

長飛光纖光纜股份有限公司

YANGTZE OPTICAL FIBRE AND CABLE JOINT STOCK LIMITED COMPANY



(a joint stock limited company incorporated in the People's Republic of China with limited liability)  
(STOCK CODE : 6869)

➤ ENVIRONMENTAL,  
SOCIAL AND  
GOVERNANCE REPORT

2016



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# ABOUT THIS REPORT

## SUMMARY

This is the first annual Environmental, Social and Governance (ESG) Report of Yangtze Optical Fibre and Cable Joint Stock Limited Company and its subsidiaries (“YOFC”, the “Company” or “We”), covering its work from 1 January 2016 to 31 December 2016. This report provides a comprehensive picture of the performance and management approach of YOFC in environmental and social matters in 2016, focusing on the concerns of stakeholders, and how YOFC, as a leader of the optical fibre and optical cable industry, achieves economic, environmental and social sustainability.

In preparing this report, we commissioned an independent consultant to engage in sufficient communication with our stakeholders. We also made every effort to ensure that the content of this report satisfies the four main principles – Materiality, Quantitative Measurement, Balance and Consistency – laid down by the Stock Exchange. We will continue to strengthen information collection so as to enhance our performance and disclosure of sustainability issues.

## SCOPE OF REPORTING

This report mainly focuses on the performance of YOFC in ESG and covers Yangtze Optical Fibre and Cable Joint Stock Limited Company and all its subsidiaries. This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Unless otherwise specified, the performance data presented in this report is for 2016 and if feasible, data for previous financial years is presented for comparison and analysis purposes. Where relevant, the report also sets out the short-term, interim and long-term goals and directions.

## INFORMATION ABOUT THE REPORTING DATA

The historical data cited in this report is the final statistical data; in case of any discrepancy between the relevant data and the annual report, the latter shall prevail. Unless otherwise specified, the relevant data in this report is denominated in RMB.

## CONFIRMATION AND APPROVAL

This report is confirmed by the management and approved by the Board on 14th June 2017.

## COMMENTS AND FEEDBACK

We welcome stakeholders’ comments on the ESG management policies and performance of YOFC and encourage you to contact us via the following methods:

By email:  
IA@YOFC.com

By post:  
Office of the Board  
Yangtze Optical Fibre and Cable Joint Stock Limited Company  
No. 9 Guanggu Avenue,  
East Lake High-tech Development Zone,  
Wuhan, Hubei Province

# MESSAGE FROM MANAGEMENT

The global optical fibre and optical cable industry is burgeoning in recent years and the “China Pace” has, in particular, hogged the limelight. In 2016, approximately 60% of the optical cables worldwide are produced in China and YOFC has even developed into the largest supplier of optical fibre preforms, optical fibres and optical cables in the world. Benefitting from the continuous growth in market demand and the constant improvement in technological and innovation capabilities, the day when China becomes the “Four Major Centers” – Research Center, Manufacturing Center, Sales Center and Consultation and Services Center – in the global optical fibre and optical cable industry is not far away.

In 2016, China’s ICT industry was blessed with new historic opportunities; with the introduction of a spate of national strategies, including “Broadband China”, “Internet+” and “One Belt, One Road”, and the flourishing development of technologies such as Cloud Computing, Big Data and Internet of Things, the optical communication market has entered into a new development cycle. As a building block of the network, optical fibre is finding an increasingly wider application and playing a key role in improving the efficiency of the communication industry and making people’s life more colorful and convenient.

2016 marks the milestone for our staff in fulfilling social responsibility. YOFC deeply understand that its success is not only defined by operating results but also its determination and actions in shouldering social responsibility. Under our core value of “Client Focus, Accountability, Innovation, Stakeholder Benefits”, all our staff place great emphasis on fulfilling corporate social responsibility. First of all, the Company improves product quality and satisfaction level of customers continuously through technological innovation and optimization of systems. At the same time, YOFC gives utmost importance to environmental compliance and green production in our corporate governance framework. We ensure that the emission standards of pollutants are met through increasing the utilization rate of resources and the adverse impact brought by our manufacturing activities on the environment is minimized by perfecting our contingency plans for environmental issues. We always firmly believe that human resource is the most important resource and that the quality of our staff and the stability of our teams have a direct impact on corporate success. In order to realize the combination between corporate goals and individual development, YOFC adheres to the concept of “responsibility, efficiency and professionalism” and provides a wide range of support to the growth, development and improvement of staff while steadfastly safeguarding the occupational safety, working environment and labour rights of staff. As a member of the society, YOFC continues to dedicate more capital and human resources to education, disaster relief, community care and charity; it also actively participates in industrial and academic exchanges to widen its horizon and considers these initiatives as important measures for YOFC to fulfill more social responsibility.

During the past year, we have made a series of achievements in performing social responsibility and we are delighted with the overwhelming recognition received from the society. Riding on the policy tailwind of “One Belt, One Road” and leveraging on the momentum generated by the successful listing of the Company on the Stock Exchange of Hong Kong, YOFC actively realizes its business plans in whole industry chain, multi-processes approach, internationalization, diversification and smart manufacturing, achieves steady growth in performance and makes outstanding contribution to the society by maintaining a positive attitude and spirit of facing new challenges. We strongly believe that in the future, YOFC will create new strength, adapt to new environment and new changes and establish a stronger sense of social responsibility to meet more opportunities and challenges and set foot on a higher and broader platform!

**Yangtze Optical Fibre and Cable Joint Stock Limited Company**  
**Zhuang Dan**  
*President*



## ABOUT YOFC

YOFC is the largest supplier of optical fibre preforms, optical fibres and optical cables in the world. The Company primarily manufactures and sells optical fibre preforms, optical fibres and optical cables with various standard specifications that are widely used in the telecommunications industry. It also designs and produces specialty optical fibres and optical cables, including specialty integration systems, engineering design and service that are customized to customers' specifications. YOFC has the most comprehensive optical fibre and cable product portfolios, and provides a wide range of optical fibre and cable products with relevant solutions for the global telecommunications industry and other sectors, including utilities, transportation, petrochemical and healthcare. The Company provides high-quality products and services in more than 60 countries and regions around the world. Since officially commencing production in 1992, the Company has occupied the top slot in production and sales volume of optical fibre and cable products in China for 24 consecutive years and continuously ranked among the top three manufacturers of optical fibres and optical cables in the world.

### CORPORATE PROFILE

Yangtze Optical Fibre and Cable Joint Stock Limited Company, formerly known as “Yangtze Optical Fibre and Cable Company Ltd.”, was established in Wuhan, Hubei Province, in May 1988. In December 2013, the Company was restructured and renamed “Yangtze Optical Fibre and Cable Joint Stock Limited Company”. The substantial shareholders include China Huaxin Post & Telecommunication Economy Development Center, Draka Comteq B.V. and Wuhan Yangtze Communication Industry Group Co., Ltd. (武漢長江通信產業集團股份有限公司).

YOFC, being the first and the only Chinese company listed in Hong Kong which specializes in optical fibre preforms, optical fibres, optical cables and related products, was successfully listed on the Main Board of the Hong Kong Stock Exchange on 10 December 2014. After nearly 30 years of development, the Company now distributes optical fibre and optical cable products globally and has established 25 overseas offices.

The following are the subsidiaries of the Company:

No.	Subsidiary
1	Yangtze Optical Fibre and Cable Company (Hong Kong) Limited
2	EverPro Technologies Company Limited
3	Shenzhen YOFC Connectivity Technologies Co., Ltd.
4	PT. Yangtze Optical Fibre Indonesia
5	Yangtze Optical Fibre and Cable Shenyang Co., Ltd.
6	Yangtze Optical Fibre and Cable Lanzhou Co., Ltd.
7	Yangtze Optical Fibre (Qianjiang) Co., Ltd.
8	Hubei Flying Optical Fibre Material Co., Ltd.
9	Ally First Optical Fibre and Cable Co., Ltd.
10	NK Wuhan Cable Co., Ltd.
11	Yangtze Optics Africa Holdings Proprietary Limited
12	Wuhan E3cloud Information Technologies Co., Ltd.
13	Wuhan YOFC Poly-Tech Co., Ltd.

### Mission, Vision and Values

We operate on a standard model of modern enterprises. Our senior management defines the corporate culture, including mission, vision and values, based on the opinions of stakeholders. We fully adhere to and implement the corporate culture through concerted efforts of all the staff. YOFC will adhere to the core values of “Client Focus, Accountability, Innovation, Stakeholder Benefits”; under the strategic goal of striving to be “No. 1 in the world” and be “the industrial leader”, we endeavor to be the leader in the information transmission and smart connection field.

### EN ROUTE TO INTERNATIONAL PROMINENCE

From a follower to a leader in the technology industry, YOFC has achieved global dominance in three core businesses – the supply of optical fibre preforms, optical fibres and optical cables – at the end of 2016. Leveraging on the national strategy of “One Belt, One Road”, we geared up our efforts in building a global presence after listing on the Hong Kong Stock Exchange and identified internationalization as the Company’s key development strategy for the future five year.

Having positioned the Southeast Asian market as the beachhead of our overseas strategies, at the end of 2014, YOFC and Yadanabon Optical Fibre Company Limited (亞達納邦光纜有限公司) established the first overseas joint-venture company. Phase one is an optical cable project with an annual production of one million fkm (fibre kilometers). YOFC recovered all costs after coming on stream for a year. In early 2015, YOFC launched yet another initiative, cooperating with PT Monas, an Indonesian company, jointly established the first optical fibre manufacturing company in Indonesia with a design capacity of three million fkm in phase one of the project. In September 2016, the Indonesia company commenced production ahead of schedule.

In October 2016, YOFC Africa completed the construction of its plant after eight months of orderly progress while the installation of manufacturing equipment was also finished in late November. The optical cable annual design production capacity of YOFC Africa is one million fkm. The joint venture introduced the most advanced optical cable production equipment and technologies from China which could produce and provide some of the optical cable products that are not available in South Africa due to technological bottleneck. YOFC Africa will expand its presence in South Africa, producing a wide range of new generation optical cables and leading the development of local communications technology and broadband market, and further radiate into the surrounding countries (such as countries in Central Africa, East Africa and West Africa) in the future.

### CORPORATE GOVERNANCE

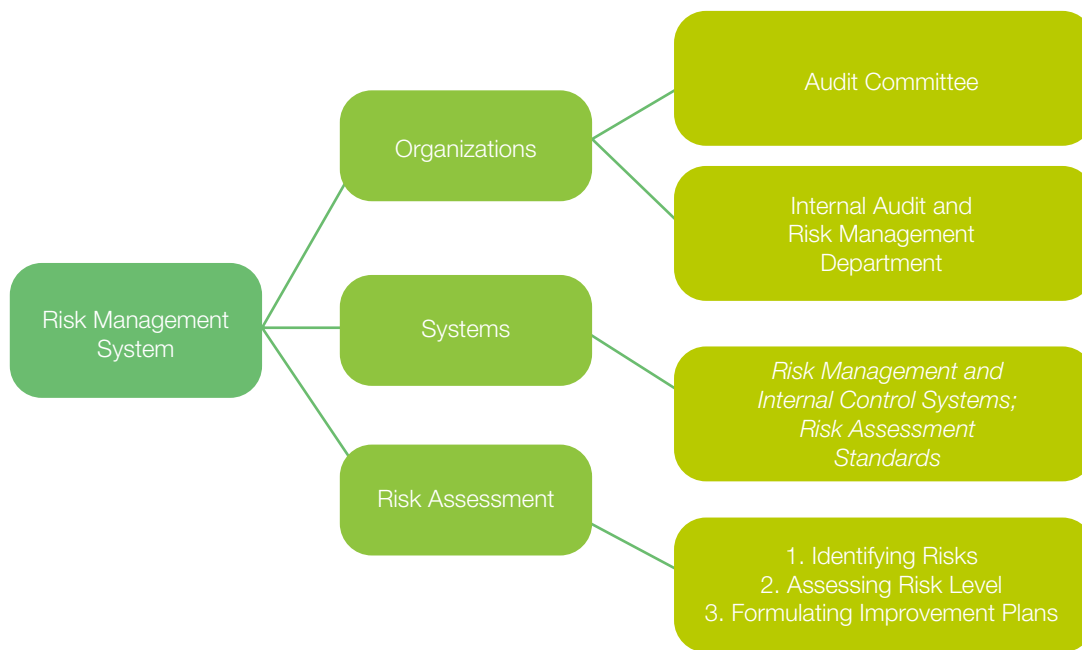
The President is responsible for the organization and management of the Company under the leadership of the Board. The Company ensures efficient operation based on the well-established quality management system – ISO9001/TL9001.

The Company has established an effective incentive and control system for assessing the performance of the members of the governance bodies and senior management. The assessment results are used to improve the effectiveness of individuals, leadership and organization.

