



瑞聲科技控股有限公司
AAC TECHNOLOGIES HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 02018

2016
Sustainability Report

Performance Highlights

Safety Training

266,793 hours

 **100%**



Injury Rate

3.13 per 1,000 workers

 **0.75**



Health and Safety Expenditure

RMB 53 Million

 **10.4%**



Number of Employees

46,396

 **30%**



Number of R&D, Engineers & Technicians

4,206

 **95.4%**



Patents

1993

 **291**



Sustainability Recognitions



Listed on the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland China and Hong Kong) Corporate Sustainability Index since 2014. We have been rated "A+" by HKQAA for our overall ESG performance.



Top of the Fair Wealth Ranking List compiled by Fudan University's Institute for Sustainable Innovation and Growth in September 2016.



Listed among top 10 companies with the highest corporate governance score by the Hong Kong Institute of Directors for outstanding corporate governance performance in 2016.

Vision

To become the world's leading comprehensive miniaturized technology components solutions provider

Mission

To invent the next generation of micro components

To define new standards for micro component performance

To become customers' most preferred supplier and long term partner

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About the Report

The Board of Directors acknowledges its responsibility for ensuring the integrity of the sustainability report and to the best of its knowledge this report addresses all relevant material issues and fairly presents the ESG performance of the organisation and its impacts. The Board of Directors confirms that it has reviewed and approved the report.

○ Scope of the Report

This is the fourth stand-alone sustainability report of AAC Technologies Holdings Inc. (“AAC Technologies” or the “Company”). It reports on sustainability performance and initiatives of our manufacturing facilities in Changzhou, Suzhou, Shuyang, Shenzhen and Vietnam unless otherwise stated. This report supplements our 2016 annual report, and discloses progress on environmental, social and governance issues from 1 January 2016 to 31 December 2016. For governance section, please refer to our 2016 Annual Report (p.30-52). Due to differences in legal requirements across regions where the Company operates, certain quantitative indicators have not yet been used for some of our subsidiaries. The Company is working to ensure that these indicators are included in a single set of unified standard statistics in our future sustainability reports.

The report has been prepared in accordance with the Core option of the Global Reporting Initiative (“GRI”) G4 Sustainability Reporting Guidelines¹, and in compliance with Environmental, Social and Governance (“ESG”) Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Where relevant and applicable, references are made to the United Nations Global Compact².

How to obtain this Report

The report is published in English and Chinese. In case of any conflicts between the two versions, the English version shall prevail. PDF version of this report is available on HKEX’s website and on our website. It is available under the section “Sustainability”:

<http://www.aactechnologies.com>.

As a conservation measure, we do not publish hard copies.



¹ Global Reporting Initiative G4 Guideline - The fourth version of the world's most recognized sustainability reporting framework.

² United Nations Global Compact - UN initiative to encourage businesses to adopt sustainable and socially responsible policies.

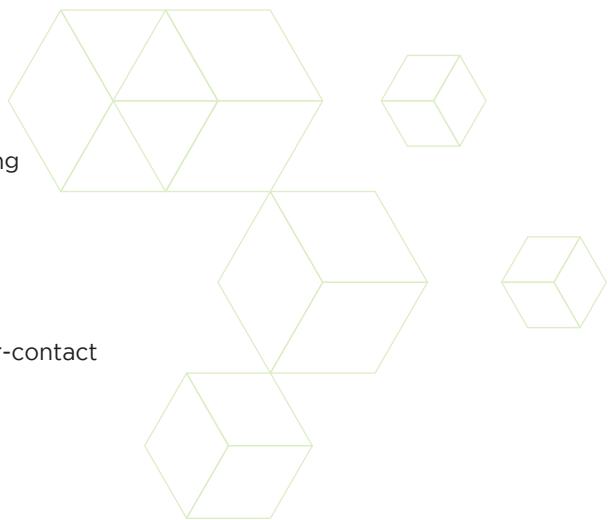
○ Feedback

We have taken into consideration the interests and requirements of different stakeholders to the extent possible in compilation of this report and will continue to do so. The report aims to be plain, clear, and easy-to-read. The Company shall in the future continue to improve on the content and delivery of information disclosed in the report.

We welcome your feedback on the Sustainability Report for 2016 and any suggestions you may have in terms of what you would like to see incorporated in our future reports. Please contact us at:

AAC Technologies Holdings Inc.

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○ Our Policy

AAC Technologies keeps the Company's policies transparent to our valued stakeholders. Policies relevant to sustainability approach and corporate governance are available on our website under the "About AAC" and "Investor Relations" sections.

Policy	Company Website
1. Sustainability Policy	About AAC  Sustainability  Sustainability Policy
2. Code of Conduct	About AAC  Sustainability  Code of Conduct
3. Board Diversity Policy	Investor Relations  Corporate Governance  Board Committees
4. Whistle-blowing Policy	Investor Relations  Corporate Governance  Code of Conduct and Whistleblowing Policy
5. Corporate Disclosure Policy	Investor Relations  Corporate Governance  Corporate Disclosure
6. Shareholders Communication Policy	Investor Relations  Corporate Governance  Corporate Disclosure
7. Procedures for Shareholder to propose a person for election as a Director	Investor Relations  Corporate Governance  Shareholders' Rights



Message from CEO

Dear Stakeholders,

AAC Technologies has taken substantial steps in its drive towards sustainability over the past year. Facing ever-rising concerns over corporate transparency, governance and environmental sustainability, my team and I have been able to meet these challenges head on. We have not deviated from our core values of “putting safety first, implementing scientific management and developing sustainability” even for a moment. We believe by adhering to these values, we are able to overcome challenges and stay on the path to sustainability.

Over the years, we have continually improved our sustainability disclosures. We began publishing our sustainability report in 2013. This year marks our first report published according to both GRI G4 Core Option and the ESG Reporting Guide issued by The Stock Exchange of Hong Kong Limited.

Satisfying concerns of all stakeholders is the primary consideration that guides the Company’s sustainability performance and we intend to further broaden communication channels with different stakeholder groups. In 2016, we commenced an exercise to engage with key internal and external stakeholders, to identify their concerns on social and environmental issues relevant to our operations. Their feedbacks are reflected in this report and we pledge to continually respond to their key concerns.

We continued to make progress on our sustainability initiatives during the year. By allocating additional resources to retrofitting of equipment, we minimize our environmental impact while increasing our production capacity. We believe these investments do have a payback period but the rising expenditure on environmental measures helps save millions of kilowatt hours per year and the investments will more than pay for themselves over time. Moving forward, the Group continues to look for ways to improve energy efficiency. In 2016, we decided to merge our Effluent Treatment Center and the Solid Waste Treatment Center under the Environmental Management Department, increasing the efficiency of effluent and waste treatment.

As we strive for product excellence, the Company has fostered a closer relationship between its Pollution Treatment Technological Center and Research & Development, so as to consider the environmental requirements and potential impact of new products early in the design stage. This approach enables us to strictly control the use of environmentally harmful substances in our products, from development through production.

AAC Technologies is built on steadfast corporate values which foster employee participation and excellence. As we face increasing competition for talents in our industry, we need to be proactive. This past year, we conducted an overhaul of our talent management, creating a clearer career development channel for employees.

With regard to occupational health and safety, I am glad to inform you that the work injury rate remained relatively low in 2016, but we will not be complacent. In addition to maintaining safety training and awareness campaign, the Company has introduced various initiatives to strengthen the identification of potential hazards and cooperates with hospitals to fully implement the employee health check plan.

AAC Technologies has been listed on the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland China and Hong Kong) Corporate Sustainability Index since 2014. In 2016, we received an “A+” rating for overall ESG performance. In addition, we were top-ranked among enterprises owned by the top 50 wealthiest people in China on the first ever Fair Wealth Ranking List in September 2016, compiled by Fudan University’s Institute for Sustainable Innovation and Growth. The top spot constitutes recognition of our efforts in taking more social factors into business consideration, such as employees’ welfare and opportunities for career and personal advancement.



AAC Technologies is built on steadfast corporate values which foster employee participation and excellence. As we face increasing competition for talents in our industry, we need to be proactive.



Looking ahead, sustainability remains a key factor in operations planning. As we continue to expand operations, we remain vigilant about embracing regulatory changes. For example, we will take all necessary actions to comply with the Environmental Protection Tax Law, which become effective in China on 1 January 2018.

