. BAIC Motor Research Institute has integrated the "battery, motor and electric control" systems into the technical architecture of entire vehicles, continuously accumulated the experience in electric integration, and enhanced the development capacity. the company has mutually complemented the advantages at the group level. During the reporting period, BAIC Motor organized different project

teams to implement 8 projects based on 6 platforms, and extended the endurance of the electric vehicle, which reflects the hard strength in research and capacity, from 160km to 350km, which is far higher than the "300km endurance concern line". BAIC Motor made this happen with full use of the technical advantages in entire vehicle arrangement, performance integration, chassis setting, simulation validation and other aspects. ■



行有道·達天下

Your Wish · Our Ways

6

Go a philanthropic way, Build a world of harmony

- Conducted philanthropic activities
- Practiced volunteer activities

Conducted philanthropic activities

Ever since the outset, the Group, as one of the largest state-owned enterprises in Beijing Region, has never forgotten the corporate social responsibility on its shoulders and stopped the pace to keep moving on the way of love and charity. In 2016, the Group hosted a number of love and charity events, including "Lei Feng+" and "A Student Aid Charity Journey to Yushu, Qinghai", that focused on community care, aid for students and environmental protection. Moreover, we actively sponsored the automotive competitions of university students and contributed to the cultivation of next-generation automotive talents.



北汽·太阳花
BAIC Sunflower
为世界创造微笑
Create smiles for the world

As the largest entire vehicle manufacturer under the controlling shareholder BAIC Group, the Company has actively echoed the corporate citizen brand concept of "Sunflower" initiated by the parent company, and upheld it as the guideline for the CSR work.

"Sunflower" signifies that the Group will pursue brightness and happiness just as the sunflower does. At the same time, the Group will spread kindness and light to those in need, and make smile and harmony full of every corner in the world.

The "Sunflower" corporate citizen brand concept embodies four dimensions below:

- Join hands with related groups to grow together with them;
- Care for nature activities to live in harmony with nature;
- Conduct social charity to warm together with society;
- Reflect advanced culture to advance together with it.

Case

BAIC Motor launched the “Student Aid Charity Journey to Yushu, Qinghai”

Since 2012, BAIC Motor has successively made charity donations to Yushu, Qinghai over the past five years, employees of BAIC Motor have spontaneously aided 239 students in need and donated nearly RMB170,000. On August 19, 2016, BAIC Motor paid a follow-up visit to the Baizha Town Central Boarding School, Nangqian Count, Yushu Prefecture, Qinghai Province about the donation and student aid under the charity journey program. During the follow-up visit, BAIC Motor donated sport facilities, computers and other teaching materials worth RMB150,000, a scholarship fund of RMB58,200 and more than 20,000 books all employees of BAIC Motor had actively contributed. Moreover, BAIC Motor

donated one Senova X55 SUV to the school as a teaching vehicle, besides donating the “BAIC Motor Future Book Room” and the “BAIC Computer Teaching Room”.

These charity funds and materials bearing the hope for students from impoverished families to proceed with study contained great love and deep affection of BAIC Motor people, and conveyed the positive energy of love. In future, BAIC Motor will continuously pay attention to Yushu, pay attention to more impoverished regions in need, and highlight BAIC Motor’s awareness of social responsibility and spirit of great love. ■



Case

Carried forward the penetration of automotive science, technology and culture

To carry forward the penetration of the automotive science, technology and culture and lay the foundation for the cultivation of next-generation talents for the Chinese automotive industry, BAIC Motor has successively sponsored the students of the Beijing Institute of Technology for their participation in the national university student’s formula car racing, in a move to help participating students improve the design and technical level of the racing car and their comprehensive capacity, including fleet management and operation. At the 2016

Formula Student China (Internal Combustion Engine Group), 29 members of the Beijing Institute of Technology-BAIC Senova Formula Fleet successfully completed the competition with the Black Shark racing car. Finally, they ranked the 6th place (national second prize) at the Internal Combustion Engine Group, ranked the 3rd nationwide in terms of the total score, and all ranked among top 10% in terms of the score of specific competitions. ■

Case

Beijing Hyundai conducted charity campaigns in multiple dimensions

Beijing Hyundai carried out social contribution events in many areas, and launched some plans with unique features, including the “Growth Plan”, the “Blue Sky Plan” and the “Happiness Plan”. ■

Growth Plan

Beijing Hyundai relocated the computer room to the remote mountainous region and sent vehicles and parts to automotive schools to boost the development of the educational cause through the electronic education aid, the automotive education aid, Beijing Hyundai Class and Beijing Hyundai Project Hope School projects.