The Company has established a top-to-bottom risk management system from the Board to each business division; it has also formulated various internal control systems, including the “Risk Management and Internal Control Systems” and the “Risk Assessment Standards”, to ensure that risk management works are carried out in a comprehensive and effective manner. The Company set up an Audit Committee at the Board level, composed solely of independent directors who are responsible for providing independent advices on the Company’s risk management, internal control and financial statements. In addition, the Company has established an Internal Audit and Risk Management Department which is specifically responsible for carrying out the daily operations related to the Company’s risk management and internal control. The department is independent from the management but under the direct leadership of the Audit Committee of the Board.

## About YOFC (Continued)

The risk management system of YOFC is shown as follows:



## ANTI-CORRUPTION AND ANTI-FRAUD

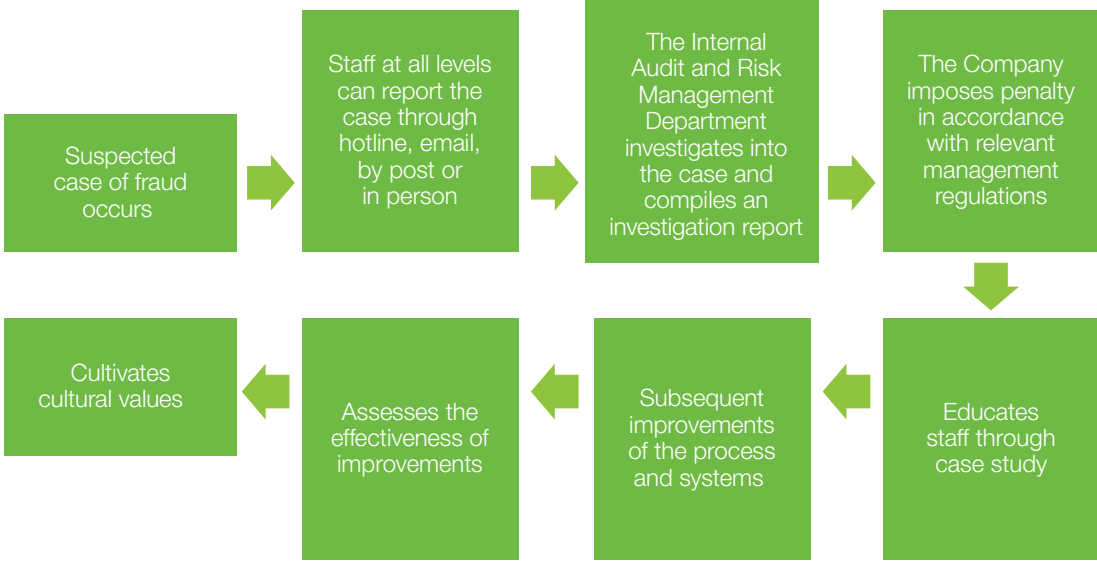
The Company has adopted a series of internal and external measures in its operating activities to build a working environment underpinned by the values of integrity and law-abiding.

- |          |  |
|----------|--|
| External | <ul style="list-style-type: none"> <li>• Being the leader of the industry and taking a leading and demonstration role, YOFC initiated and signed the “Product Quality Self-regulation Treaty of the Optical Fiber and Optical Cable Industry” to promulgate self-regulation of product quality and create an atmosphere of operating in good faith in the industry</li> <li>• Being the first enterprise in the industry which received full recognition under the SA8000 (Social Accountability 8000) Standard, YOFC promotes social responsibility to its supply chain</li> <li>• Information is disclosed in strict compliance with the requirements of regulatory authorities</li> <li>• YOFC pays tax in accordance with laws and has received numerous awards</li> <li>• YOFC upholds the spirit of contract and carries out purchase and sales transactions fairly and legally</li> </ul> |
| Internal | <ul style="list-style-type: none"> <li>• YOFC adheres to the core values of “Client Focus, Accountability, Innovation, Stakeholder Benefits”</li> <li>• YOFC has its own legal officer and engages in legal advisory firms to ensure that various operation activities are legal</li> <li>• YOFC has introduced various regulations and systems as well as issuing documents such as “Staff Manual”, “Anti-fraud, Whistle-blowing and Complaint Management Regulations”, “Senior Management Ethical Standards” and “Code of Conducts for Managers”</li> <li>• YOFC strictly complies with labour laws and regulations and establishes a comprehensive personnel system</li> </ul>  |

To ensure that the organization acts in line with ethical standards, the Company has established a comprehensive internal control system and implemented effective control measures. It has also established an effective complaint mechanism to ensure that all violations of ethical standards are discovered and handled in a timely manner.

About YOFC (Continued)

The Company's process of handling suspected cases of corruption or fraud is as follows:



The Company is making constant effort to put anti-corruption and anti-fraud system into effect. In 2016, all staff received education on work ethics. During the year, there was no non-compliance with laws and regulations and the Articles of Association of the Company. The results of external audit do not contain qualified opinions and no fraudulent issue relating to corruption of the Company or its staff is identified.



# YOFC TAKES ON RESPONSIBILITY – PUTTING ENVIRONMENT, SOCIAL AND GOVERNANCE CONCEPT INTO PRACTICE

We always aim at becoming “No.1 in the globe and leader in the industry” and for which we endeavor to move forward continuously. We firmly believe that sustainable development is the prerequisite and foundation for further development and expansion of a company.

## ESG CONCEPT

YOFC holds fast to the idea of operating with integrity, developing scientifically and operating with stability and exerts itself to become an enterprise which “meets the expectation of the society”. We obey the law, pay tax legally, accumulate and innovate unceasingly and continue to provide high-quality optical fibres and optical cables to our customers.

As the largest optical fibre and optical cable manufacturer in China, the management of the Company is fully aware of the long-term strategic importance of establishing a social responsibility management system and obtaining the SA8000 certification to the Company, and has decided to take the initiative to bear the corporate social responsibility during the process of development. It is our goal to fully implement the idea of sustainable scientific development in a people-oriented way.

YOFC attaches utmost importance to the pollution prevention management. After proper treatment, the discharge and emission indices of wastewater and exhaust gas from our production and domestic activities are even stricter than that required by the national standards. The Company has always adhered to the concept of environmental-friendly and sustainable production and operation. Under this concept, the Company took the lead in the industry to obtain the Environmental Management System ISO14001: 2004 Certification in 2004. This does not only represent that YOFC has met the requirements of international standards in the aspect of environmental management, but also indicates that YOFC will continue to save resources and reduce any harm to the environment while providing high quality products and services to the customers.

**ESG GOVERNANCE STRUCTURE**

To better combat the challenges in ESG, the Company has set up an ESG task force. Led by the Internal Audit and Risk Management Department, the task force looks after the overall planning of environmental, social and governance issues and ensures that the relevant tasks of the ESG task force are smoothly passed down the hierarchy from the highest governance body to employees of different levels in every department. The task force reports to the Board on the ESG work progress on a regular basis and the Board oversees and assesses the effectiveness of the system, so as to ensure sound and desirable ESG governance.



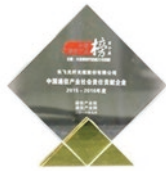
**Functions**

- Responsible for assessing and determining the environmental, social and governance risks of YOFC
- To ensure YOFC has established appropriate and effective risk management and internal control system for environmental, social and governance issues
- To examine and approve systems related to environmental, social and governance issues
- To examine and approve environmental, social and governance reports
  
- To execute risk management and internal control on environmental, social and governance issues
- To offer guidance on the works of the ESG task group
- To examine and review systems related to environmental, social and governance issues
- To confirm the accuracy of the data on performance indices of the environmental social and governance reports
  
- To drive every department to implement various environmental, social and governance systems
- To report the implementation status of the environmental, social and governance projects to the Executive Committee
- To handle data on the environmental, social and governance performance indices
- To prepare the environmental, social and governance reports

## AWARDS AND HONOURS

The technology and quality of numerous products of YOFC are at an advanced level in China and the quality of our products and services are unanimously approved and praised by our peers and users. Below are some of the awards and honours received by the Company in the areas of social responsibility, quality management and technological innovation in recent years:

### Social responsibility



Enterprise of Contribution to Social Responsibility In China's Communications Industry



Top 100 Digital Information Enterprises in China 2014



Grade A Tax Payer

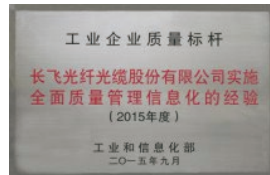


Wuhan "11th 5-Year" Advanced Body of Environmental Protection

### Quality Management



China Quality Award 2016 – Award of Nomination



National Quality Benchmark 2015



Wuhan Mayor Quality Award 2014



Hubei Province Yangtze River Quality Award 2015



Peak of Success (International Quality Award)



Otherways Quality and Honorary Gold Award



International Quality Management Gold Award 2012



European International Quality Platinum Award 2013



Gold Award for Quality and Business Reputation 2013



Gold Award of International Quality Control Panel 2014 & 2015



Management and Quality Award in the US, 2015



International Star for Leadership in Quality & Peak of Success Quality Award 2015



YOFC takes on Responsibility – Putting Environment, Social and Governance Concept into Practice (Continued)

Technological Innovation



National Exemplary of Experimental Unit for Intelligent Manufacturing 2015



National Main Laboratory for Optical Fibre and Optical Cable Manufacturing Technology



Hubei Provincial Technology Progress Award – Second Class Award



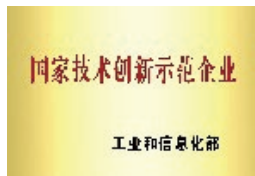
National Science and Technology Progress Award – Second Class Award



National Independent Innovation Product Certificate



Innovative Enterprise



National Exemplary Enterprises in Technological Innovation



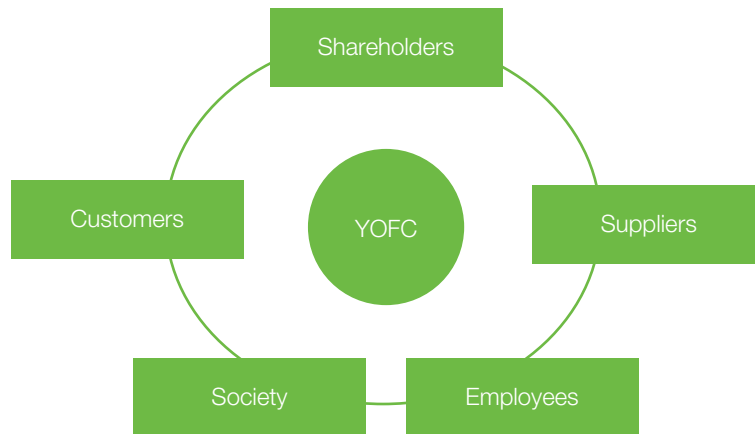
Approval of the System of Integration of Informationisation and Industrialization of the Company by the Ministry of Industry and Information Technology in April 2016



The title of "Outstanding CEO for Promoting Integration of Informationisation and Industrialization in China", granted to the Executive Director of the Company in 2014

## COMMUNICATION WITH STAKEHOLDERS

YOFC highly emphasizes the communication with different stakeholders, actively carries out regular and effective communications with stakeholders and incorporates their feedback into the long-term sustainable development strategies of the Company. We have identified five major stakeholders, which are the shareholders, suppliers, employees, society and customers. We strengthen the direction and focus for the company based on the needs of the five major stakeholders.



We actively communicate with different stakeholders in order to understand their concerns. We also review the effectiveness of the relevant actions regularly so as to improve the communication channels and reflect the stakeholders' opinions in a more comprehensive way. The table below sets out the issues that different groups of stakeholders are concerned about during the Reporting Period.

## YOFC takes on Responsibility – Putting Environment, Social and Governance Concept into Practice (Continued)

Stakeholder Groups	Issues Concerned	Ways of Communication and Feedback	Frequency
<b>Employees</b>	Promotion and Development Salary and Benefits Education and Training	<ul style="list-style-type: none"> <li>– Staff Performance Appraisal Interview</li> <li>– Internal Journal (newspapers, magazines)</li> </ul>	<p>Appraisal Interviews from time to time</p> <p>Internal Publication “YOFC Today”</p>
<b>Shareholders/ Investors</b>	ESG Governance Business Development Energy Saving and Consumption Reduction	<ul style="list-style-type: none"> <li>– Annual General Meeting/ Extraordinary General Meeting</li> <li>– Investor Meeting</li> <li>– Results Presentation</li> <li>– Press Release/ Announcement</li> <li>– Site investigation</li> </ul>	<p>General Meeting held annually, Extraordinary General Meeting held under special circumstances</p> <p>Investor Meetings and Site Investigations from time to time</p>
<b>Suppliers</b>	Supplier Management Energy Saving and Consumption Reduction Business Development	<ul style="list-style-type: none"> <li>– Site Investigation</li> <li>– Interviews</li> </ul>	Annual supplier meeting
<b>Customers</b>	Business Development Energy Saving and Consumption Reduction Quality Control	<ul style="list-style-type: none"> <li>– Site Investigation</li> <li>– Interviews</li> </ul>	Irregular
<b>Society</b>	ESG Governance Charity Energy Saving and Consumption Reduction	<ul style="list-style-type: none"> <li>– News Release/ Announcement</li> <li>– Meeting</li> </ul>	Irregular

### ANALYSIS OF MATERIALITY

During the Reporting Period, we specifically engaged a third-party consultancy company to design relevant ESG questionnaires and conduct interviews with stakeholders in order to understand the opinions and expectations of different stakeholders on the responses and disclosures of YOFC on environmental, social and governance issues and thus providing a solid basis for the Company to draw up long-term strategies. The consultancy company collected over 300 valid questionnaire feedbacks and carried out on-the-phone or face-to-face interviews with over 20 stakeholders from different fields.