I would like to thank all our employees, customers, partners, shareholders, government agencies and the wider community for the efforts and commitment to cooperate, support and promote AAC Technologies.

Benjamin Zhengmin Pan
Chief Executive Officer



About AAC Technologies



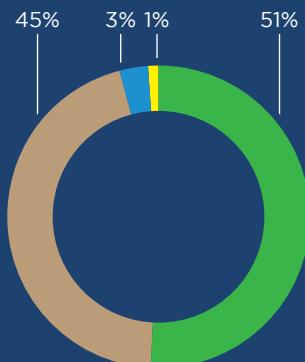
**AAC Technologies is
the world's leading micro components
total solutions-provider for
communications and consumer markets.**



We deliver integrated solutions using the latest miniaturized technology components across acoustic, haptic, radio frequency and optical segments. Our products are found in mobile devices, including smartphones, tablets, wearables, ultrabooks, notebooks and electronic book-readers.

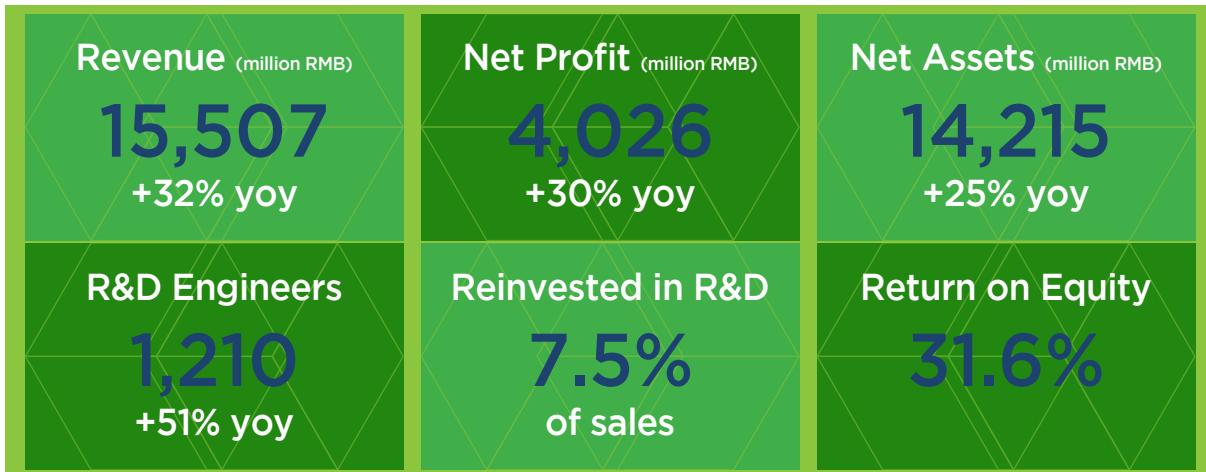
AAC Technologies operates around the globe with research and development centers in China, Singapore, Japan, United States and Denmark, testing laboratories in Singapore and South Korea, manufacturing facilities in China and Vietnam and sales offices throughout the world. Being the regional headquarter, Singapore plays a significant integrated management role.

Revenue Distribution



- Dynamic Components
- RF Mechanical + Haptics
- MEMS Components
- Other Products

○ Key Facts and Figures for FY16



○ Competitive Advantages



Core Values

Safety First

Regard safety to people and to the environment as the utmost factor in our manufacturing process, driving our sustainability progress

Scientific Management

Improve our management capability through relentless search for innovation and optimization

Sustainable Development

Develop through rising level of professionalism and dynamic risk management

Corporate Culture

Learning

Encourage learning and self-improvement to satisfy curiosity and expand horizons

Improvement

Continue to improve the Company's business (technological) objectives, workflow and organisational structure at any given time

Innovation

pursue technological innovation and courageous exploration while retaining flexibility and rapid response capabilities

Organisational Excellence

Structure and Process

Strictly adhere to the agreed structure and process and optimize continuously

Discipline

Evaluate the working house scientifically and optimize process and efficiency to decide job allocation

Training and Appraisal / People Excellence

Recruit and retain professional team through effective appraisal system

O Awards and Accolades

Award or Accolades Received	Awarded to	Awarded by
Sustainability		
Constituent Member of “Hang Seng Corporate Sustainability Index”	AAC Technologies Holdings Inc.	Hang Seng Indexes Company Limited
Corporate Transparency		
Top 10 Companies with the highest CGI Score	AAC Technologies Holdings Inc.	Hong Kong Institute of Directors
Socio-Economic Contribution		
Most Honored Companies	AAC Technologies Holdings Inc.	Institutional Investor
Asia's Fab 50 Companies	AAC Technologies Holdings Inc.	Forbes
The Forbes Global 2000	AAC Technologies Holdings Inc.	Forbes
Top 500 China Private Enterprises	AAC Technologies Holdings Inc.	All-China Federation of Industry & Commerce
Outstanding Corporation of Social Responsibility Award	AAC Technologies Holdings Inc.	Federation of Shenzhen Industries
Top of Fair Wealth Ranking	AAC Technologies Holdings Inc.	Institute for Sustainable Innovation and Growth, iSIG
Best Investment Value Award for Listed Companies	AAC Technologies Holdings Inc.	Co-organized by Zhitong Caijing and Tonghuashun Caijing
Best Return on Equity for Listed Companies	AAC Technologies Holdings Inc.	Co-organized by Zhitong Caijing and Tonghuashun Caijing
Top 100 Comprehensive Strength, Quantum Leap Award and Most Promising Company	AAC Technologies Holdings Inc.	Top 100 HK-Listcos Selection 2016 jointly organized by Tencent and Finet Group Limited
Environmental Responsibility		
Green Office Awards Labelling Scheme	AAC Technologies Holdings Inc.	World Green Organisation
Better World Company	AAC Technologies Holdings Inc.	Junior Chamber International Hong Kong
Guangdong Cleaner Production Corporate	AAC Acoustic Technologies (Shenzhen) Co., Ltd.	Guangdong Cleaner Production Committee
Product Excellence		
Top 5 China Micro-Electro-Mechanical System Enterprises	AAC Technologies Holdings Inc.	China Semiconductor Industry Association
Hi-Tech Enterprise Achievement Award	AAC Technologies Holdings Inc.	Yazhou Zhoukan
Ranked Third in the Top 100 China Electronics Components Enterprises	AAC Technologies Holdings Inc.	China Electronic Components Association
Ranked 50th in the Top 100 Guangdong Private Enterprises	AAC Technologies Holdings Inc.	Guangdong Federation of Industry & Commerce
Innovative Production Technology Award	AAC Technologies Holdings Inc.	Shenzhen Innovation Record Committee
Shenzhen Top Brand	AAC Acoustic Technologies (Shenzhen) Co., Ltd.	Shenzhen Top Brand Evaluation Committee



○ Memberships and Charters

The Group is actively involved in a number of initiatives and charters promoting sustainable development in economic, environmental and social aspects. The Group is a corporate member of industry associations and chambers listed below.

Organisations	Membership Company
Acoustic Industry Technology Innovation Strategic Alliance	AAC Technologies Holdings Inc.
Changzhou Overseas Chinese Entrepreneurs Association	AAC Technologies Holdings Inc.
China Electronic Components Association	AAC Technologies Holdings Inc.
Jiangsu Chamber of Commerce in Shenzhen City	AAC Technologies Holdings Inc.
Shenzhen Hi-Tech Industry Association	AAC Acoustic Technologies (Shenzhen) Co., Ltd.