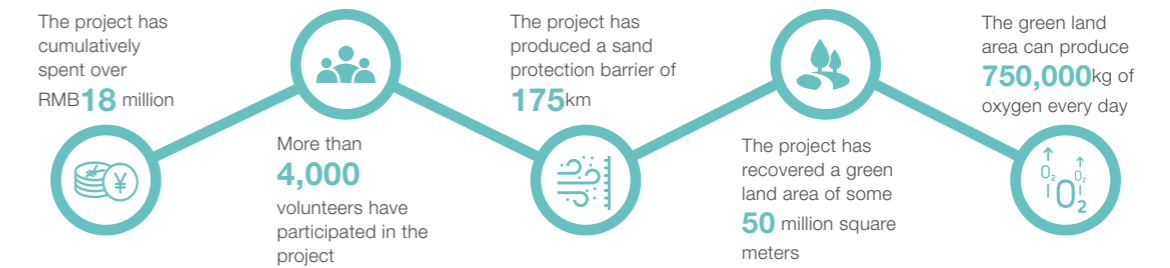
Provided electronic education aid for **31** schools Provided automotive education aid for **143** schools **23** Beijing Hyundai Classes **2** Beijing Hyundai Project Hope Schools

Blue Sky Plan

Beijing Hyundai actively declared a war against desertification in Inner Mongolia with the objective: “Wish no flying dust in the sky, wish no haze in the city and create a beautiful blue sky for a happy life of Chinese people”. In 2008 to 2013, Beijing Hyundai and Hyundai Motor planted 50 million square meters of Suaeda in Tsagaan Nuur, Inner Mongolia. In 2014, Beijing Hyundai formally launched the second phase of the “Plain Blue Banner Baoshadainuor Salty & Alkaline Dry Lake Basin Treatment Project (2014-2018)”. It is expected that by 2018, the project will complete the vegetation of 40 million square meters in the region and help the ecological recovery. By the end of 2016, the project had cumulatively spent more than RMB18 million within 9 years, recorded the participation of over 4,000 volunteers, produced a sand protection barrier with



a total length of 175 kilometers, and recovered a green land area of some 50 million square meters, which could generate 750,000kg of oxygen every day.



Happiness Plan

Beijing Hyundai has played an active part in emergency response, disaster relief, care for vulnerable groups, sport sponsorship and art sponsorship, helped children from impoverished families afford medical services, and guided young people from the earthquake area to shake off the psychological shade. Moreover, Beijing Hyundai has enriched cultural and entertainment life of people, and contributed happiness to the society through charity.

- By the end of 2016, Beijing Hyundai had cumulatively donated RMB27 million
- Beijing Hyundai had cumulatively earmarked RMB35.20 million for art sponsorship for MaMa Mia and Cat, two events that had cumulatively held over 630 events in several cities nationwide and attracted more than 1.10 million audiences.
- Beijing Hyundai had cumulatively spent RMB250 million on the sport sector.

Practice volunteer activities

“Stars as scattered, flame as assembled”. The Group organized and established the young volunteer service team and the “Global Arrival” volunteer service fleet, and the members of the Group successively established the volunteer alliances. Cherishing the same concept, employees from different positions of BAIC Motor walked together to serve the society, practice the environmental protection concept and aid those in need. In 2016, the volunteer service teams served a host of large events, including the International Organization for Standardization (ISO), the Beijing International Marathon and the International Youth Exchange Camp. During the “A Warm Winter” volunteer event, the volunteers organized the donation of clothes and materials, and more than 700 volunteers cumulatively donated more than 800 clothes.