Our assessment on material issues is principally performed in four stages. As shown in the diagram below, we first identify the various material environmental, social and governance issues which may have an impact on the businesses of YOFC or stakeholders. Then, we conduct questionnaire surveys and interviews with stakeholders as well as analyzing and prioritizing the potential material issues based on the results of the questionnaires and interviews and verify the results with the management. Lastly, we review the flow of the assessment on material issues.

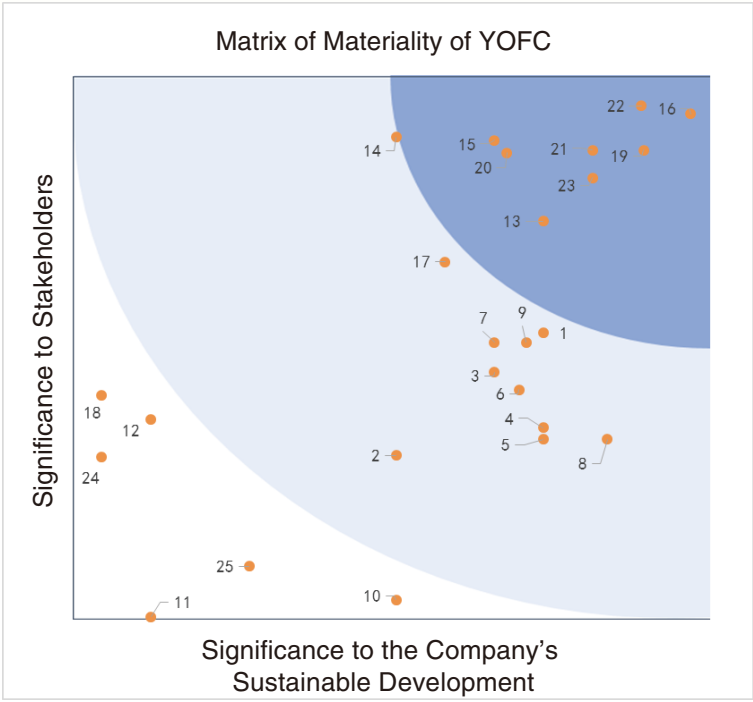


## YOFC takes on Responsibility – Putting Environment, Social and Governance Concept into Practice (Continued)

Procedures of Assessment on Material Issues:

1. Identify potential material issues	After going through, among others, the internal journal, media analysis, industry benchmarking analysis and other relevant documents, the independent consultancy company identifies the potential material issues which reflect the economic, environmental and social impact of YOFC's business or affect the stakeholders' assessment and decision on YOFC.
2. Prioritize potential material issues	The independent consultancy company formulates a stakeholder communication plan and conducts comprehensive questionnaire surveys and interviews in order to understand the prioritized issues that the stakeholders are concerned about. In the end, they create a materiality matrix and identify the issues of key topics based on the analysis of the matrix.
3. Verification of the results by the management	The independent consultancy company submits the matrix results of materiality to the management, so as to confirm the materiality of identified issues and whether those material issues are those concerned about by internal and external stakeholders of YOFC. We will then truthfully reflect the performance of YOFC on the related issues in the report.
4. Review	We assess whether the report content reasonably describes the impact and performance in sustainable development of YOFC and whether the procedure of preparing the report content reflects the intended purposes of the report. We invite stakeholders to express their opinions in this aspect.

Through the above assessment procedures, we identify material issues related to YOFC's social responsibility which form an essential part of this report. We will disclose the relevant content in this report in details.



No.	Content of Issues
1	Treatment of Exhaust Gas and Reduction in Emission
2	Emission of Greenhouse Gases
3	Total Amount of Hazardous Solid Wastes
4	Use of Materials
5	Reduction in Water and Electricity Consumption
6	Management of Hazardous and Non-hazardous Wastes and Reduction in Discharge
7	Treatment of Domestic Wastewater and Reduction in Discharge
8	Energy
9	Usage Plan of Water Resources
10	Use of Packaging Materials
11	Impact of Climate Change on Business
12	Diversified Backgrounds of Employees and Equal Opportunities
13	Retaining Employees and Reducing Turnover Rate of Employees

No.	Content of Issues
14	Safe and Comfortable Work Environment
15	Employee's Development and Training
16	Compliance with Labour Laws
17	Selection of Suppliers Based on Environmental and Social Factors
18	Assessment on Suppliers' Environmental and Social Performance
19	Customer Service and Channels of Communication
20	Respect for Intellectual Property Rights
21	Quality Verification
22	Protection of Customers' Information and Privacy
23	Anti-corruption
24	Community Contributions
25	Charity Work

# YOFC ON GREEN FUTURE – PROMOTING ENERGY CONSERVATION AND EMISSION REDUCTION

We insist on the idea that although the input in environmental protection and energy conservation hardly delivers economic benefits in the short run, the resulting social and environmental benefits are priceless in the long run. Guided by this idea, we took the lead in the industry to obtain the ISO14001: 2004 Environmental Management System Certification in 2004. This does not only represent that YOFC has met the requirements of international standards in the aspect of environment management, but also indicate that YOFC will continue to save resources and reduce any damage to the environment while providing high-quality products and services to the customers.

We have not only obtained the ISO14001: 2004 Environmental Management System Certification, but also been awarded the Advanced Unit of Cleaner Production by Wuhan Environment Protection Bureau.



## Certificate of Registration

ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2004

This is to certify that: **Yangtze Optical Fibre And Cable Joint Stock Limited Company**  
No.9 Guanggu Avenue  
East Lake High-tech Development Zone  
Wuhan  
Hubei  
430073  
China

长飞光纤光缆股份有限公司  
91420100610400352X  
中国  
湖北省  
武汉市  
东湖新技术开发区  
光谷大道9号  
邮编: 430073


Holds Certificate No: **EMS 517702**

and operates an Environmental Management System which complies with the requirements of ISO 14001:2004 for the following scope:

The design, manufacture and sales of optical fibre preform, optical fibre, optical cable and distribution equipment.

光纤预制棒、光纤、光缆产品及配线设备的设计、制造和销售。

For and on behalf of BSI:

  
**Chris Cheung, Head of Compliance & Risk - Asia Pacific**

Original Registration Date: 12/09/2007  
Latest Revision Date: 02/11/2016

Effective Date: 09/06/2016  
Expiry Date: 14/09/2018

Page: 1 of 1



...making excellence a habit™

This certificate was issued electronically and remains the property of BSI and is bound by the conditions of contract. An electronic certificate can be authenticated [online](http://www.bsi-global.com/ClientDirectory). Printed copies can be validated at [www.bsi-global.com/ClientDirectory](http://www.bsi-global.com/ClientDirectory) or telephone +86 10 8507 3000. Further clarifications regarding the scope of this certificate and the applicability of ISO 14001:2004 requirements may be obtained by consulting the organization. This certificate is valid only if provided original copies are in complete set.

Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. Tel: + 44 345 080 9000  
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.  
A Member of the BSI Group of Companies.

ISO14001: 2004 Environmental Management System Certification



**SAVING RESOURCES**

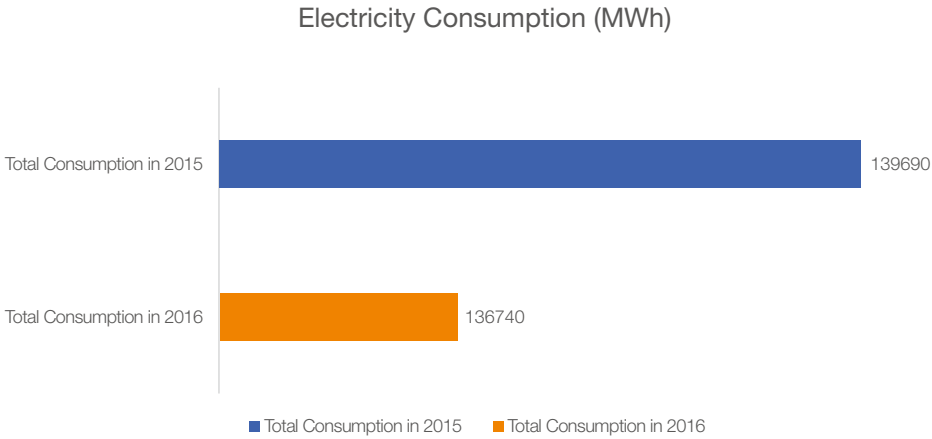
YOFC holds fast to the concept of energy conservation and consumption reduction. The model of energy conservation and green production is applied throughout the entire production process of the Company. Since 2007, YOFC has fostered cleaner production within the Company and has continuously introduced new technology and new equipment to further save energy, reduce consumption and cut emission. We set a target for controlling energy consumption every year.

**Energy Conservation and Reduction**

The energy consumption per unit of production volume keeps going down while the scale and production volume of the Company are expanding continuously, rapidly and healthily, making positive contribution to the sustainable development of the national economy and environmental protection. We have adopted measures including, but not limited to:

- Application of closed-cycle cooling to reduce energy consumption
- Linkage of motive power and production to reduce electricity consumption
- Replacing all light tubes with LED tubes in the factory areas to reduce electricity consumption
- Shortening the distance of transportation and enhancing logistics efficiency to reduce carbon emissions from transport

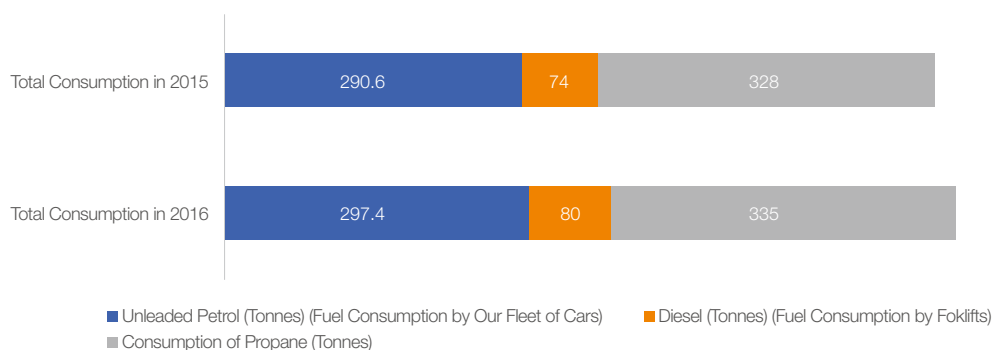
Electricity consumption of the production base of Wuhan headquarter in the recent two years is as follows:



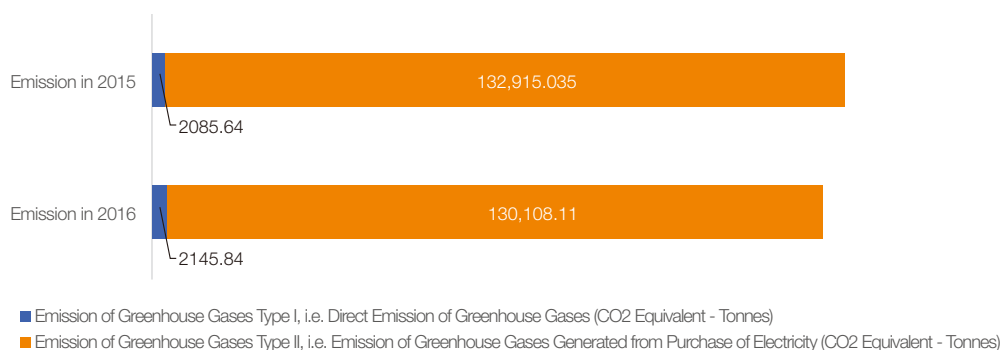
## YOFC on Green Future – Promoting Energy Conservation and Emission Reduction (Continued)

Other energy consumption and greenhouse gas emissions are as follows:

### Other Energy Consumption



### Emission of Greenhouse Gases



#### Case Sharing:

##### Upgrade of Praxair on-site nitrogen production equipment

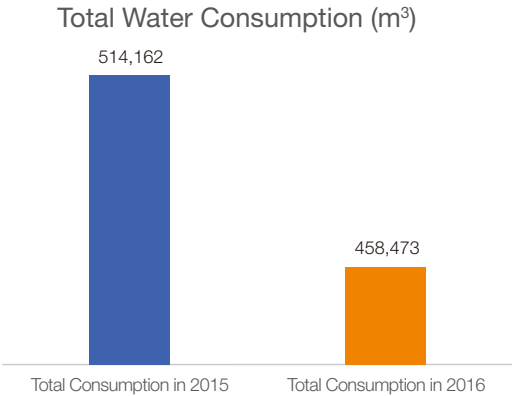
In the past, the Praxair nitrogen tank installed at the YOFC Wuhan headquarters supplied vaporized liquid nitrogen for the production of YOFC. For the sake of conserving energy, reducing emission and cutting cost, a mutual agreement was reached in 2016, under which Praxair purchased a nitrogen generator and is responsible for operation and maintenance while YOFC supplies electricity to the nitrogen generator which provides nitrogen to YOFC. The expenses saved from this move is equivalent to 8,240,000 kWh of electricity.