Sustainability Approach



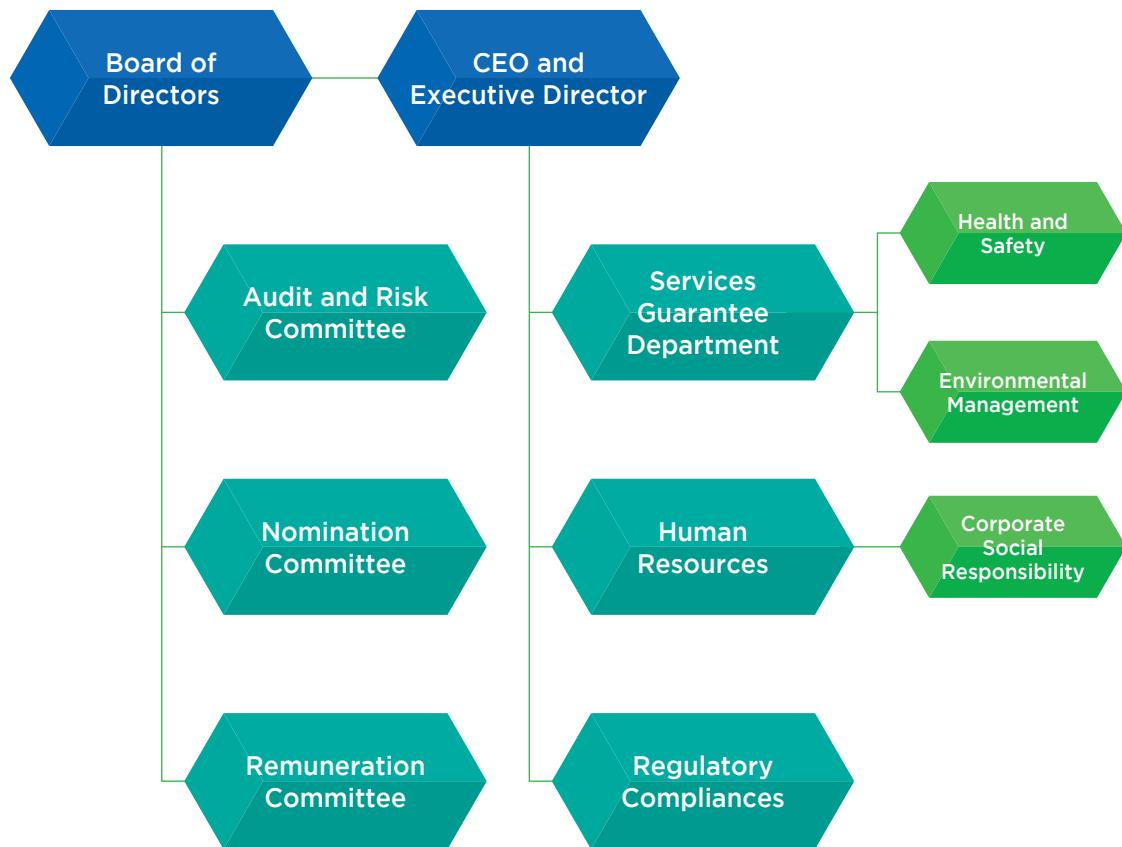
As a global leader in comprehensive micro-components solutions, we embrace and act on our social and environmental responsibilities. We proactively manage risks to our operations and reputation, and capitalize on opportunities through the integration of sustainability into our business strategy.



Sustainability has gradually been incorporated into our business, not only to address pressing issues, namely, climate change, talent acquisition and corporate transparency, but to create value.

○ Governance Structure

The Company's ESG management is led by the CEO and the Executive Director, and percolates down to the respective departments and divisions responsible for managing critical sustainability issues and monitoring trends for opportunities to improve sustainability performance. These departments include Environmental Management, Health and Safety, Green Product Division, Quality Assurance, Human Resources, Investor Relations, CSR, Legal and Procurement. The Company has included ESG factors as a strategic consideration in the process of decision-making; responsible department heads are charged with the tasks of identifying, assessing and mitigating current and potential ESG risks.



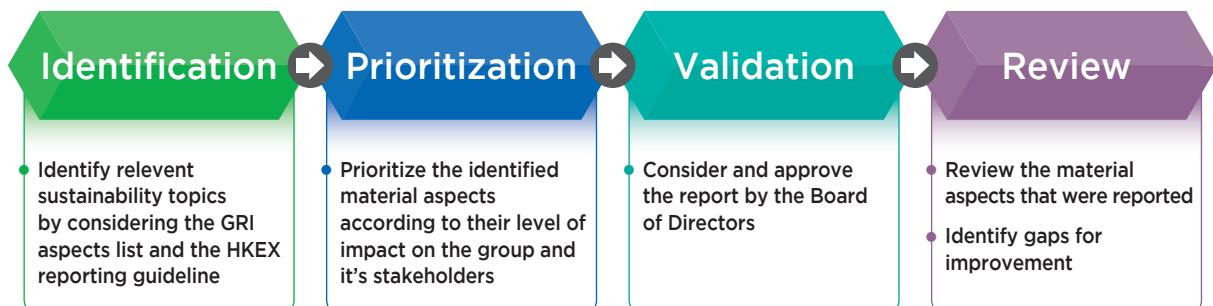
During the year, the Group has optimized its organisational structure for managing ESG issues, enabling clearer segregation of duties and better operational efficiency. While the environmental management department focuses on handling environmental issues including environmental impact assessment, effluent and waste management and related technological aspects, etc., the health and safety department is primarily responsible for occupational health and safety issues. Both divisions report to the Services Guarantee Department. Human Resources remains in-charge of community engagement.

○ Stakeholder Engagement

AAC Technologies has a wide network of stakeholders, including customers, employees, investors, communities, suppliers and non-governmental organisations (NGOs). We communicate with our stakeholders on an ongoing basis through channels and platforms such as annual reports, sustainability reports, surveys, regular dialogue and meetings. The table below lists our stakeholder groups, our methods to engage with them, and the topics we address.

Stakeholder Group	Engagement Approach	Topics
Customers	Seminars, in-person meetings, customer satisfaction surveys	Product innovation, carbon emission
Communities	Volunteer opportunities, outreach	Education, social welfare, environmental protection
Employees	Employee satisfaction surveys, newsletters, training, social media platform, communication sessions	Health and safety, training and development, welfare and benefits
Government	In-person meetings, responses to government or regulatory policies	Regulatory requirements, environmental, safety
Shareholders/Investors	Investors' meeting, annual general meeting, sustainability reports	Operation and strategy, corporate governance, risk management
Suppliers	Seminars, trainings, onsite visits, in-person meetings, audit	Raw material sourcing (including conflict minerals), carbon emission, process optimization, human rights, ethics
NGOs	Volunteering and donation	Community investment

For this year's materiality assessment, we commissioned an independent third-party consultant to conduct dialogues and/or online surveys with stakeholders, both internal (i.e. employees) and external. External stakeholders were selected on the basis of their importance and knowledge to AAC Technologies and their willingness to share. The Group seeks participants representing a broad cross section of stakeholders and 18 questionnaires were deemed valid and were used for further studies. Of the 18 participants, 11 are employees from different divisions and job ranks, 4 are customers, 2 are institutional investors and one is an NGO. Although significant conclusions relating to the Group's sustainability strategy could not be drawn from the results, stakeholders concerns have been taken into consideration and this report addresses their concerns also.



We aim to understand, and act on, issues most important to our stakeholders and our business. We believe the most pertinent sustainability issues include the following:

- 1. Product quality and safety:** ensuring that our products and services clearly comply with the highest safety and reliability standards.
- 2. Compliance with local laws and regulations:** complying with all applicable laws and regulations in jurisdictions where we operate.
- 3. Customer privacy protection:** establishing an information security unit to safeguard data privacy.
- 4. Customer satisfaction:** monitoring our customers' satisfaction level, particularly concerning product quality and delivery.



Additional material sustainability issues include supplier management, energy consumption, equal employment opportunity, human rights, etc. Our efforts in all material areas are addressed within this report or on our website.