Case

“Global Arrival” volunteer service fleet

During the 2014 Asia-Pacific Economic Cooperation (APEC) meeting, BAIC Motor served the meeting with official cars and selected a batch of excellent driving volunteers. In March 2015, BAIC Motor established the “Global Arrival” volunteer service fleet and continuously conducted voluntary events. In 2015, BAIC Motor assured smooth opening of the 2015 World Snooker China Open. From September 9 to November 5, 2016, 153 volunteers offered the driver volunteer service

to four international brand events, including the general assembly of the International Organization for Standardization (ISO), the Beijing International Marathon, the International Youth Exchange Camp and the G20 meeting of ministers of scientific and technological innovation. They covered a total service range of more than 4,000km with over 30,000 service person times, and helped smooth holding of these events. ■

Case

Beijing Hyundai iCharity Volunteer Alliance

On August 15, 2016, Beijing Hyundai formally announced an all-new volunteer service brand representing love and sharing – iCharity Volunteer Alliance. The alliance holds fast to the concept of “performing social responsibility, carrying forward virtual of mutual help and establishing the charity culture”. It has unified the volunteer service force to help employees solve problems and concerns

internally. Externally, the alliance has visited the Shunyi District Special Education School, the welfare house, schools for migrant workers’ children and other places. By the end of 2016, the Beijing Hyundai iCharity alliance had a total of 26 teams with 101 branch teams and over 5,000 regular volunteers. ■

iCharity Volunteer Alliance

In community life, charity volunteers are friendly with community members, thank the society, beautify the society, protect the environment and reward the society.

Members are kind, meticulous and close as brothers. Members help employees suffering difficulties in family life, organize fleets of love for weddings of colleagues, and buy tickets for employees from other places.

Members help and care for the old with cordial actions. Members give regular performances and extend cozy wishes to Dahuashan, Shunyi House for the Elderly and other nursing homes.

Members sow the seed of hope through aid for electronic education and automotive education. At the same time, members of the alliance care for special children and children at the schools of migrant workers’ children and actively donate money and materials to help their growth.



Outlook

Time never stops, and the automotive industry always changes quickly. In 2017, BAIC Motor will profoundly parse new situations and new challenges it will face during the “Thirteenth Five-year Plan” and establish the transformative development strategy during the “Thirteenth Five-year Plan”, with a focus on the core task to “further deepen the transformation strategy and further carry forward transformation landing”. As usual, BAIC Motor will carry forward the craftsman spirit of “Tenacity, Perseverance, Devotion and Extremity”, manufacture vehicles with heart, pursue prudent operation and draw a new picture of sustainable development.

The Group will continuously reinforce the sustainable development concept, gradually construct and refine the sustainable development management system, always pay attention to communication and collaboration with stakeholders and allow all parties to win.



BAIC Motor will further open up a new time of “open innovation, collaborative innovation and integrative innovation”, and march towards the R&D 2.0 time with the craftsman spirit and a focus on the core of “improving quality and benefit”. We will spare no effort to carry forward proprietary innovation, develop core technologies in depth and work hard to finally realize the mission of “Made in Beijing”.

As usual, we will perform the corporate green responsibility, gradually fulfill environment-friendly production and low-carbon operation, develop new energy products and advocate green and low-carbon mobility, with the green development concept established in the “Thirteenth Five-year Plan” as the cornerstone.