##### Optimization of water cooling system in the production process

In 2016, the Wuhan headquarters upgraded and enhanced two water cooling systems in the production process. Through enhancement and modification, the burden of refrigeration machine was lowered and the water consumption of the cooling tower in the refrigeration machine was also reduced. After calculation, the upgrade and enhancement of these two sets of equipment can save 840,000 kWh of electricity annually.

**Management of Water Resources**

YOFC constantly works on promoting water conservation. We reduce tap water consumption and improve water use efficiency in various ways as part of our efforts to contribute to building a green and sustainable society. Through a series of technological reforms, systematic policies on water conservation and unremitting efforts of our staff, the total water consumption at Wuhan headquarters in 2016 decreased by 21.55% compared to 2015, and the actual water consumption is shown in the diagram below:



**Use of packaging materials**

The Company is also actively promoting the recycling projects and encourages the continuous use of the remaining valuable materials:

- Recycled use of cable sheath
- Cable cover recycled to the supplier for reuse
- Introducing product trade-in programs
- To reduce resources consumption, we use plywood instead of timber to produce some of the coiling reels. This move dramatically reduces the consumption of timber without compromising the quality of products.

The consumption of packaging materials at YOFC production base in 2016 is as follows:

Total amount of packaging materials used in finished products in 2016	Wuhan headquarters	Yangtze Optical Fibre and Cable Shenyang Co., Ltd.	EverPro Technologies Company Limited
Paper (tonnes)	282.9	1	3
Plastic (tonnes)	0	0.5	1
Metal (tonnes)	0	2	0
Timber (tonnes)	10,134.0	95	0



## COMPLIANT EMISSION

Targeting at the emission of wastewater, exhaust gas, solid waste and noises from factories, the Company has prepared relevant documents on procedural management and conducts management in strict accordance with ISO14001 Environmental Management System. We specifically carry out stringent Environmental Impact Assessment and “Three Simultaneities” for environmental protection for each project of new construction, expansion and reconstruction. The Company strictly enforces the corresponding regulations of discharges by discharging wastewater in compliance with “Integrated Wastewater Discharge Standard” (GB8978-1996) Level III and the limit set by “Wastewater Quality Standards for Discharge to Municipal Sewers” (CJ343-2010), emitting exhaust gas in accordance with Level II standard in Table 2 of “Integrated Emission Standard of Air Pollutants” (GB16297-1996), transmitting noises at factory boundaries in accordance with “Emission Standard for Industrial Enterprises Noise at Boundary” (GB12348-2008)Types 3 and 4. As to the management of solid waste, we have also set up explicit rules for solid waste management and pass all hazardous wastes generated to qualified units for disposal. Non-hazardous wastes generated from production are transferred to material recycling companies for recycle and reuse.

Subject	Measures to reduce emission include
Waste	<ul style="list-style-type: none"> <li>• Reduce the generation of spent acid by improving the production process</li> <li>• Reduce the amount of dye waste by recycling dye</li> <li>• Recycle preforms and extract their germanium for reuse; an acid pickling process is added through the improvement in production process; and the usage of Butanone can be reduced by 90%, thus reducing the amount of liquid waste</li> </ul>
Wastewater	<ul style="list-style-type: none"> <li>• Reconstruct and upgrade the sewage treatment plant and became the first company in the development zone to install online monitoring system</li> </ul>
Exhaust Gas	<ul style="list-style-type: none"> <li>• Improve the raw materials used, so as to reduce the concentration of exhaust gas emitted</li> </ul>
Noise	<ul style="list-style-type: none"> <li>• Install more bafflers in the factory areas to lessen the impact of noises on neighboring residents</li> </ul>

We have specifically formulated monitoring plans for wastewater, exhaust gas and noise at factory boundaries. Apart from regular self-monitoring, we also commission qualified third parties to monitor the discharge of pollutants in order to ensure that our pollutant emissions meet requirements of related standards. Based on the monitoring performed in 2016, all of our pollutants were discharged legally and far below national discharge limits.

## YOFC on Green Future – Promoting Energy Conservation and Emission Reduction (Continued)

The wastewater generated by us mainly comes from the wastewater for washing the tubes in the production process and domestic wastewater. Based on the monitoring results of wastewater by a third party, the concentrations of pollutants in discharged wastewater in Wuhan factory areas and the Science & Technology Park are shown in the following table:

Parameters	Detection Indicator	COD <sub>Cr</sub> (chemical oxygen demand; mg/L)	BOD <sub>5</sub> (biological oxygen demand; mg/L)	SS (Suspended solids; mg/L)	Ammonia nitrogen (mg/L)
<b>Location of discharge</b>					
	South Factory Area, Wuhan Base	101.8	30.75	15.5	5.05
	North Factory Area, Wuhan Base	30.65	11.7	70	7.9
	Science & Technology Park Base	114	42.1	62	15.83

Note: The results of South Factory Area, Wuhan Base and North Factory Area, Wuhan Base are calculated based on the average in the monitoring report of the third party.

The main wastes generated from the production process include waste organic solvents, acid sludge, waste ink bottles and sludge containing calcium chloride generated in sewage treatment. Among them, waste organic solvents, waste acid and waste ink bottles are disposed of as hazardous wastes by qualified third-party institutions commissioned by us.

Type of wastes	Waste organic solvents	Waste acid	Waste ink bottles	Sludge of calcium chloride
Amount of disposal (tonnes)	43.04	483.86	1.88	344

Note: The amount of waste organic solvents, waste acid and waste ink bottles includes the amount transferred from Wuhan Base and Science & Technology Park to third parties in 2016. The amount of sludge of calcium chloride is that disposed of by Wuhan Base in 2016.

### Case Sharing:

Take Yangtze Optical Fibre and Cable Shenyang Co., Ltd. as an example, the waste BPT (polybutylene terephthalate) materials, steel wires, materials for protective coat, FRP (Fiber Reinforced Polymer/Plastic) generated in production activities are sold externally to waste recycling stations; waste packaging materials, ink, waste ink bottles, fibre jelly, cable jelly, waste bucket, etc. are recycled by the suppliers for reuse. In order to implement the idea of green production and further reduce the generation of hazardous wastes, Yangtze Optical Fibre and Cable Shenyang Co., Ltd. installed and constructed a range of pollution treatment facilities, including 20 devices for absorption of active charcoal, fume purifiers, grease traps, septic tanks and cooling towers.

## CONTINGENCY PLANS FOR ENVIRONMENTAL PROTECTION

The wastewater, exhaust gas and waste residue used for rinsing in the production process of the Company may cause pollution to the environment and have adverse effect on the society and community. In order to prevent, avoid and eliminate the adverse effect mentioned above, the Company has formulated special management plans and procedures targeting at important environmental factors and developed contingency and response plans, so as to cope with possible environmental pollution emergencies and prevent any adverse effect on the environment and society.

Aspect	Risk factors	Possible Impact	Preventive measures
<b>Environmental Protection</b>	Wastewater, exhaust gas and waste residue	Incidents of environmental pollution that cause water and air pollution	To ensure normal operation of wastewater and exhaust gas treatment equipment; to pass waste to institutions with professional qualifications for integrated use; to monitor the internal control index, which is stricter than the international one, through self-monitoring box and regular monitoring by professional institutions, etc.
<b>Energy Conservation, Consumption Reduction and Integrated Use of Resources</b>	Water, electricity, noble gases	Waste of resources, increase in operating cost, hindrance to sustainable development	To establish a system of energy management. To consider forming a circular economy system with neighboring enterprises on site selection for new projects; to formulate annual plans for energy conservation and consumption reduction through equipment optimization and improvement in production process to achieve the goal of conserving energy and reducing consumption. For example, the graphite stove of the stretching tower is replaced by induction furnace to reduce 60% of energy consumption.
<b>Public Hygiene</b>	Infectious diseases, food poisoning	Numerous people infected with diseases or poisoned, resulting in undesirable social reaction	Adequate pre, on and post physical examination; to select of high-quality supplier for canteen; to set up emergency plan for food poisoning and perform drills regularly.

# YOFC ON HIGH QUALITY – MAINTAINING THE CREDIBILITY OF PRODUCT QUALITY

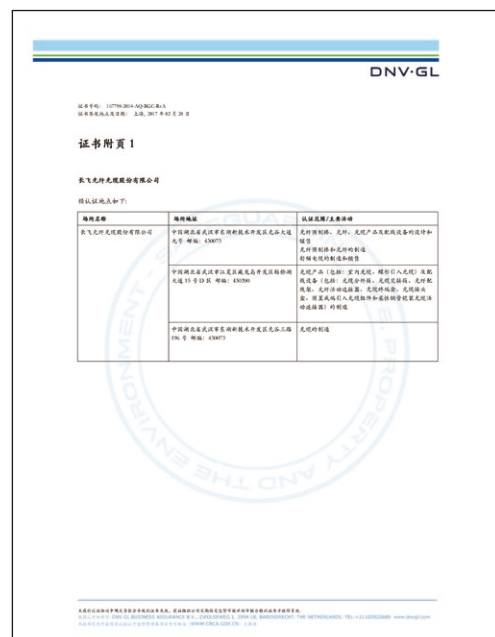
A corporate is the primary party responsible for product quality and safety, which has always been stipulated in national laws and regulations. YOFC always demonstrates devotion to product quality as well as customer and social responsibilities. We promise that all business activities are responsibly carried out on a high-quality basis. We have established a well-developed management system to ensure product quality and have been optimizing the management system continuously. Under the leadership of the Company's leaders and with the efforts of all staff members, YOFC has been widely recognized as a responsible, trustworthy and high-quality corporate in the society.

## QUALITY COMES FIRST

Since its establishment, YOFC has been striving to uphold the product concept that customers come first, quality takes the priority, adhere to people-oriented and develop with innovation. We have designed a series of measures to improve product lifetime and quality. The Company introduced modern production technologies, which along with its modern management methods and systems, especially the advanced quality management procedures in the industry, to ensure that every production procedures is under strict and scientific quality control. We adopted the enterprise resource planning system (ERP) to initiate the corporate resources planning system, which implemented whole-process quality control from the purchase of raw material, review of contracts, manufacturing of products, delivery of products to the provision of after-sales services, so as to ensure that the products, processes and services can satisfy consumers' needs.

In order to provide consumers with high-quality goods and services, YOFC conducts 100% testing on the main parameters of optical fibre and optical cable products. All the test data is automatically collected to the data base for access and trace back. Procedural management measures are applied in the production process to strictly control the crucial production processes and prevent defective products from entering the next procedure.

We were awarded the ISO 9001:2008 Registration Certificate by DNV Netherlands which further strengthened our internal and external quality management system.



ISO 9001:2008 Certificate of Registration



## YOFC on High Quality – Maintaining the Credibility of Product Quality (Continued)

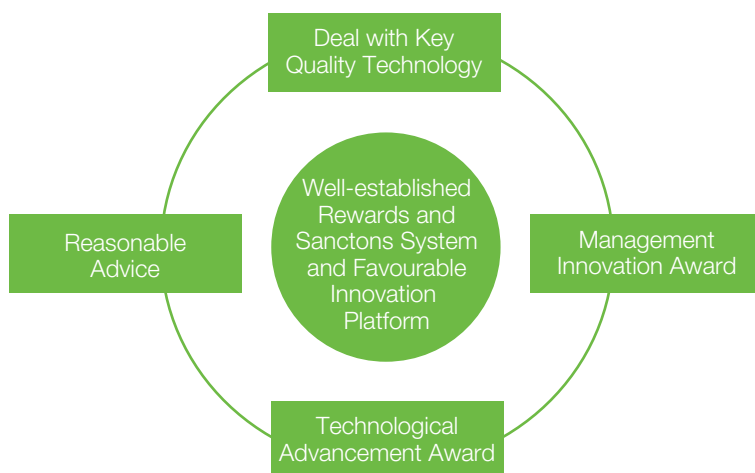
The technology and quality of various products of YOFC are at advanced level in China, as proven by the unanimously recognition and praise of the product and service quality of YOFC from peers and consumers. In recent years, the Company is well recognized, both at home and abroad, for its quality and credibility; the awards it received include “Wuhan City Mayor Quality Award”, “Changjiang Quality Award of Hubei Province”, “China Quality Award – Nomination Award” and various international quality awards.