List of material aspects and the corresponding aspect boundary:

Material Aspects	Internal	External	Corresponding Section
1. Customer privacy protection	✓	Customer	• Product Excellence
2. Customer satisfaction	✓	Customer	• Product Excellence
3. Product quality and safety	✓	Suppliers, Customers	• Product Excellence
4. Compliance with local laws and regulations	✓	Suppliers and contractors	• Caring for Our People • Community
5. Occupational health and safety	✓	Suppliers and contractors	• Caring for Our People
6. Development and training	✓		• Caring for Our People
7. Talent management	✓		• Caring for Our People
8. Compliance with environmental laws and regulations	✓	Suppliers and contractors	• Product Excellence • Environmental Sustainability
9. Employee communication	✓		• Caring for Our People
10. Expenditure on environmental protection	✓	Community	• Environmental Sustainability

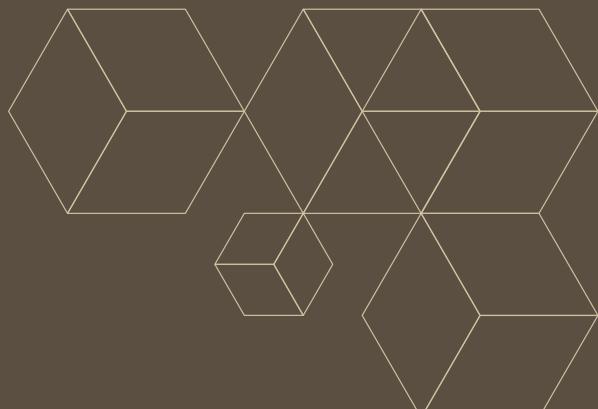
All aspects other than (6) Development and training, (7) Talent management and (9) Employee communication which impact only within the Group, have an impact both inside and outside the Group.



Caring for Our People



AAC is committed to improving its human resources management system. In 2016, we commenced a comprehensive assessment of individual employee strengths to create a clear career development channel for talent optimization and retention.

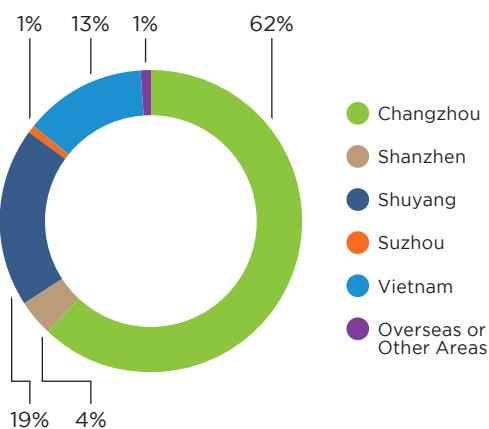


The AAC Technologies' labor policy complies with the relevant labor laws and regulations in all locations where the Company operates, and aligns with relevant human rights requirements as prescribed in the Electronic Industry Citizenship Coalition ("EICC") and the United Nations Global Compact. The number of employees increased by 29.5% during the year, mainly due to expansions in Changzhou, Shuyang and Vietnam.

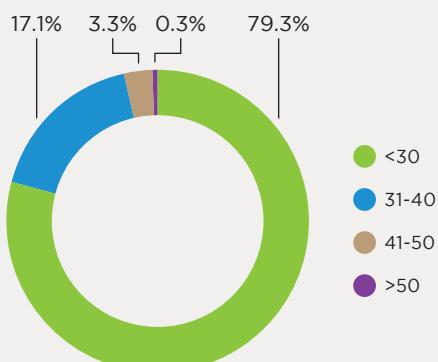
As of 31 December 2016, the Group had a total of 46,396 employees, who are mainly distributed in Changzhou, Shuyang and Vietnam, accounting for 62%, 19% and 13% of the total, respectively. In 2016, the turnover rate for manufacturing and non-manufacturing employees were 10% and 1% respectively. 87% of the Group's employees are production workers, 4% are management executives and 9% are R&D, engineers and technicians.

The proportion of male to female employees is 58:42. There are 36,814 employees aged below 30, 79.3% of the total workforce. The 31-40, 41-50 and the over 50 age groups represent 17.1%, 3.3% and 0.3% of the workforce, respectively. Approximately 30% of employees have degree level qualifications or higher.

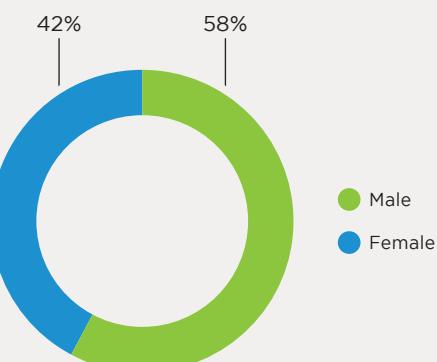
Geographical Distribution



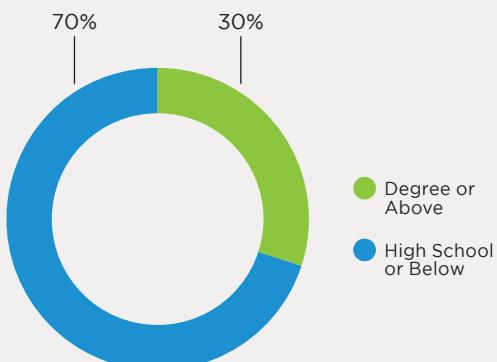
Age Profile



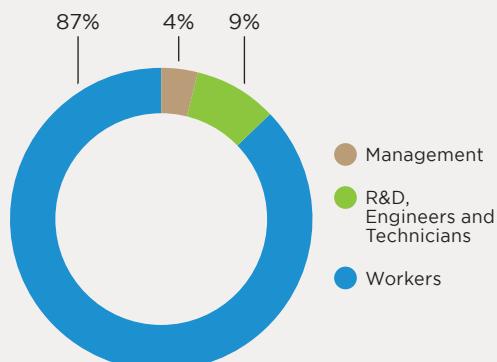
Gender Profile



Education Profile



Professional Profile



○ Employee Welfare and Benefits

AAC Technologies cares for employees' welfare and satisfaction, and continued to improve working conditions and benefits in 2016. To improve employees' living standards the Group continues to invest in ancillary facilities, such as dormitories and laundry facilities. The Group also ran a pilot program in 2016 to provide management trainees with serviced apartment style residences.

Other welfare programs include a transportation subsidy for Chinese New Year, distribution of gifts during traditional festivals and sponsorship of union activities. To increase employees' sense of belonging to the Group, different employee activities, such as birthday parties and celebrations of traditional festivals are held regularly.



Hiking in April



Employees' Birthday Party



Dormitory of Our Employees



2016 Christmas Celebration



Sports Competition

Our management regularly reviews employees' remuneration packages and makes adjustments according to prevailing market trends and employee performance. In addition to salaries, the Group also provides different allowances, social insurance and provident fund contributions.

○ Engaging our Employees

To reinforce communications channels with employees and continuously improve human resources policies, the Group has set up a wide variety of communication platforms, such as email, hotline, feedback drop-in box and employee representatives meeting, for employees to comment and report any problems that they might encounter in work and daily life. Through these communication channels, the Group provides feedback and assistance to employees, striving to alleviate difficulties and create a harmonious working environment. The Group also provides guidelines to new employees and has established a counselling and development hotline to understand and help employees to relieve stress and offer advice on personal and professional development. In 2016, managerial staff scored an average of 4.75 out of 5 in the employee satisfaction survey.

○ Business Ethics

AAC Technologies remains vigilant in preventing ethical risks through implementing regular monitoring and regulatory measures, and conducting self-assessments on its ethical risk management on a quarterly basis to prevent embezzlement, extortion, money laundering, support to terror funding, or other illegal acts. We strictly prohibit any person in the Company to offer or accept bribes or have other illegitimate income. In our Code of Conduct, there are clauses defining unacceptable behaviours on bribery, corruption and immoral practices. We understand that some degree of non-compliance is inevitable in business operations and therefore have put in place an effective monitoring and whistleblowing mechanism, enabling us to respond swiftly to any suspected case of corruption. The Group issues stern warnings to any employee found even remotely involved in such activities, to prevent the occurrence of material non-compliance in the future.

○ Training and Development

The Group believes its employees can not only improve work-related skills but also have a clear plan for long-term career development. In 2016, the Group renewed the training, appraisal and management system, aiming to fill the talent gap, smoothen career ladders and enhance person-vocation fit. We have identified four aspects important for managing our talent pool, which are organizational talent review, performance management, training, and appraisal management.