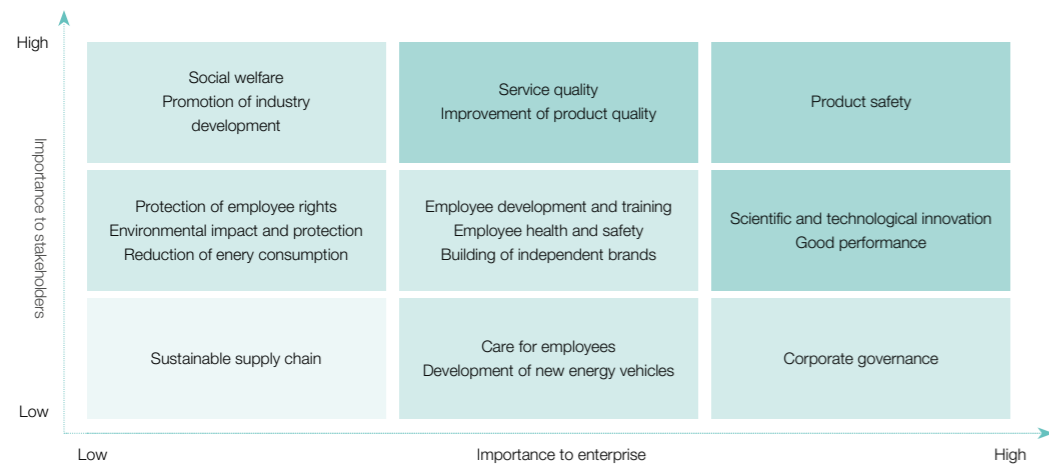
We will continue to pay attention to talent cultivation and build a high-caliber team adapting to corporate development. We will care for employees' health, safety and life, and create more inspirations for employees in work. We will lead all employees to carry forward the corporate spirit of “painful struggle, unity & collaboration, advance in adversity and determination to win”.

We will persist in paying back to the community and performing the corporate social responsibility. We will continuously carry forward development of the current charity brands, watch social demands and respond actively to these demands. We will actively dedicate ourselves to community charity and volunteer cause and drive common development of the community.

In 2017, we will work hard as usual towards the objective to “lead the future car life”, and continuously expand the overall product planning concept. We will be dedicated to providing innovative products and optimal services, providing the best mobility solutions for people, and guiding a good human-car life in future. In the future, we will make human, car and life no longer separable.

Appendix

1. Analysis of Material Issues



2. GRI Content Index

| Stakeholders | Communication mechanism | Stakeholders' appeals | Response of this Company |
|---------------------------|---|---|--|
| Government and regulators | <ul style="list-style-type: none"> • Policies and guidelines • Daily communication | <ul style="list-style-type: none"> • Drive economic development • Tax payment according to law • Honest and legitimate operation • Create job opportunities | <ul style="list-style-type: none"> • Actively respond to national strategies • Good operation • Compliant operation • Create jobs • Strengthen innovation and R&D |
| Stakeholders | <ul style="list-style-type: none"> • General Meeting of Shareholders • Board of Directors • Daily communication | <ul style="list-style-type: none"> • Enhance values • Regularize corporate governance • Transparent operation | <ul style="list-style-type: none"> • Good operating result • Continuously refine corporate governance structure • Comprehensive, timely, accurate information disclosure |
| Customers | <ul style="list-style-type: none"> • Company website • Wechat Public Account • Official Weibo | <ul style="list-style-type: none"> • High price-performance ratio • Security • Deliver high-quality services | <ul style="list-style-type: none"> • Develop new energy vehicles • Refine product quality management system • Organize user events • Customer satisfaction survey |
| Employees | <ul style="list-style-type: none"> • Communication with employees • Trade Union • Staff Council • President's Lunch Party • Bulletin | <ul style="list-style-type: none"> • Sound remuneration and welfare system • Smooth career development channel • Comfortable working environment | <ul style="list-style-type: none"> • Safeguard legitimate rights and interests of employees • Continuously reinforce safety and health management • Provide diverse training • Carry out staff care activities |
| Suppliers and partners | <ul style="list-style-type: none"> • Regular communication • Business cooperation and exchange • Training | <ul style="list-style-type: none"> • Fair and equitable cooperation • Cooperation and mutual benefit | <ul style="list-style-type: none"> • Continuously improve supplier management • Strengthen internal procurement management • Conduct supplier training |
| Dealer | <ul style="list-style-type: none"> • Sales activities • Training • Business instruction | <ul style="list-style-type: none"> • Model supply • Business help | <ul style="list-style-type: none"> • Strengthen instruction and help for dealers in sales activities • Share market information • Conduct dealer training |
| Community | <ul style="list-style-type: none"> • Care for vulnerable groups • Philanthropic events for community | <ul style="list-style-type: none"> • Common community development • Harmonious community relations | <ul style="list-style-type: none"> • Sponsor events • Participate in volunteer events • Be dedicated to social charity |
| Public and media | <ul style="list-style-type: none"> • Information disclosure on media • Philanthropic event | <ul style="list-style-type: none"> • Open, transparent information disclosure • Comprehensive, effective performance of corporate citizen responsibilities | <ul style="list-style-type: none"> • Timely, objective information disclosure |
| Environment | <ul style="list-style-type: none"> • Environmental protection activities • Green operation | <ul style="list-style-type: none"> • Reduce energy consumption and carbon emission • Actively participate in environmental protection activities | <ul style="list-style-type: none"> • Improve awareness of environmental protection • Strengthen the construction of environmental and safety system • Conduct green operation • Perform energy saving upgrade |