In addition, YOFC has taken the lead in participating in quality self-regulation. YOFC took the initiative to lead 24 enterprises in the industry to co-sign the “Quality Self-regulation Treaty of the Optical Fiber and Optical Cable Industry”, the first of its kind in China’s optical fiber and optical cable industry, which is unanimously affirmed by the leaders of three leading operators. At the same time, as a third-party commissioned by the industry association, YOFC assists the association to test the quality of products in the industry.

### INTELLECTUAL PROPERTY

To materialize the transformation from “world factory” to “smart manufacturing”, YOFC has actively engaged in corporate technological innovation and intellectual property works. In 2013, we were the first ones honorably recognized as China’s Leading Intellectual Property Enterprise. After three years of incubation period and upon approval, YOFC further applied for the title of National Intellectual Property Demonstration Enterprise. Upon nomination by the Hubei provincial intellectual property office and approval by the State Intellectual Property Office, we successfully gained the title of National Intellectual Property Demonstration Enterprise in 2016.

YOFC placed high importance on the transformation and application of the results of technological innovation; it also established well-developed management and incentive systems for technological innovation and intellectual property. In order to promote innovation activities, the Company issued various management documents, including “YOFC Innovation Management Procedures”, “Management Procedures for Continuous Improvement Projects”, “Rewards System for Corporate Technological Innovation” and “QC Team Management Procedures”. In terms of organizational management, our supervisor is responsible for leading the innovation department and our team leaders are in charge of innovation projects while a flexible and open system is adopted for the management of human resources.



YOFC on High Quality – Maintaining the Credibility of Product Quality (Continued)

Since its establishment, YOFC has acquired 301 patents in China by introducing, assimilating, adopting and innovating technologies, including 130 invention patents. Approximately 250 patents in China remain effective and the number of invention patents acquired in overseas amounts to 35. Our major domestic and overseas patents are as follows:

Name of Patent	Place of Registration
Bend insensitive single mode fibre	China
Bend insensitive single mode fibre and its manufacturing method	China
Ant prevention microtubule for laying micro-cable	China
Low-temperature impact test device for cable	China
Large solid fibre preform, its manufacturing method and equipment	China
Large bend insensitive multi-mode fibre preform and its manufacturing method	China
Central-tubed air-blown micro cable	New Zealand
Single mode optical fibre	Korea
Large optical fibre preform and the manufacturing method of its optical fibre	US
Large effective area single mode fibre	US
Method and device for automatically controlling the temperature of optical fibre coatings	Africa

Our ongoing research and development has allowed us to achieve technological breakthroughs one after another. At the same time, we are committed to create a sustainable future with the advancement of technology. Everyone in YOFC is bold in breaking new ground and adept at making innovations. Under the leadership of our vice president Zhang Mu, the Company was awarded the National Scientific and Technological Progress Award – Second Class Award, which is the highest level of technological award in the industry so far. In addition, YOFC has become a national enterprise technology center and innovative enterprise, the entrusted company of State Key Laboratory of Optical Fiber and Cable Manufacture Technology and one of the key members for establishing the ITU-T Standard of the International Telecommunication Union and the IEC Standard of the International Electrotechnical Commission. Under the leadership of the Company’s leaders and concerted efforts of all staff members, technological innovation is now creating tangible value for the Company.

## SUPPLY CHAIN MANAGEMENT

The brand concept of YOFC is rooted in globalization, diversification and whole supply-chain development. We always firmly believe that corporate growth and suppliers are intimately related. Suppliers are influential to the quality of products and services of the Company. We are committed to establish long-term, reliable and mutually beneficial cooperative relationship with our suppliers and various business partners as well as selecting, managing and accessing suppliers in a strict manner.

### Well-established Supplier Management System

The supplier management process of YOFC set out the requirements for introducing, selecting, assessing, encouraging and removing suppliers; it also provides guidance and standardizes the management of suppliers in procurement activities. The success in supplier management is one of the prerequisites for the Company to purchase materials and services with high cost-performance ratios. YOFC selects and manages suppliers through the following three aspects:

- (1) In supplier management process, the basic requirement for the suppliers is that they comply with national environmental and social laws and regulations and those who failed will not be selected.
- (2) YOFC enters into “Letter of Commitment of Supplier’s Social Responsibility” with raw material suppliers, specifying the obligations and duties of raw material suppliers regarding social responsibility. The requirements are implemented in accordance with the state laws and regulations.
- (3) Raw material suppliers involving hazardous chemical shall have obtained necessary certificates, such as the safety production license granted by competent institutions or relevant environmental licenses; those who failed to do so are regarded as unqualified.

At the same time, YOFC requires raw material suppliers to:

- Provide a third-party quality test report every three months.
- Send salesperson or technician to the Company and handle quality complaints on-site with the Manufacturing and Production Department.

In addition, YOFC has formulated regulations for transportation management of carriers, which standardize provisions for the management of carriers of the Company in transportation activities and management responsibilities of relevant departments. Such initiative is to ensure that the transportation activities of raw materials and products of the Company satisfy the production and customer delivery needs of the Company and that the transportation activities are well-managed.

### Hierarchical Management

YOFC has a range of indicators to evaluate and assess the existing suppliers. The Company assesses the suppliers quarterly and evaluates them annually. The major indicators are:



YOFC on High Quality – Maintaining the Credibility of Product Quality (Continued)

Each of the suppliers is categorized according to its total marks: Category A (90-100 marks); Category B (70-89 marks); Category C (60-69 marks); Category D (59 marks or below). Supplier ranked in Category A will be granted an outstanding supplier award. Supplier ranked in Category C for two consecutive years or ranked in Category D during the year will be disqualified.

**Promoting Localization of Suppliers and Raw Materials**

For raw materials of our products, the procurement department will give priority to local suppliers under the condition that their performances of integrated assessment on pricing, logistics, costs and quality are impressive. Most of the suppliers we purchased raw materials from in a centralized way are from Mainland China.

The distribution of suppliers we purchased raw materials from in a centralized way is shown below:



**Social Responsibility Control**

The standards adopted by YOFC to push suppliers perform well on the aspects of environmental protection, compliance and working conditions are just the same as our internal control standards. If illegal use of child labor, forced labor, poor working environment, insecure occupational health and safety of staff and illegal discharge of sewage exist in the business activities of suppliers, or the products of suppliers do not meet the ROHS (Restriction of Hazardous Substance Directive) requirements, YOFC will directly revoke their qualifications or order them to rectify in specific period of time.

In addition, when selecting suppliers, YOFC will take consideration of their energy conservation and emissions reduction targets and require suppliers to implement environmental protection measures in accordance with state laws and regulations.



## LEADER OF THE INDUSTRY

YOFC is one of the leading optical fibre and optical cable suppliers in the world. We took a leading role in amending five international standards for optical fibre and optical cable recommended by ITU-T (International Telecommunication Union Telecommunication Standardization Sector), participated in amending five ITU-T standards as well as initiating and participating in amending 53 national standards or industrial standards. On 7 September 2016, EverPro Technologies Company Limited, our subsidiary, was invited by USB IF (USB Implementers Forum) through the related industry association to attend the first meeting of active optical cables working group in the headquarters of Intel at US Silicon Valley. During the meeting, YOFC discussed and formulated the relevant standards of active optical cables with tech giants, including Intel and Apple, to contribute to the promotion and application of the standard.

Under the leadership of the Company's management and department managers, YOFC actively engaged in and organized various product exhibitions to have in-depth interaction with our operators and customers. We also had substantive interaction with upstream raw material suppliers so as to better understand the latest developments of optical fibre and optical cable supply-chain and familiarize with market development. In the meantime, we have achieved stellar success in our product exhibitions.

In 2016, we participated in key international conferences, including the FTTH (Fiber to the home) Council Asia-Pacific Annual Conference and World Optical Fibre and Cable Conference. We also attended a number of local industry meetings, including PT/EXPO CHINA in Beijing, China International Optoelectronic Expo in Shenzhen, Optinet China Conference and China Wire & Cable Industry Conference. Besides, we have in-depth interactions with major industry associations, including China Association of Communications Enterprises and its subsidiary optical cables association and China Electronic Commerce Association. At the same time, to cater for the needs of the Strategic and Marketing Department, International Sales and Marketing department and Special Products Department in promoting products and brands, the Company actively participated in 28 domestic and foreign exhibitions, including the Optical Fiber Communication Conference and Exhibition in US, International Communication Exhibition in Russia and LASER World of PHOTONICS CHINA. These industry meetings send a strong signal to the public that YOFC does not shy away from taking an exemplary role as the leader of the industry and effectively promote the international brand image of YOFC.



Participating in World Optical Fibre and Cable Conference



Sharing in China Institute of Communications

## YOFC on High Quality – Maintaining the Credibility of Product Quality (Continued)



Participating in domestic and foreign exhibitions

### CUSTOMERS' SATISFACTION

We believe that the establishment of a standardized after-sale services system has direct impact on customer satisfaction. We always attach high importance to establish excellent after-sale services. We have dedicated staff who are directly responsible for monitoring the work of after-sale services as well as coordinating and dealing with decision makings and enquiries. We strive to improve work efficiency continuously to ensure the effective long-term management of after-sale services on the organization level. When we receive complaints, we adopt measures in a timely manner and coordinate actively to ensure customers' satisfaction. YOFC has formulated an "After-sale Services Manual Instructions" for standardizing the responsibilities and work of after-sale services staff and team leaders. The instructions also set out the response system, reporting system, training system and performance appraisal system of all staff involved in providing after-sale services with a view to delivering the finest after-sale services.

We conduct customer satisfaction survey every year to understand customers' needs and enhance customer satisfaction. The survey mainly focuses on learning customers' satisfaction on our products and services as well as getting customers' suggestions and opinions. We wish to better evaluate the Company's products and their market performance through customers' feedback. The survey is conducted by means of questionnaires and telephone interviews. According to the results of the survey, we received overall satisfaction from customers with an average rating of 92.6 marks in 2016 (Note: Total marks is 100). We received letters of appreciation from our customers, including Huawei and China Telecom, and was selected as "The Best Supplier" by China Mobile and "Outstanding Supplier" by SLT.

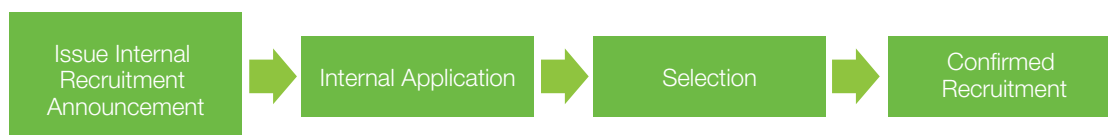
# YOFC ON TALENT TRAINING – UPHOLDING TALENT CONCEPT

Since its establishment in nearly thirty years ago, the Company has always firmly believed in the talent concept that human resource is the most important resource. Nowadays, with the constantly changing technology, the quality of our employees and the stability of our teams have a direct impact on the success of an enterprise. The organic integration of the Company’s goals and personal development, creation of a cooperative atmosphere and provision of a fair competition opportunity have all become the driving forces of the sustainable development of YOFC. YOFC always adheres to the concept of “responsibility, high efficiency and professionalization” and offers opportunities for employee’s growth, development and promotion. We have trained up a large contingent of employees with aspirations, responsibility and creativity.

## EMPLOYEE OVERVIEW

The Company strictly adheres to the national and local laws and regulations; we are firmly against the illegal use of child labor or forced labor. In order to standardize the employees’ recruitment process more efficiently, the Company has formulated a detailed “Recruitment Plan” which ensure better allocation of human resources and a fair and just recruitment process. At the beginning of each year, the human resources and administration department implements the recruitment plan according to the strategies and annual objectives of the Company and also the approved annual budget. The recruitment is carried out through both internal and external recruitment.

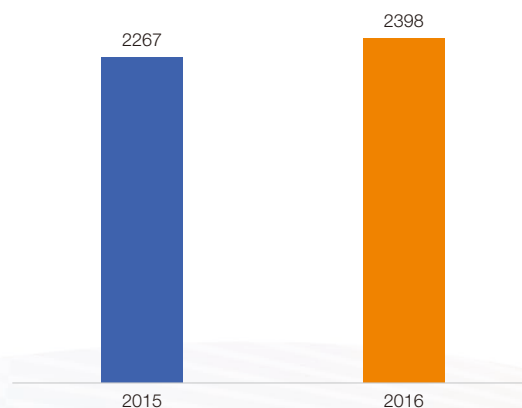
Internal recruitment process includes:



External recruitment process includes:

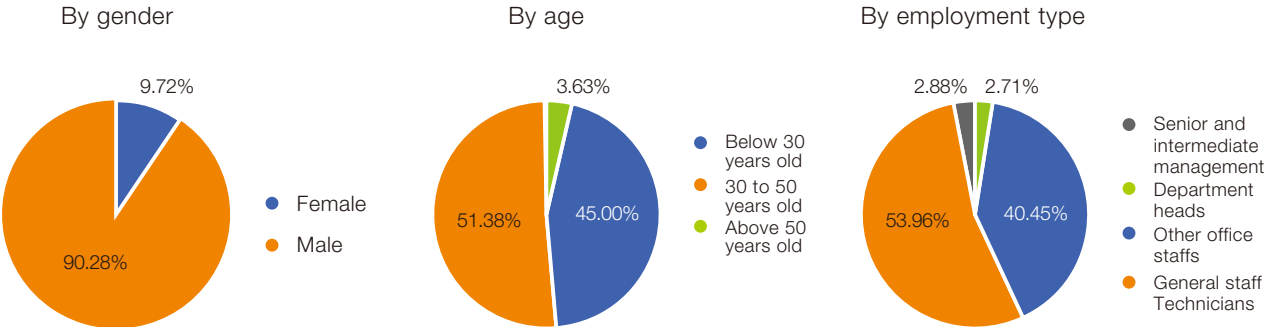


For the year ending 31 December 2016, the Company employed a total of 2,398 employees, an increase of 5.8% when compared with 2015.