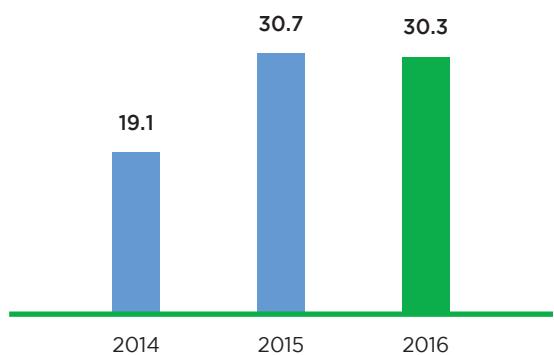
While the four aspects serve different purposes, they complement each other to create a robust training and development system. The organizational talent review aims to identify the talent gap, so that the Company can fine-tune its strategic approach in managing the talent pool. It also optimizes our team by designing training programs, targeted to employees' specific needs. AAC Technologies monitors performance management through tracking objectives and key results. The quantitative outcomes serve as an excellent indicator in managing performance and set out a basis for effective organizational talent review.

As for training, the Company encourages self-education by providing mentorship and training to the employees. The Company is dedicated to strengthening employees' knowledge and skill sets. Appraisal management system which includes training, helps employees develop career paths and enhance person-vocation fit, which ultimately improves the utilization of talents within the Company. These four phases are improved continuously to meet the needs and demands of AAC Technologies' development and business transformation.

Under the new system, training programs are divided into leadership program, professional skills training programs and general work-related skills training programs. The leadership program targets managerial staff at various levels and the other two training programs are provided on a needed basis. With the new training system, the Group can identify the strengths and weaknesses of employees more effectively and provide suitable and specific training programs. The Group continued to provide management trainee programs to fresh university graduates in 2016, cultivating future talent for the Group. In 2016, the Group provided a total of 1,222,140 hours of occupational training to employees, or 30.3 hours per person in mainland China.



Average Hours of Training Per Person (hours)



○ Employees Rights

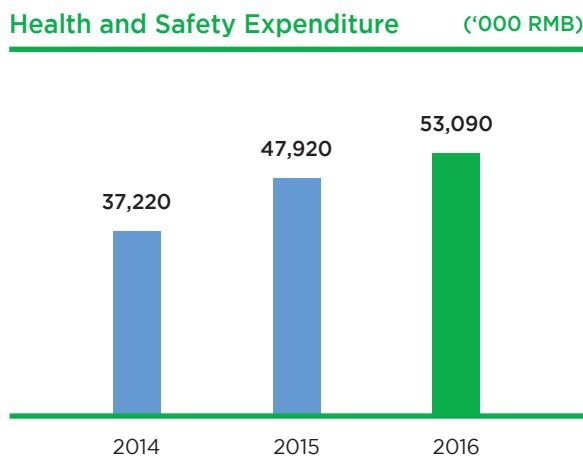
AAC Technologies operates in compliance with the "Labour Law of the PRC" and all relevant labour laws in locations where the Company operates. AAC Technologies respects and follows the Universal Declaration of Human Rights, United Nations International Covenant on Civil and Political Rights, United Nations International Covenant on Economic, Social and Cultural Rights and other covenants and declarations.

As an equal opportunity employer, the Group ensures all employees enjoy equal opportunities. The Group does not tolerate any kinds of discrimination on the basis of gender, race or age. The Group respects the freedom and rights of employees. We encourage employees to contribute constructive opinions through participation in labour unions and exercise their collective bargaining rights.

AAC Technologies has a set of sound recruitment procedures. We perform an identity check in the recruitment process, to verify employees' personal information. In 2016, there were no reports of under-age or forced labour in the Group. We have set up and implemented a comprehensive mechanism to handle reports of under-age labour. We also investigate the incident and implement relevant measures to prevent similar incidents from recurring. The Group has set up a reporting channel and encourages employees to report any incidents of illegal employment.

○ Health and Safety

“Safety First” is one of AAC Technologies’ core values as we believe a safe and healthy environment for employees is essential for long term business success. To create such an environment, we are committed to ensuring employees have safe working conditions, maintaining a robust security system, carrying out due diligence at all levels, enhancing all departments’ safety management, and eliminating potential hazards as soon as they are identified. AAC Technologies adheres to principles of safety regulations, improving safety facilities, raising safety awareness, improving occupational environment, and reducing occupational risks. We promote safety awareness among employees, and maintain a healthy and safe working environment.



In 2016, our health and safety expenditure increased by 11% to approximately RMB 53 million. The Health and Safety (“H&S”) department has set up control and monitoring procedures that comply with applicable laws and regulations.

Meeting high international standards, our production plants in Changzhou and Suzhou have obtained OHSAS 18001¹ Occupational Health and Safety Certification. In 2016, we began cross-checking between production facilities, undertaking monthly EHS internal audits and yearly external audits of our facilities in order to assess compliance and conformity to regulations and our own EHS policies

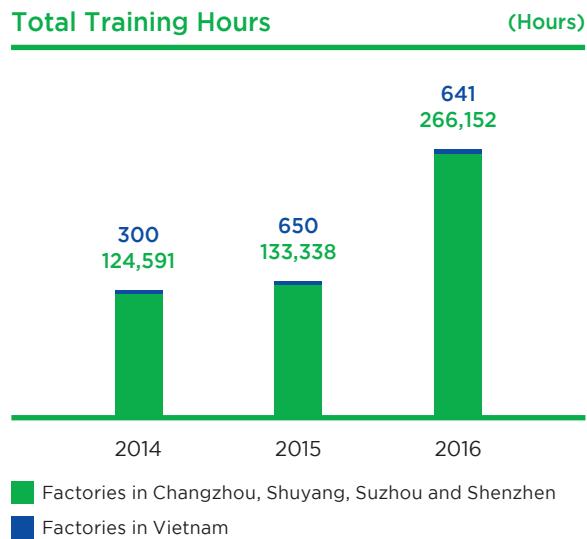
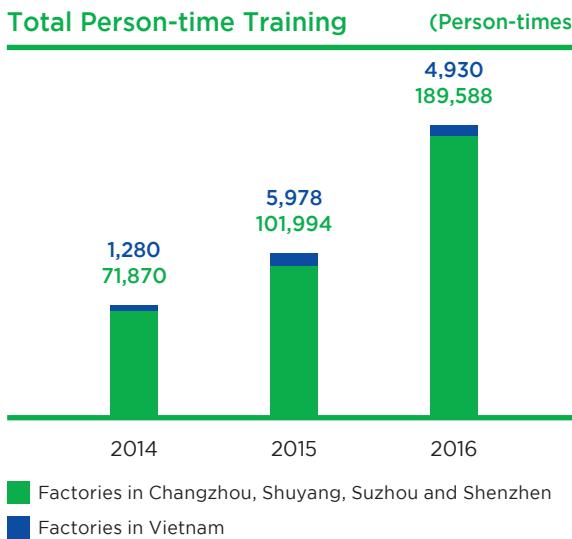
and standards. In addition to regular checks, the Group continues to invest in fire safety improvement. In the coming year, we are planning to obtain certification for the Company as a whole instead of individual facilities to ensure a safety at workplace.

In addition to undertaking safety inspections twice a day, the H&S department carries out special inspections of electricity and chemicals handling, besides fire prevention measures, before major public holidays. In 2016, we rectified more than 98% of the potential safety hazards identified and no major pollution or safety incidents occurred during the year. The H&S department has been developing a smart security system for monitoring and managing safety in production plants.

○ Raising Safety Awareness

AAC Technologies has cultivated a proactive safety culture, providing occupational safety training to all workers. Being a labour-intensive enterprise, AAC Technologies training programs focus on fire safety, handling hazardous substances and prevention of infectious diseases. In 2016, our occupational health and safety training hours nearly doubled, making a total of more than 266,000 person training hours in Changzhou, Shenzhen, Shuyang, Suzhou and Vietnam. More than 1,300 employees have obtained certifications for chemical safety, safety management, first-aids, etc.

¹Occupational Health and Safety Assessment Series for health and safety management systems



The Company requires employees working in specialized positions to attain relevant qualifications. Following the success of the safety officer program launched last year, the H&S department organized an auxiliary safety officer program to further promote safety awareness within the Company in 2016. In contrast to the previous safety officer program, the trainees hold a safety officer post concurrently with their original position, and are mainly responsible for monitoring potential safety hazards and promoting safety awareness in their respective departments.