3. ESG Index

| No. | Indicator Description | Disclosure | Position in Report |
|--|--|-------------|--------------------|
| A1 Pollutants | General disclosure Waste gas and greenhouse gas emission, pollutant discharge to waters and lands, and generation of hazardous and non-hazardous wastes: (a) Policies; and (b) Information relating to compliance with related laws and regulations delivering a material impact on the issuer. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluoro-carbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations. | Disclosure | P56-P60 |
| A1 Pollutants | A1.1 The types of emissions and respective emissions data. | Undisclosed | |
| A1 Pollutants | A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Undisclosed | |
| A1 Pollutants | A1.3 Total hazardous waste produced (in weight or volume) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Undisclosed | |
| A1 Pollutants | A1.4 Total non-hazardous waste produced (in weight or volume) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Undisclosed | |
| A1 Pollutants | A1.5 Description of measures to mitigate emissions and results achieved. | Disclosure | P56-P60 |
| A1 Pollutants | A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Disclosure | P60 |
| A2 Use of resources | General disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc. | Disclosure | P56-P60 |
| A2 Use of resources | A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Undisclosed | |
| A2 Use of resources | A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Undisclosed | |
| A2 Use of resources | A2.3 Description of energy use efficiency initiatives and results achieved. | Disclosure | P56-P60 |
| A2 Use of resources | A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Undisclosed | |
| A2 Use of resources | A2.5 Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced. | Undisclosed | |
| A3 The Environment and Natural Resources | General disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources. | Disclosure | P56-P63 |
| A3 The Environment and Natural Resources | A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Disclosure | P56-P63 |
| B1 Employment | General disclosure Relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer | Disclosure | P36-P37 |
| B1 Employment | B1.1 Total workforce by gender, employment type, age group and geographical region. | Disclosure | P36 |
| B1 Employment | B1.2 Employee turnover rate by gender, age group and geographical region. | Undisclosed | |
| B2 Health and Safety | General disclosure Information Relating to providing a safe working environment and protecting employees from occupational hazards: (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. | Disclosure | P40-P41 |
| B2 Health and Safety | B2.1 Number and rate of work-related fatalities. | Disclosure | P41 |
| B2 Health and Safety | B2.2 Lost days due to work injury. | Undisclosed | |
| B2 Health and Safety | B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored. | Disclosure | P40-P41 |
| B3 Development and Training | General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer. | Disclosure | P38-P39 |
| B3 Development and Training | B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Undisclosed | |
| B3 Development and Training | B3.2 The average training hours completed per employee by gender and employee category. | Undisclosed | |
| B4 Labor Standards | General disclosure Information on the policies relating to preventing child and forced labor. (a) Policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. | Disclosure | P36 |
| B4 Labor Standards | B4.1 Description of measures to review employment practices to avoid child and forced labour. | Disclosure | P36 |
| B4 Labor Standards | B4.2 Description of steps taken to eliminate such practices when discovered. | No | |
| B5 Supply Chain Management | General disclosure Policies on managing environmental and social risks of the supply chain. | Disclosure | P49-53 |
| B5 Supply Chain Management | B5.1 Number of suppliers by geographical region. | Undisclosed | |
| B5 Supply Chain Management | B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Disclosure | P49-P53 |
| B6 Product Responsibility | General disclosure Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. (a) Policies; and (b) Information relating to compliance with related laws and regulations delivering a material impact on the issuer. | Disclosure | P24-P33 |
| B6 Product Responsibility | B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Disclosure | P28-P31 |
| B6 Product Responsibility | B6.2 Number of products and service related complaints received and how they are dealt with. | Disclosure | P32-P33 |
| B6 Product Responsibility | B6.3 Description of practices relating to observing and protecting intellectual property rights. | Disclosure | P26 |
| B6 Product Responsibility | B6.4 Description of quality assurance process and recall procedures. | Disclosure | P28-P31 |
| B6 Product Responsibility | B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored. | Disclosure | P32-P33 |
| B7 Anti-corruption | General disclosure Policies relating to bribery, extortion, fraud and money laundering: (a) Policies; and (b) Information relating to compliance with related laws and regulations delivering a material impact on the issuer. | Disclosure | P16 |
| B7 Anti-corruption | B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Disclosure | P16-P17 |
| B7 Anti-corruption | B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Disclosure | P16-P17 |
| B8 Community Investment | General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Disclosure | P68-P73 |
| B8 Community Investment | B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Disclosure | P68-P71 |
| B8 Community Investment | B8.2 Resources contributed (e.g. money or time) to the focus area. | Disclosure | P68-P73 |