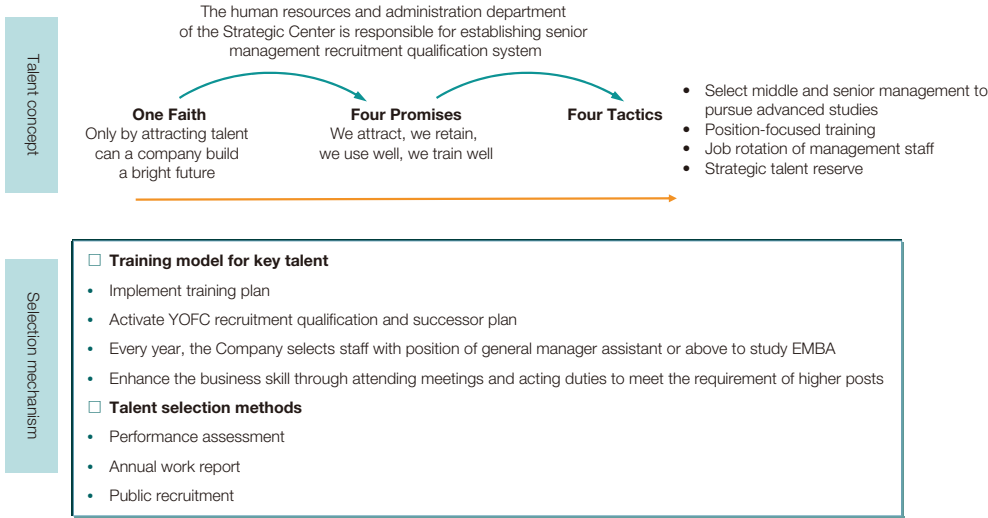
YOFC on Talent Training– Upholding Talent Concept (Continued)

Headcount by gender, age and employment type is as follows:



**EMPLOYEES’ DEVELOPMENT**

YOFC actively trains up future leaders and establishes the following talent concept and selection mechanism:



**Performance management**

Our performance management aims at realizing the corporate strategic objectives. Through the continuous and effective communication between the management and their subordinates and improvement of the cyclical process of performance planning, performance implementation, performance assessment and performance feedback, the performance of employees is improved, thereby strengthening the performance management process of the departments and the whole enterprise. The performance assessment system includes the following three aspects:

- (1) Performance assessment: measure the work completion status of each organization level and employee from each position, which specifically include the performance assessment levels of corporate, functional centers, departments and employees;
- (2) Points addition and points deduction items attributed to exceptional events: refers to events beyond performance assessment indicators;
- (3) Working attitude assessment: measure the ability required for each employee position so as to fulfill the job duties and, at the same time, measure the working attitude, awareness and working style of our employees.



## YOFC on Talent Training– Upholding Talent Concept (Continued)

The performance assessment results of each level are mainly classified into A, B, C and D. The ratio of each grading in the departmental assessment is confirmed by the Company's assessment results. The personal performance assessments of executives of the level of department managers and assistant managers are carried out and arranged in a centralized manner. The ratio of each grading in the annual performance assessments of staff below the level of assistant managers is determined based on the department performance assessment results.

### Promotion system

The performance assessment results are used to determine the employees' year-end bonus and promotion eligibility. Meanwhile, the rearrangement of employees' position is made with reference to the performance assessment results for the past three years. The Company establishes clear career development paths for our employees which is centered on upgrading the ability of employees. Employees are promoted according to the established standard procedures, which specifically include intra-level promotion and promotion to higher level.

Intra-level promotion: intra-level promotion refers to promotion within the same major position level when an employee has, to a certain extent, enhanced his ability in the original position, but has yet reached the requirement of a more senior level. The decision of an intra-level promotion is based on the annual performance assessment results of the employees.

Promotion to higher level: promotion to higher level is mainly designed for the professional development of talents. An employee is promoted to a higher level when he/she meets the qualification requirements of a more senior level. The decision of promoting to higher level is made based on the qualification requirement of each position.

### DIVERSIFIED CULTURE

With a diversified culture and an inclusive working environment, YOFC is committed to creating an internal working atmosphere with no discrimination to gender, nationality and religious belief in which every employee can use his/her potential to the fullest extent and realize the vision and values hand in hand with the Company. Such corporate culture enables YOFC to integrate different kinds of culture and beliefs and to strengthen customer trust, which helps YOFC to gain more advantages in its international development. The Company has always been respecting different customs and religious belief and ensuring that the legal rights of each employee are well protected.

Out of respect to the belief and culture of our employees in Indonesia, we specifically built a mosque and prayer rooms in the area of our Indonesia factory. We also provide traffic allowance for employees travelling forth and back from mosques.

As at 31 December 2016, YOFC Africa has employed 42 employees, the majority of which came from the neighboring areas. YOFC Africa plans to employ 80 additional local employees in the year 2017. We proactively promote and facilitate the communication and exchange among employees with different cultural backgrounds. We also offer diversified training which effectively facilitate communication and cultural exchange between technical staff from different nations. Our well-designed training program makes sure employees from South Africa can have a better grasp of the advanced production concept of YOFC.

### SMOOTH COMMUNICATION

The Company is committed to creating an excellent communication environment and providing diversified communication channels for our employees to fully express their ideas. Through highly-efficient communication between the organization and employees and that between employees, the operation and management capabilities of the organization are improved continuously. Such initiative also ignites the passion of our employees and enhances the core competitiveness of the Company. The Company puts emphasis on collecting employees' opinion with the hope that our employees can also participate in the Company's management. Meanwhile, the Company wishes that through employees' suggestions, it can raise the level of satisfaction and commitment of the employees.

YOFC on Talent Training– Upholding Talent Concept (Continued)

YOFC has established smooth, effective and diversified internal communication and feedback channels with details as follows:



Meanwhile, the Company is committed to creating a harmonious working environment for our employees to enhance their physical and mental health. The Company organizes a variety of employees' activities every year, which include various kinds of large-scale cultural activities, Chinese New Year's Evening Gala, Sports Day, etc. In addition, we also organize a series of employees' leisure activities, including e-competition, tree-plantation, sports activities, etc.

YOFC on Talent Training– Upholding Talent Concept (Continued)



2016 Chinese New Year's Evening Gala



YOFC Tug-of-war Competition



YOFC Group Third Basketball Competition



YOFC Third Gas Volleyball Competition



YOFC Cable Department Longwan Development Training



YOFC First Football League for Amateurs



YOFC Second Karting Grand Prix



YOFC Eighth Sports Day & Third Fun Sports Day

YOFC on Talent Training– Upholding Talent Concept (Continued)

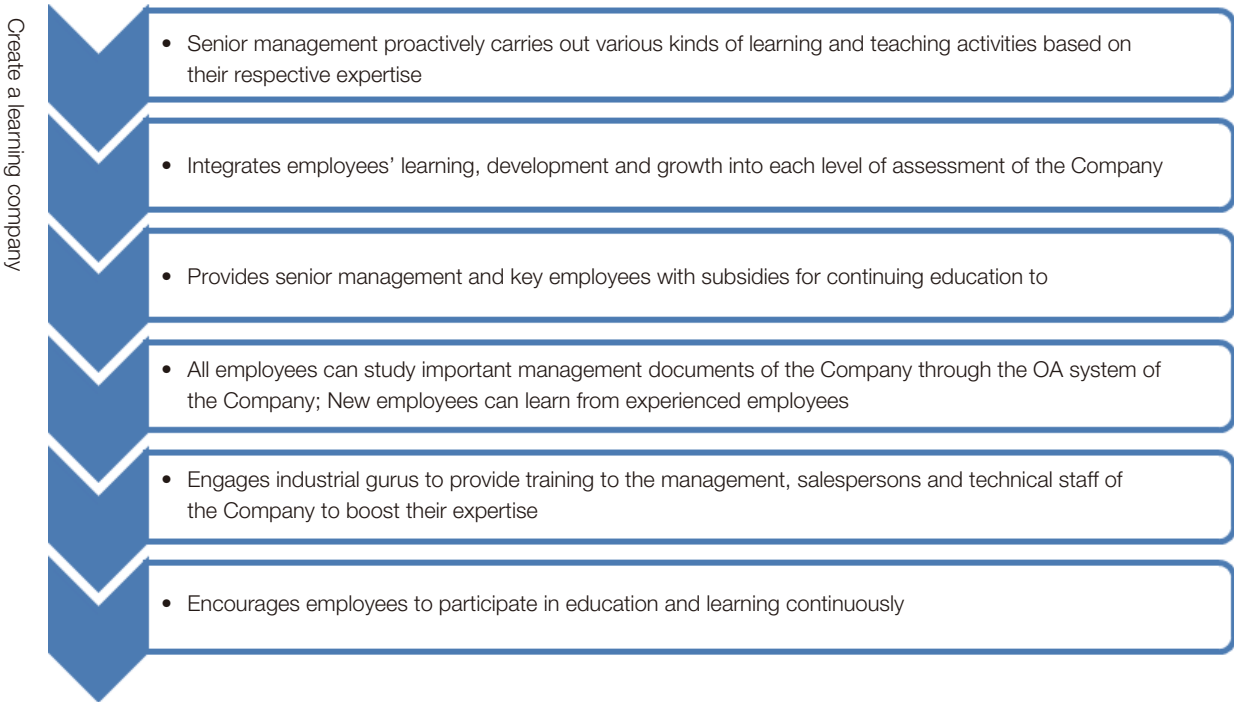
Our employees work hard and play hard. During their leisure time, they live with energy and charm, and spread the positive attitude to strive courageously forward. We also organize a series of colorful activities to let our employees train up their body, creating a harmonious atmosphere as well as strengthening team spirit and enterprise cohesion. At the same time, these activities bring laughter and health to our employees, forming an important component of our corporate spirit and culture. It reflects the persistence progressive spirit and the cooperative team spirit of YOFC.

**TRAINING AND EDUCATION**

It is our desire to see every employee develop his/her potential to the fullest extent. We endeavor to create the best working conditions and atmosphere for our employees. In order to help our employees to develop their career, YOFC also provides them with a platform for performances and plentiful of training opportunities.

Currently, the approved training system of YOFC includes “Personnel Training Procedures”, which covers the division of responsibilities on the training for different departments, preparation of training plan, training budget, allocation and management, training process, management of training activities, analysis of training effectiveness, preparation of training record, etc. It also standardizes various training and approval forms.