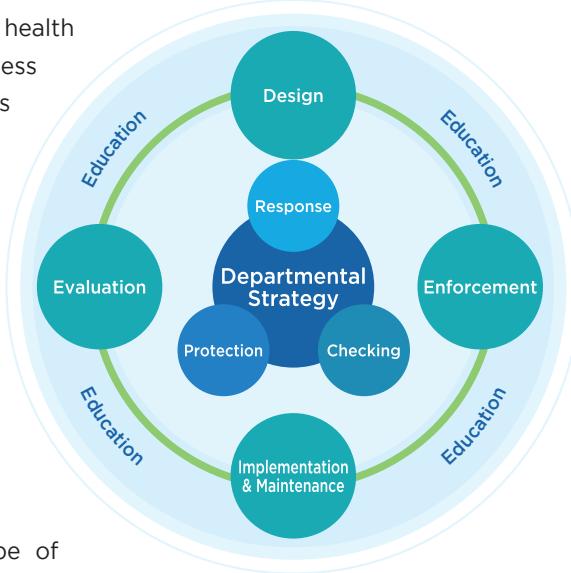
AAC Safety Newsletter



AAC Technologies believes that education is an essential element for successful health and safety management. We publish a monthly safety newsletter to provide the latest information on health and safety, along with the Company's policies. The Group aims to minimize industrial accidents and continues to expand its safety management system to cover early stages of production. We ensure a safe environment for production by identifying all potential safety hazards and rectifying the hazards, implementing emergency plans and insuring all operators.

The Group has made great efforts to protect employees' health and safety in all aspects but accidents are nonetheless inevitable. In 2016, AAC Technologies recorded 141 cases of accidents in Changzhou, Shenzhen, Shuyang and Suzhou, and one case in Vietnam. The work-related injury rate per 1,000 workers was 3.13, down 0.75 compared to previous year, and 2,337 person days were lost due to work-related injuries. No cases of occupational illness were reported. Going forward, we will continue to focus on industrial accident prevention and health and safety education for all employees, aiming to reduce the number of accidents in the long run.

In 2017, the Group is working to broaden the scope of occupational health and safety management by reviewing the entire production process. We aim to develop a comprehensive procedure for addressing emergencies on prevention, monitoring, maintenance and other improvement measures and will also modify our training programs to make them compatible with our management strategy.



○ Infectious Disease Prevention and Control

Infectious diseases such as tuberculosis can pose a serious threat to our employees. The Company is committed to managing the risk of infectious diseases by improving the work environment and educating employees. 2016 was a crucial year for the implementation of infectious diseases management. We have established procedures for prevention of outbreak of infectious diseases. We provide a hygienic environment for employees with regular disinfection, UV light sterilization, and clean ventilation in the plants. We also provide nutritional meals for employees to boost their immunity. In 2016, more than 2,000 occupational health examinations were provided to employees working in positions where they were exposed to occupational hazards, before and after commencing work, to ensure early prevention and treatment of occupational diseases. In 2017, we will continue to improve the employee health examination system, so as to better monitor the work environment in the Company.



Booths set up to raise awareness at World Tuberculosis Day



Environmental Sustainability



We are relentless in our pursuit of environmental sustainability, allocating increased resources to manage our environmental impact amidst business growth. We believe it is in our best interest to shoulder a fair share of responsibility, and act responsibly as a corporate citizen to work towards sustainability.

○ Optimize Environmental Management Approach

AAC Technologies aims to improve the effectiveness of its environmental management framework by exploring and implementing numerous models that suit the needs of the Company. There were no significant fines and no non-monetary sanctions for non-compliance with environmental laws and regulations during the year. This year we have fine-tuned the framework based on years of industrial experience. The Environmental Management Department has combined the previously separate Effluent Treatment Center and Solid Waste Treatment Center as Pollution Treatment Operating Center. This move will help reduce pollution because both sewage and solid waste can be comprehensively managed in one specially equipped facility. And the responsibility of Environmental Monitoring Center is included in Pollution Treatment Technological Center¹, simplifying the governance structure and improving the monitoring efficiency.



To overcome the challenges presented by the ever-changing business environment, we closely monitor trends and changes in environmental policies and update our management systems to appropriately conform to new regulations and requirements as they come into effect.

Keeping abreast with international standards related to environmental substances control, we have amended “Environmental Substance Management Regulations”, “Environmental Substance Control List”, “Exemption List” and “Parts GP Qualification Test Item Criterion”. During the year, the “Hazardous Waste Management Control Procedure” was updated at multiple facilities, in order to accommodate the new local requirements on hazardous waste control. Furthermore, we have devised new management systems according to particular requirements of each plant. For example, in conjunction with the introduction of new environmental protection equipment, “Wastewater Treatment and Recycling Facilities Operation Regulations” and “Rain Water Management Regulations” were added in the system followed at the Shenzhen plant. These measures ensure the equipment function effectively under the corresponding management system.



ISO 14001:2004 Certificate

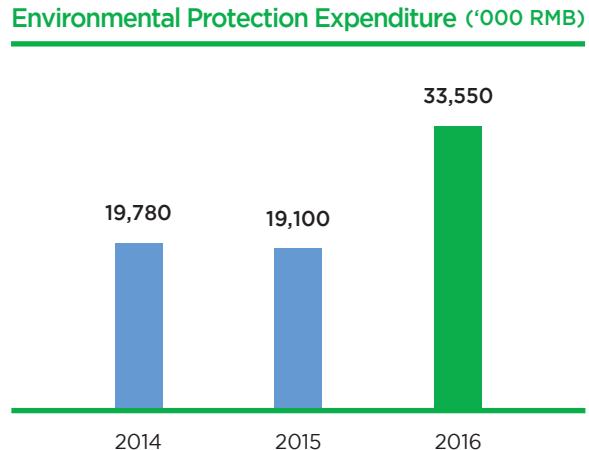
We improve our environmental management system continuously by monitoring performance in terms of key indicators such as electricity, fuel and water consumption and by implementing the corresponding resources-efficiency and conservation initiatives. We have also expanded the accreditation scope of the ISO 14001² Environment Management System. Our production plants in Changzhou, Suzhou, Shenzhen and Vietnam have obtained ISO 14001. During the year, we renewed all factories' expired certifications and upgraded some production units from ISO 14001:2004 to ISO 14001:2015.

¹ Pollution Treatment Technological Center was named as Environmental Management Technological Division previously

² Standards that set out the criteria for environmental management systems

○ Raise Environmental Expenditure

In 2016, we increased our expenditure on environmental and resource conservation, spending approximately RMB 33.55 million on environmental protection, a significant surge of about 75% compared to last year's RMB 19.1 million. A major portion of the expenditure was used for ISO14001 Environmental Management System accreditation, environmental protection facilities, environmental and technical specialists recruitment, providing ample support for our overall commitment to achieve sustainable production.



○ Energy Saving and Emissions Mitigation



Through technological innovation and implementation, we improve our energy and water efficiency, reduce exhaust gas and sewage emissions and handle hazardous waste safely.

AAC Technologies has been working hard to reduce the environmental footprint of its operations. We actively adopt cleaner production policies, reduce the use of unnecessary resources and implement new energy saving and emission reduction measures. These measures are effective in handling and reducing various pollutants generated in the production process, as well as mitigating the environmental impact as much as possible.