Note: Key indicators of the environmental part which are not disclosed in this report will be disclosed in "2017 Environmental, Social and Governance Report", pursuant to the *Environmental, Social and Governance Reporting Guide* issued by the Hong Kong Exchanges and Clearing Limited. Considering this is the first ESG report and the information mechanism is now under improvement, we will select not to disclose some key social indicators that are recommended or will disclose these indicators later, for the sake of prudence.

4. GRI Content Index

| No. | Indicator Description | Disclosure | Position in Report |
|---|--|------------|---------------------|
| Strategy and Analysis | | | |
| G4-1 | Statement from the most senior decision maker of the organization | Disclosure | P2-P5 |
| G4-2 | Descriptions of major impacts, risks and opportunities | Disclosure | P2-P5 |
| Organizational Profile | | | |
| G4-3 | Report the name of the organization. | Disclosure | P6 |
| G4-4 | Primary brands, products, and services. | Disclosure | P6-P7, P18-P21 |
| G4-5 | The location of the organization's headquarters. | Disclosure | P6 |
| G4-6 | Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | Disclosure | P6-P9 |
| G4-7 | The nature of ownership and legal form. | Disclosure | P6 |
| G4-8 | Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries). | Disclosure | P6-P7 |
| G4-9 | Report the scale of the organization, including Number of employees; Net sales (for private sector organizations) or net revenues (for public sector organizations); Total capitalization broken down in terms of debt and equity (for private sector organizations); and Quantity of products or services provided. | Disclosure | P2-P7, P18-P21, P36 |
| G4-10 | Total number of employees by employment contract and gender; total number of permanent employees by employment type and gender; total workforce by employees and supervised workers and by gender; total workforce by region and gender; whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors; and any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries) | Disclosure | P36 |
| G4-12 | Describe the organization's supply chain. | Disclosure | P49-53 |
| G4-13 | Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain | Disclosure | P6-P7 |
| G4-14 | Whether and how the precautionary approach or principle is addressed by the organization | Disclosure | P16-P17 |
| G4-16 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization has positions in governance bodies, participates in projects or committees, provides material funding beyond routine membership dues, or views membership as strategic. | Disclosure | P56 |
| Identified Material Aspects and Boundaries | | | |
| G4-17 | List all entities included in the organization's consolidated financial statements or equivalent documents. Report whether any entity included in the organization's Annual Securities Report consolidated financial statements or equivalent documents is not covered by the report. | Disclosure | Notes on report |
| G4-18 | Explain the process for defining the report content and the Aspect Boundaries. Explain how the organization has implemented the "Reporting Principles for Defining Report Content". | Disclosure | Notes on report |
| G4-19 | List all the material Aspects identified in the process for defining report content. | Disclosure | P76 |
| G4-20 | For each material aspect, report the Aspect Boundary within the organization. | Disclosure | Notes on report |
| G4-21 | For each material Aspect, report the Aspect Boundary outside the organization. | Disclosure | P76 |
| G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements | NA | |
| G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries. | NA | |
| Stakeholder Engagement | | | |
| G4-24 | Provide a list of stakeholder groups engaged by the organization. | Disclosure | P76 |