YOFC has made the following efforts in creating a learning company:





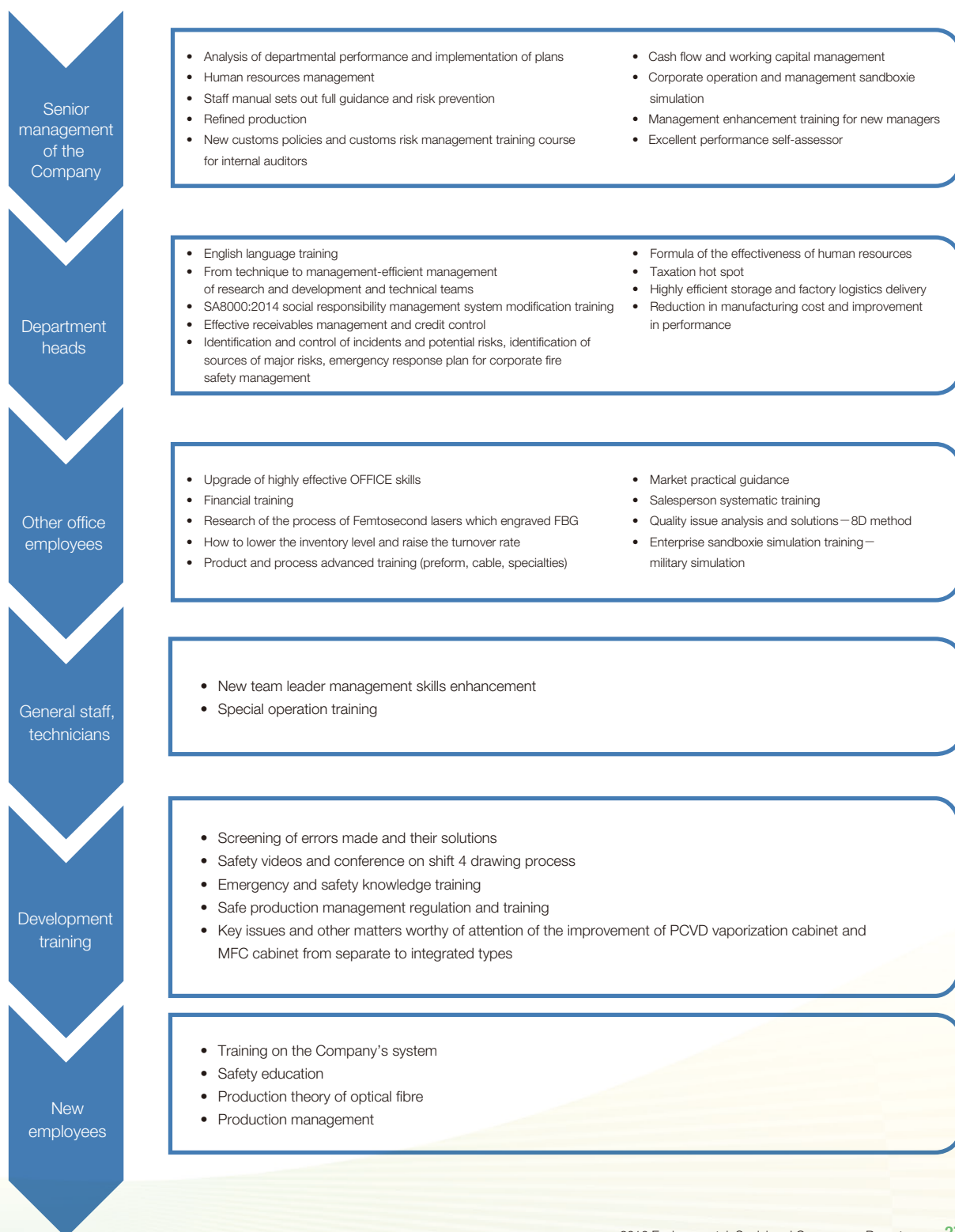
YOFC on Talent Training– Upholding Talent Concept (Continued)



Senior management EMBA learning courses

## YOFC on Talent Training— Upholding Talent Concept (Continued)

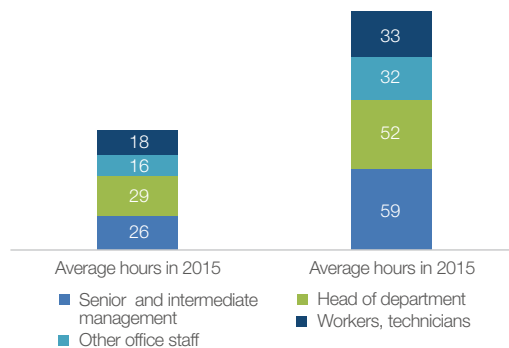
To nurture qualified professionals for the talent reserve plan and the successor plan of the Company, the Company places high attention to employees' training and development. We have established new employees' training, three-level training and other trainings by the headquarters and local branches. The details are as follows:



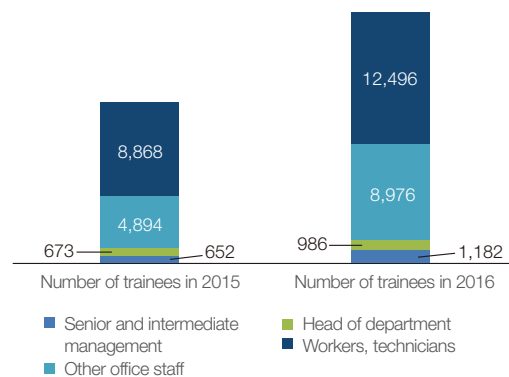
## YOFC on Talent Training– Upholding Talent Concept (Continued)

Education and training are the objective needs for an enterprise to enhance staff quality, working standard and to accomplish the established goals. To cope with the increasingly intense market competition, YOFC enhances educational training for employees continuously to strengthen the overall quality of the team. In 2016, both the number of YOFC employees who received training and the respective training time increased significantly.

### Average hours of training



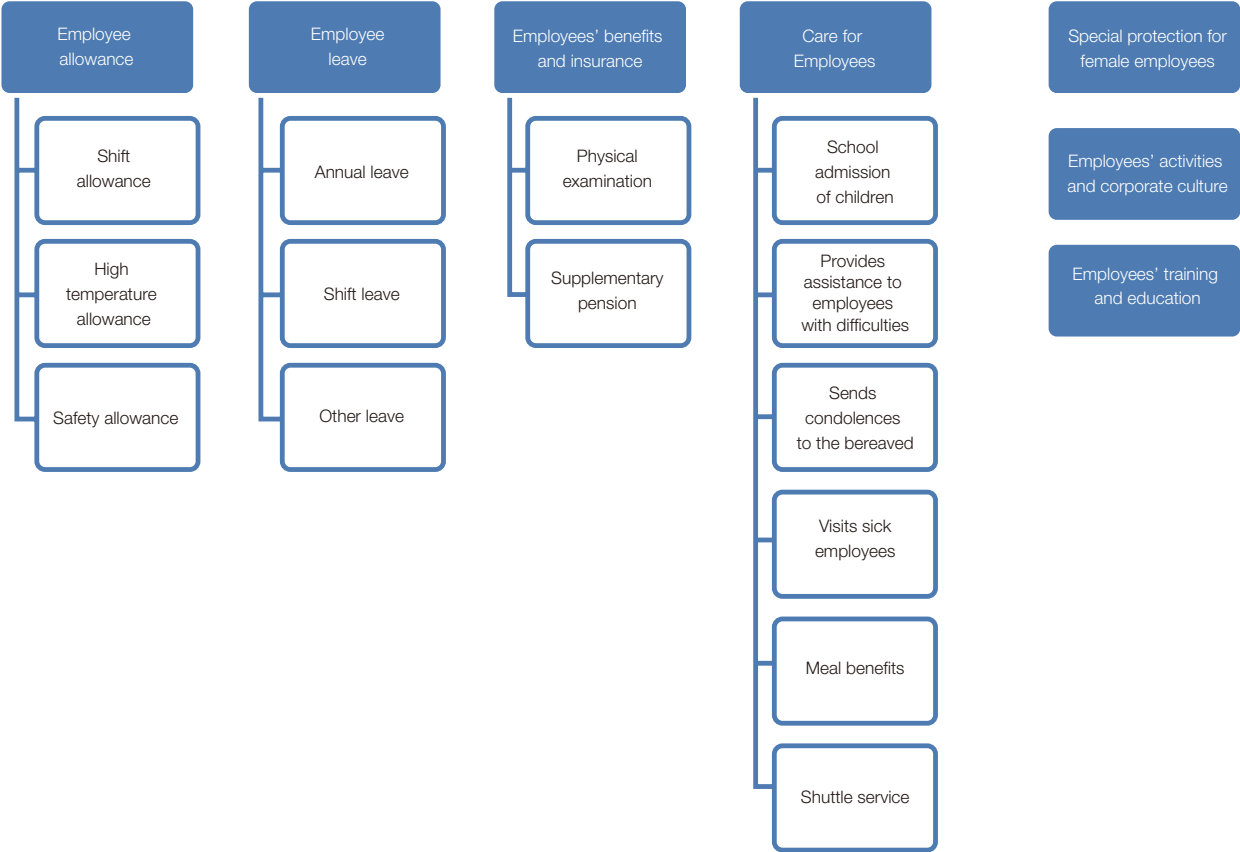
### Number of trainees



Apart from the trainings related to business operation and employees' development, in order to ensure the effective operation of the OHSAS 18001 – occupational health and safety system and SA8000: 2008 – social responsibility management system, the Company has established an emergency response system and organizes emergency drill regularly for dangerous chemical leakage or fire to ensure safe production.

**EMPLOYEE BENEFIT**

YOFC manages the employee relationship based on the principles of safeguarding the legal rights of the employees and establishing a harmonious employee relationship. YOFC strictly complies with the national and local laws and regulations. The Company provides competitive benefits and safeguards the legal rights of the employees through “Collective Contract”, “Employee Manual”, various rules and regulations concerning about employee benefits, employees’ activities, etc. In terms of the wide spectrum of benefits provided to the employees, YOFC has always been a leader in the industry. The major benefits which YOFC employees enjoy include:



# YOFC ON SAFETY

## – STRICT REQUIREMENTS ON SAFE PRODUCTION

While upholding the operational philosophy of “Customers come first, Quality takes the priority, people-oriented and development with innovation”, YOFC places strong emphasis on the safety of operation and the occupational health and safety of our employees. It is always one of our key tasks to protect the personal safety and health of our employees.

We strive to provide satisfactory work environment to our employees, carry out safe production and operation, consistently and strictly implement the relevant requirements of laws and regulations, including the “Labour Law”, “Production Safety Law”, “Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance”, “Provisions on the Supervision and Administration of Occupational Health at Work Sites”, “Provisions on the Supervision and Administration of Labor Protection Articles”, in order to provide necessary safety protection measures and safe operation trainings to our employees.

### SAFE PRODUCTION

The Company established the Safety and Environmental Management Department in April 2016 and has dedicated staff to patrol each of the three factory areas. In addition, a log book for safety and environment patrol was newly introduced; in total, 214 inspections were carried out with 497 items of potential risks revealed and rectified. Through re-evaluation of safety standardization, benchmarking was performed on the overall safety management and we once again obtained the Safety Standardization Level II Certificate. Besides, 95 front-line operational instructions were inspected, 49 temporary storage sites for chemicals were thoroughly checked, 7 potential risks were eradicated and the equipment lists of all departments were sorted out.

YOFC has no significant incidents of injury or death, significant incidents of pollution and significant incidents of leakage of hazardous chemicals in the recent three years. As a result of the outstanding performance in the aspects of environment and public liability, the Company receives wide recognition from the society and obtained the titles of “Advanced Unit of Safe Production” and “Advanced Body of Environmental Protection”.

### SAFETY TRAINING

YOFC pays high attention to establishing and improving our employees’ awareness of health, safety and environment (HSE) issues through comprehensive training. In order to standardize the management of HSE training and enhance our employees’ awareness and skills in HSE, the Company provides “Three-level Education” to all newly-recruited employees, namely company training, departmental training and team training.

Company training is collectively organized and arranged by the Human Resources Administration Department and may be performed with other trainings simultaneously; departmental training and team training are organized and arranged separately by the respective departments, which are also responsible for organizing the training activities and designing the training content based on the characteristics of the respective departments and teams. The training results are sent back to the Human Resources Administration Department. Staff responsible for special operations are not allowed to work without showing their certificates and relevant trainings are arranged for them by the Human Resources Administration Department. The certificate originals are kept by the Human Resources Administration Department collectively while the employees keep the copies. For staff responsible for managing safe production, they are required to participate in the training for “Qualification in Safe Production” arranged by the Human Resources Administration Department and organized by the production safety supervision authorities.



**Case Sharing:**

In 2016, in accordance with the then latest regulatory requirements, the Company amended 24 documents related to safety and environmental management, including the handling procedures in the event of incidents, responsibility system for safe production and special equipment, and selected certain documents to provide training to department safety officers. Meanwhile, we initiated a seminar of Bhopal case study and established an interactive mechanism comprising 13 neighboring communities and units.

**OCCUPATIONAL HEALTH**

YOFC has obtained the Occupational Health and Safety Assessment Series 18001(OHSAS18001). We continuously enhance the overall management level and reduce the incidents of work-related injuries and the potential risk of occupational diseases to a minimum.



**Certificate of Registration**

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM

<p>This is to certify that: Yangtze Optical Fibre And Cable Joint Stock Limited Company No.9 Guanggu Avenue East Lake High-tech Development Zone Wuhan Hubel 430073 China</p>	<p>长飞光纤光缆股份有限公司 91400100010400352X 中国 湖北省 武汉市 东湖新技术开发区 光谷大道9号 邮编: 430073</p>
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Holds Certificate No: **OHS 501715**

and operates an Occupational Health and Safety Management System which complies with the requirements of BS OHSAS 18001:2007 for the following scope:

The design, manufacture and sales of optical fibre preform, optical fibre, optical cable and distribution equipment.  
光纤预制棒、光纤、光缆产品及配线设备的设计、制造和销售。

For and on behalf of BSI:

  
**Chris Cheung, Head of Compliance & Risk - Asia Pacific**

Original Registration Date: 30/12/2005  
Latest Revision Date: 02/11/2016

Effective Date: 09/06/2016  
Expiry Date: 08/06/2019

Page: 1 of 1



...making excellence a habit.™

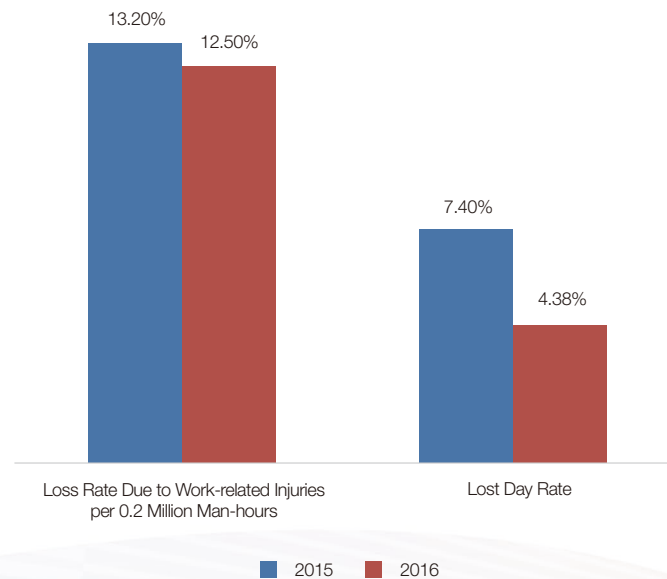
This certificate was issued electronically and remains the property of BSI and is bound by the conditions of contract.  
An electronic certificate can be authenticated [online](http://online).  
Printed copies can be validated at [www.bsi-global.com/ClientDirectory](http://www.bsi-global.com/ClientDirectory) or telephone +86 10 8507 3000.  
Further clarifications regarding the scope of this certificate and the applicability of BS OHSAS 18001:2007 requirements may be obtained by consulting the organization.  
This certificate is valid only if provided original copies are in complete set.  
Information and Contact: BSI, Kibbark Court, Davy Avenue, Knowlton, Milton Keynes MK5 8PR. Tel: + 44 345 080 9000  
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.  
A Member of the BSI Group of Companies.