○ Energy Saving

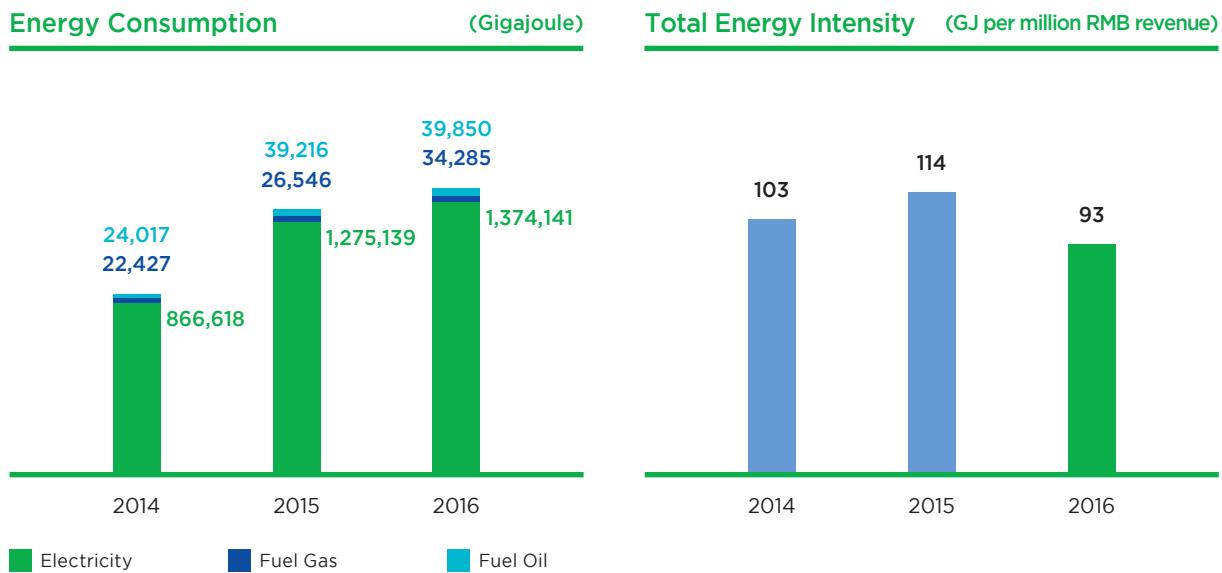
We have set up a Plant Division for each factory for specialized management and analysis of resource consumption and formulating and implementing annual energy saving measures within the framework of the production plan. Staff from the Plant Division regularly inspect each plant's energy consumption and adjust the output level of facilities, such as lighting and ventilation, depending on the production situation. In addition, compressed air and refrigerant piping facilities are checked regularly to reduce energy waste from aging or leaking piping.

	Initiatives	Energy Saved (Annually)
Changzhou	Vacuum reformation project	378,000 kWh
Suzhou	Chiller plant room efficiency enhancement project	800,000-1,000,000 kWh
Shenzhen	FFU energy saving project	295,100 kWh
Vietnam	Replacement of T5 light bulbs with T8	27,500 kWh
	Replacement of chillers with cooling towers	680,000 kWh

During the year, the Company carried out a number of energy efficiency retrofits to further reduce energy consumption. In Suzhou, we introduced an integrated chiller control system to efficiently control the factory's air conditioning electricity consumption. In Changzhou, we further reduced consumption by overhauling vacuum equipment used in production and introducing variable frequency devices to regulate energy consumption of chillers in the air-conditioning systems. In Shenzhen plant, we implemented an energy consumption improvement project on the air-conditioning system, resulting in a multi-mode system that saves up to 30% of electricity used. Meanwhile, the plant located in Vietnam has replaced the traditional T5 light bulbs with T8 light bulbs and chillers with cooling towers. Through the implementation of these and various other measures, we expect to save up to 2.2 million kWh of electricity annually.

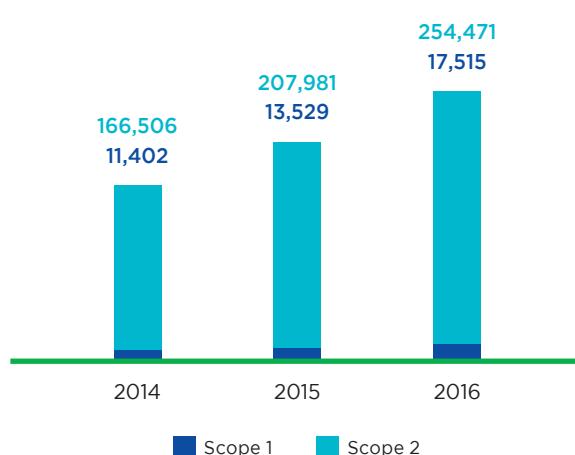
During the year, we have started energy-saving projects in Shuyang, such as digitalization of the energy management system and recovery of waste heat from the air compressor, where the waste heat recovery project intends to recycle 85% of power in the air compression process. Also, we have contrived several projects to be implemented in the coming year, which include a new phase of LED lights replacement, reform of the refrigeration system at certain workshops, concentrate recovery, centralized air-conditioning control and expansion of waste heat recovery.

In 2016, the Company consumed approximately the same amount of energy as last year but the energy intensity was reduced by 18% when compared with previous year. While we completely phased out the use of coal during the year, the existing energy profile consists of electricity, fuel gas and fuel oil. Electricity accounts for 95% of the total energy used.



During the year, we continued to audit our greenhouse gas emissions, which we began in 2011, covering two factories in Changzhou, in Shuyang and Shenzhen. The scope of the audit was consistent with that of 2015, including Scope 1 direct greenhouse gas emissions and Scope 2 indirect greenhouse gas emissions. The total amount of greenhouse gas discharged was 271,986 tonnes of carbon dioxide equivalent, with 17,515 tonnes of Scope 1 carbon dioxide equivalent (6%) and 254,471 tonnes of Scope 2 carbon dioxide equivalent (94%). The total emissions were slightly higher than 2015. The emission intensity was 0.28 tonnes of carbon dioxide equivalent per 10,000 RMB revenue. Continuous monitoring and recording of greenhouse gas emissions enables us to control greenhouse gas emission through energy-saving technologies, while maintaining the Company's business growth targets.

**Greenhouse Gas Emission
(Tonnes of Carbon Dioxide Equivalent)**



○ Management of Water Usage

Similar to energy management, each factory's Plant Division is responsible for managing water resources. We formulate and implement water-saving measures yearly, and carry out a water balance test if necessary. Newly built plants conduct a water resource risk assessment in accordance with the production process and local environmental regulations. For wastewater discharge, the Pollution Treatment Technological Center is responsible for coordinating and monitoring the process with the cooperation of the Plant Division. And we continue to explore feasible waste and pollution reduction options.

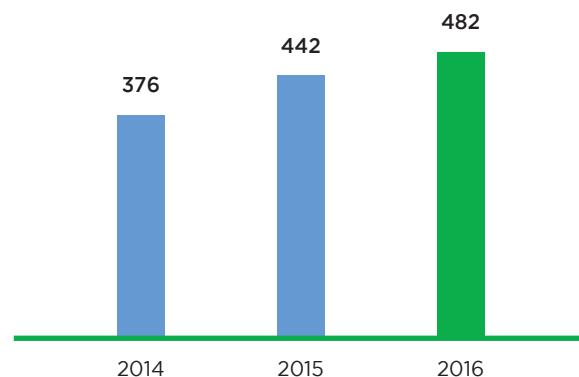
During the year, we implemented water-saving and wastewater reduction measures in multiple plants, including the renovation of sanitary flushing systems in Changzhou, and the production wastewater reuse projects in Shenzhen and Shuyang. These measures are expected to save about 850,000 tonnes of water annually. Wastewater reuse projects not only conserve water resources, but also effectively reduce the amount of wastewater discharged. For instance, wastewater generated in the process of water cutting is treated to meet the "A" standard of "Discharge Standard of Pollutants for Municipal Wastewater (GB18919-2002)" in the Shenzhen plant. The treated water is then circulated internally and reused by the pure water system during depanning process, achieving a water reuse rate of 100%. In 2016, all sewage was discharged in line with local regulations and no violations occurred.

	Item	Water Saved (Annually)
Changzhou	Sanitary flushing systems retrofit	100,000 tonnes
Shuyang	Wastewater reuse in grinding factories	157,500 tonnes
	Pure water system retrofit	237,600 tonnes
	Shuyang Phase II wastewater treatment plant reuse project	330,000 tonnes
Shenzhen	Wastewater reuse in water cutting process	20,000 tonnes

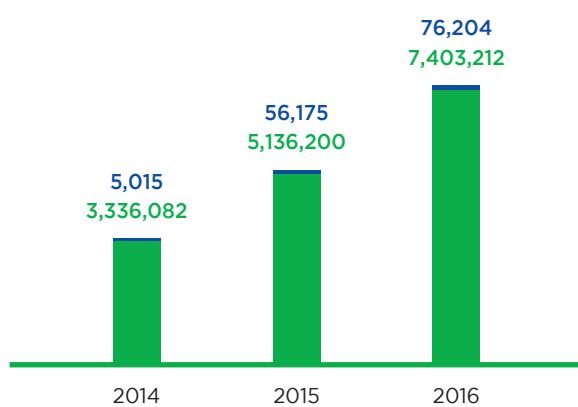
In 2016, our total consumption of municipal water was about 7.48 million tonnes, which was 2.29 million tonnes more than last year. Most of the Company's factories mainly discharge domestic sewage while the majority of industrial effluents are generated at plants in Suzhou and Shuyang. Total wastewater discharge was 6.92 million tonnes, up from 4.43 million tonnes in the previous year.