| G4-25 | Report the basis for identification and selection of stakeholders with whom to engage. | Disclosure | P76 |
| G4-26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | Disclosure | P76 |
| G4-27 | Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concern. Report the stakeholder groups that raised each of the key topics and concerns. | Disclosure | P76 |
| Report Profile | | | |
| G4-28 | Reporting period (such as fiscal or calendar year) for information provided. | Disclosure | Notes on report |
| G4-29 | Date of most recent previous report (if any). | NA | |
| G4-30 | Reporting cycle (such as annual, biennial). | Disclosure | Notes on report |
| G4-31 | Provide the contact point for questions regarding the report or its contents. | Disclosure | Notes on report |
| Governance | | | |
| G4-35 | Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees. | Disclosure | P76 |
| G4-43 | Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics. | Disclosure | P76 |
| G4-45 | Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes to support the highest governance body's identification and management of economic, environmental, social impacts, risks and opportunities | Disclosure | P76 |
| Ethics and Integrity | | | |
| G4-56 | Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics. | Disclosure | P16-P17 |
| G4-57 | Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as help lines or advice lines. | Disclosure | P16-P17, P44 |
| G4-58 | Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistle blowing mechanisms or hotlines. | Disclosure | P16-P17 |
| Disclosures on Management Approach | | | |
| G4-DMA | Report why the Aspect is material. Report the impacts that make this Aspect material. Report how the organization manages the material Aspect or its impacts. Report the evaluation of the management approach. | Disclosure | P2-P3 |
| Economic | | | |
| Economic Performance | | | |
| G4-EC1 | Direct economic value generated and distributed | Disclosure | P2-P7, P18-P21 |
| Environmental | | | |
| Products and Services | | | |
| G4-EN27 | Extent of impact mitigation of environmental impacts of products and services | | P56-P65 |
| G4-EN28 | Percentage of products sold and their packaging materials that are reclaimed by category. | Disclosure | P28 |
| Overall | | | |
| G4-EN31 | Total environmental protection expenditures and investments by type | Disclosure | P60 |
| Supplier Environmental Assessment | | | |
| G4-EN33 | Significant actual and potential negative environmental impacts in the supply chain and actions taken. | | P50-P51 |
| Labor Practices and Decent Work | | | |
| Occupational Health and Safety | | | |
| G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | Disclosure | P40-P41 |
| Training and Education | | | |
| G4-LA9 | Average hours of training per year per employee by gender, and by employee category | Disclosure | P38 |
| G4-LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | Disclosure | P38-P39 |
| Diversity and Equal Opportunity | | | |
| G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | Disclosure | P36 |
| Social | | | |
| Anti-corruption | | | |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | Disclosure | P16-P17 |
| G4-SO5 | Confirmed incidents of corruption and actions taken | Disclosure | P16-P17 |
| Product Responsibility | | | |
| G4-PR5 | Results of surveys measuring customer satisfaction | Disclosure | P32 |

Note: This Report is prepared only with reference to the Sustainability Reporting Guidelines (G4) issued by the Global Reporting Initiative (GRI). Considering the extent of disclosure of relevant indicators is still under continuous improvement, this Company will temporarily not tally "core" and "comprehensive" indicators such as environmental and other substantial issues with the benchmark. This Company will disclose these indicators in a planned manner based on actual condition or by stages.

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