## YOFC on Safety – Strict Requirements on Safe Production (Continued)

To cope with the risks arising from the impact of our operational process on employees' health, we have set up an internal control index, as indicated in the following diagram, which is even stricter than that required by general laws and regulations:

<b>Item of Control</b>	Public Health
<b>Relevant Risk</b>	Hazards to Personal Safety
<b>Internal Control Index</b>	No Occurrence of Incidents Threatening Public Safety
<b>Method of Measurement</b>	Internal Monitoring by the Company; Engaging External Monitoring
<b>Procedures and Measures of Control</b>	<ol style="list-style-type: none"> <li>1. Management in Accordance with OHSA18001</li> <li>2. Annual Medical Checkup and Survey on Occupational Diseases</li> <li>3. Monitoring the Industrial Hygiene in Workshops</li> </ol>

In 2016, there were in total 3 incidents of work-related injuries and no incidents of work-related injuries resulted in death. Loss of work days due to the 3 incidents of work-related injuries was 105.5 days.



# CONTRIBUTION OF YOFC – FULFILLING CORPORATE SOCIAL RESPONSIBILITY

In order to put our core corporate values into full practice, YOFC has not only contributed to the society through its business activities, providing products, technologies and services that are beneficial to the society, but also, as a member of the society, paid much attention to the support of social charity and actively participated in social charity activities as we believe that it is an important mean for contributing more to the society.

YOFC has always engaged in social welfare undertakings with professional and transparent mode of operation. In giving full play to its core competitiveness to gain market share and achieve development goals, the Company takes the development of the industry, education, disaster relief, social welfare and community care as its main charitable focuses.



Education



Disaster relief



Social welfare activities



External activities



Community care

## YOFC – A VIRTUOUS COMPANY

In the 28 years since its establishment, YOFC contributes to the society through actively fulfilling our social responsibility, including development of the industry, educational aid and disaster relief.

### Contribution to the Industry

YOFC continuously put efforts in promoting the development of the optical fibre and optical cable industry with its practical actions and influence. In July 2015, under the initiative of YOFC, 24 optical fibre and optical cable companies, signed the first quality self-discipline pact in the industry, which facilitates the healthy development of the industry. Since 2003, YOFC has taken the lead to impose anti-dumping against optical fibre preforms from the US, Japan and Korea; this collaborative effort helps to regulate the order of domestic market competition and puts China's optical fibre industry on a fast track. The Company also actively participates in formulating international standards, such as ITU. In 2015 and 2016, YOFC and CRU (Commodity Research Unit) jointly organized and convened the APAC Optical Fibre and Cable Conference and World Optical Fibre and Cable Conference to strengthen the voice of China's optical fibre and optical cable industry on the global arena. YOFC has also taken a leading role in participating in various activities organized by industry associations every year where the Company's senior management and technical experts gave their speeches.

## Contribution of YOFC – Fulfilling Corporate Social Responsibility (Continued)

### Contribution to Education

We have established scholarships in 10 local universities and entered into a five-year funding agreement to invest over RMB700,000 on average every year. As early as 2005, we have launched a “YOFC Scholarships” Program, providing funds for outstanding students in 10 institutions, including Peking University, Tsinghua University, Nanjing University of Posts and Telecommunications and Wuhan University of Technology, to help them reach their educational goals. Over the past 10 years, YOFC always firmly believes that its contribution to the society should not be stopped because of the ups and downs of its results of operation. With this belief in mind, YOFC has in accumulate granted over RMB6,000,000 scholarships to more than 1,000 outstanding students. YOFC has also established “YOFC Teacher Awards” in primary, secondary schools and universities to encourage and promote the healthy development of primary and secondary education.

### Contribution to disaster relief

We help people in disaster areas to resume production and get back to normal life by delivering optical cables and donating money. In 2012, we donated RMB200,000 to support disaster prevention and relief at Mulan area and help local people organize self-help production; After 2012 Yunnan earthquake, we produced 15 professional toolboxes for optical cable construction within three days and delivered to Yunnan by air. After a devastating earthquake struck Ludian, Zhaotong, Yunnan in 2014, we are among the first to donate optical cables for communications. In late June of 2016, hailstorm wreaked havoc in Yancheng, Jiangsu and YOFC immediately launched an optical cable emergency supply system for disaster relief. In early July 2016, YOFC was in the worst affected area when flood hit Southern China, but all our staff still overcame numerous daunting challenges and operated in full gear within 36 hours, providing optical cables for disaster relief in Yunnan, Guizhou and Sichuan to ensure smooth communication for disaster relief in the disaster areas.



Emergency disaster relief in Sichuan and Jiangsu in 2016

## Contribution of YOFC – Fulfilling Corporate Social Responsibility (Continued)

In 2016, YOFC supplied various models of optical cables for disaster areas through China Telecom and China Mobile at the first opportunity; the total length of cables donated is up to 1,036,495 fkm.

**关于抢险救灾光缆需求的通告**

长飞光纤光缆股份有限公司：

当前我国部分地区因强降雨引发山体滑坡、泥石流、山洪、山崩等地质灾害，造成严重人员伤亡和财产损失。为支持抢险救灾工作，我公司第一时间组织生产救灾光缆，现首批光缆于2016年7月14日，从武汉发往灾区，具体情况如下：

型号	需求长度(km)	数量(芯公里)	备注
GYTA-12芯	40	768	抢险救灾
GYTA-24芯	30	720	
GYTA-36芯	20	480	
GYTA-48芯	15	360	
GYTA-60芯	15	360	
GYTA-72芯	100	2400	抢险救灾
GYTA-84芯	100	2400	
GYTA-96芯	100	2400	
GYTA-108芯	100	2400	
GYTA-120芯	100	2400	
合计	2700	67680	

长飞光纤光缆股份有限公司  
2016年7月14日

### Social Welfare Activities

We make donations to social welfare organizations over all these years, including “one-to-one” aid to children in poor areas by the employees; voluntary donations to employees and members of the community in need by labour union. In 2011, we donated RMB1,000,000 to Hubei Women and Children’s Development Foundation and held a series of activities, including heart-warming project on “three kinds of going to the countryside”, Care 100 Donation for financial help and educational aid, voluntary youth tree planting and voluntary blood donation.



## Contribution of YOFC – Fulfilling Corporate Social Responsibility (Continued)

### YOFC WITH LOVE

At the same time, YOFC encourages its employees, suppliers, customers and all stakeholders to take an active role to be a socially responsible corporate citizen by actively launching community care and external activities and fulfilling our corporate social responsibility.

#### Community Care

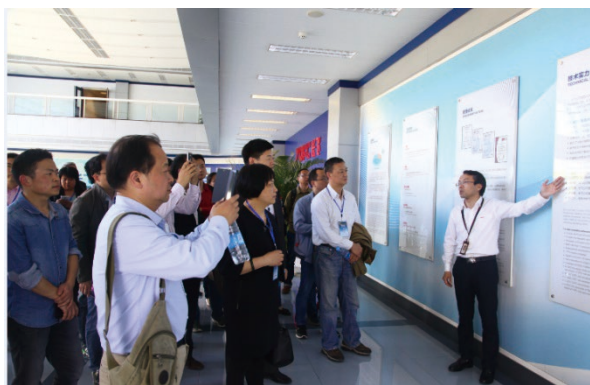
YOFC has consecutively accomplished two rounds of clean production audit works in 2007 and 2010. According to the “3R” principle, we established a system to recycle natural resources and control the generation of wastes to the fullest extent possible so as to ensure that every citizen in the community can have a clean and green living environment. At the same time, the Company conducts questionnaire surveys of resident representatives before and after expanding our production projects to collect citizens’ opinions or suggestions for analysis and improvement. This measure was unanimously praised by the citizens in the surrounding communities.

YOFC apartment is a major community near the Company and the use of water, power and gas of its residents is linked with the Company. The Company sets out a guiding target of energy saving and consumption reduction every year and the facility departments of our factories then adjust the mismatch in peak power consumption according to the usage of water, power and gas of the residents so as to guide them to change their consumption habits and strengthen their energy saving awareness.

We always support various cultural and sports activities and spiritual civilization development of Donghu New Technology Development Zone. We encourage residents and employees to participate in physical exercises and entertainment activities. So, we built basketball courts, tennis courts, gym rooms, library and table tennis rooms which are opened to employees and residents in the communities for free. We actively participate in and sponsor various activities in Donghu New Technology Development Zone, like teaching excellence award. At the same time, we actively take part in spiritual civilization development, including selection for advanced workers on 1 May Labour Day and advanced party affairs workers on 1 July.

#### Corporate external activities

We provide an open platform of study, visit and exchange for all sectors of the society, receiving over 1,000 people in different visits each year. We offer internship and exchange programs for domestic and foreign graduate students all year round and in 2016, we received 1,529 visitors in total from different tours.



# APPENDIX INDICES FOR ESG CONTENT

Indices for Content of Environmental, Social and Governance Reporting Guide by Hong Kong Stock Exchange

Indices	Details	Reference
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure		YOFC on a Green Future
KPI A1.1	The types of emissions and respective emissions data	Compliant Emission
KPI A1.2	Greenhouse gas emissions in total and intensity	Saving Resources
KPI A1.3	Total hazardous waste produced and intensity	Compliant Emission
KPI A1.4	Total non-hazardous waste produced and intensity	Compliant Emission
KPI A1.5	Measures to mitigate emissions and results achieved	Compliant Emission
KPI A1.6	How hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Compliant Emission
<b>Aspect A1: Resources</b>		
General Disclosure		YOFC on a Green Future
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Saving Resources
KPI A2.2	Water consumption in total and intensity	Saving Resources
KPI A2.3	Energy use efficiency initiatives and results achieved	Saving Resources
KPI A2.4	Water efficiency initiatives and results achieved	Saving Resources
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced	Saving Resources
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure		YOFC on a Green Future
KPI A3.1	Significant impacts of activities on the environment and natural resources and the actions taken to manage them	Compliant Emission
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure		YOFC on Talent Training
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employee Overview
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employee Overview
<b>Aspect B2: Health and Safety</b>		
General Disclosure		YOFC on Safety
KPI B2.1	Number and rate of work-related fatalities	Safe Production
KPI B2.2	Lost days due to work injury	Occupational Health
KPI B2.3	Occupational health and safety measures adopted, how they are implemented and monitored	Safe Production Safety Training Occupational Health

## Appendix Indices for ESG Content (Continued)

Indices	Details	Reference
<b>Aspect B3: Development and Training</b>		
General Disclosure		Employees' Development Training and Education
KPI B3.1	The percentage of employees trained by gender and employee category	Training and Education
KPI B3.2	The average training hours completed per employee by gender and employee category	Training and Education
<b>Aspect B4: Labour Standards</b>		
General Disclosure		Employee Overview
KPI B4.1	Measures to review employment practices to avoid child and forced labour	Employee Overview
KPI B4.2	Steps taken to eliminate such practices when discovered Aspect B5: Supply Chain Management	–
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure		Supply Chain Management
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure		YOFC on High Quality
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with	–
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures	Quality Comes First
KPI B6.5	Consumer data protection and privacy policies, how they are implemented and monitored	–
<b>Aspect B7: Anti-corruption</b>		
General Disclosure		Anti-corruption and Anti-fraud
KPI 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	Anti-corruption and Anti-fraud
KPI B7.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption and Anti-fraud
<b>Aspect B8: Community Investment</b>		
General Disclosure		Contribution of YOFC
KPI B8.1	Focus areas of contribution	Contribution of YOFC
KPI B8.2	Resources contributed to the focus areas	Contribution of YOFC

YOFCC 长飞