The increased water consumption and discharge was due to expansion of the RF mechanical business, which includes usage of computer numerical control (CNC) equipment. In response, we have studied and prepared a series of water-saving programs, such as the wastewater reuse system for grinding facilities, pure water system retrofit, Shuyang Phase II wastewater treatment plant and reuse system, etc. For the production project in Shuyang, several water-saving programs are being examined, even as new water sources are sought. We are committed to improving our water usage efficiency, and reducing the overall water resources used in production.

Water Intensity (Tonnes per million RMB revenue)

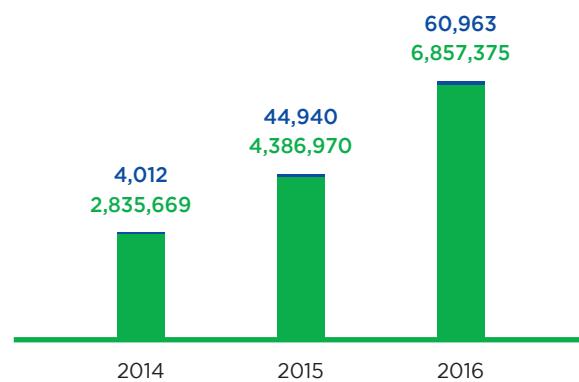


Municipal Water (tonnes)



█ Factories in Changzhou, Shuyang, Suzhou and Shenzhen
█ Factories in Vietnam

Wastewater Discharge (tonnes)

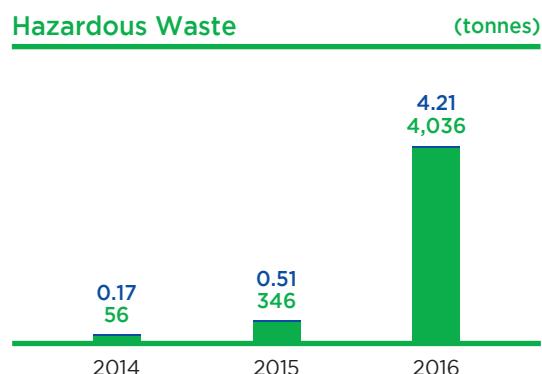
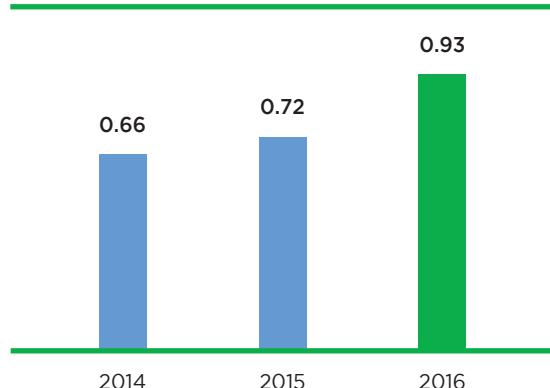


█ Factories in Changzhou, Shuyang, Suzhou and Shenzhen
█ Factories in Vietnam

○ Waste Management

The Company enforces a strict management protocol for disposal of waste from the production process. Under the ISO 14001 Environmental Management System, waste handling guideline documents such as "Hazardous Waste Management Regulations" have been established. Every unit or division is required to implement and strictly follow the relevant measures. Waste is categorized, stored and handled depending on the type of waste. Hazardous waste is treated with particular caution, to minimize the risk of contamination or spillage. We are committed to reducing waste generation and promoting recycling. We control waste at the source by developing a control list of source of hazardous waste and approval form of change of hazardous waste. During the year, the "Hazardous Waste Management Regulations" of multiple plants underwent updates to cover additional types of hazardous waste, procedures for managing changes in waste-related issues, and financial resources for waste-generating divisions. The updates were necessary to streamline the handling of hazardous waste and cater to changes in factory operations and management requirements.

Waste Intensity (Tonnes per million RMB revenue)



To ensure safe storage of all types of waste, especially hazardous waste, we carefully configure the waste storage facilities of each plant. We make sure that each waste storage warehouse has sufficient space and anti-leaking measures are in place for safe short-term storage of waste. In 2016, we established an 80 m² standard solid waste storage warehouse and renovated the 5,080 m² sludge storage warehouse in Changzhou plants so as to provide safe and adequate waste storage.



In 2016, 4,040 tonnes of hazardous waste and 9,352 tonnes of general waste were transferred to waste removal contractors. The waste intensity surged by 30% year-on-year. The increase in hazardous waste was primarily due to the new smartphone cases production process in Shuyang which generates approximately 4,000 tonnes sludge annually. We will continue to reduce generation of waste through improved production technology, for example, using heat exchange hydrolysis technology to reduce the amount of sludge left over from treating wastewater. And we have started initiatives in concentrating cutting fluid used in production, aiming to reduce its usage by 50%. We have also started development of sludge dehydration to further reduce amount of sludge generated.

■ Factories in Changzhou, Shuyang, Suzhou and Shenzhen

■ Factories in Vietnam

○ Exhaust Gas Emission Control

Our production process does not involve excessive amounts of exhaust gas emissions. The main source of emissions is from industrial processes such as acid pickling. Corresponding treatment equipment, such as lye cleaning tanks and activated carbon adsorption towers, are available to treat the exhaust gas before emission to ensure compliance with local emission standards. During the year, our emissions strictly complied with relevant standards and no violations occurred.

○ Embracing Green Production

AAC Technologies is committed to providing green products to customers and end users. We have taken into account the environmental impact of our production process from the early stages of research and design. During the production process, the quality of raw materials is strictly controlled to ensure that the final product meets the relevant environmental standards and acts as a green foundation for downstream industries.

○ Green Product Development

The pursuit of environmental sustainability is not merely meeting relevant requirements, but rather achieving feasible solutions for sustainability issues. Our Pollution Treatment Technological Center, established in 2015, is not only responsible for coordinating internal environment affairs, but also providing technical support for the Company's sustainable development. During the year, the Pollution Treatment Technological Center established a closer working relationship with the Product Department Division, aiming to consider environmental requirements early in the research and development stage. A small-scale pilot production was conducted to test and evaluate environmental performance of a new product before it is produced on large scale.

○ Reducing Use of Environmentally Harmful Substance

We tightly control usage and handling of environmentally harmful substances through each stage of development and design, procurement, and manufacturing to ensure provision of safe products to customers. In this regard, the Company's Green Partner Division enforces strict implementation of relevant initiatives and measures. Guided by the ideas of "Green Material, Green Production, Green Product", the GP team carefully monitors all stages, including design, material selection, production and shipping. To aid their efforts, an internal GP laboratory equipped with a number of sophisticated devices has been set up. During the year, the GP team monitored the "Measures for the Control of Pollution from Electronic Information Products", EU's RoHS¹ (2011/6/RU) and REACH² (1907/2006/EC), etc. Regular reviews are conducted of our internal guidelines and appropriate amendments are made to keep our systems in line with national and international regulations.

¹ Restriction of Hazardous Substances Directive, a directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment

² Registration, Evaluation, Authorisation and Restriction of Chemicals



Product Excellence



As a global leader in comprehensive micro-components solutions, AAC Technologies places great importance on the quality of its production. By following the principle of “Green Materials, Green Processes and Green Products”, we strive to minimize the environmental impact of our products.

○ Quality Assurance

AAC Technologies is committed to maintaining product quality by improving the production process and management. Our production plants are certified for ISO 9001:2008¹ Quality Management Systems and QC08000², ensuring product quality meets customers' expectations and international standards as measured by performance indicators such as delivery rate, resource use efficiency, customer satisfaction rate, etc.

We carry out due diligence at all levels in managing hazardous chemicals. Since 2005, we have established an independent GP team for developing and maintaining environmental substances management, which includes ensuring the product's compliance, assessing suppliers and providing customers certification of our products. Our GP team regularly updates our environmental substance management regulations in compliance with international standards such as RoHS (2011/65/RU) and REACH (1907/2006/EC), ensuring that materials used at all stages of production are safe for our employees and customers.

In pursuit of zero defects, AAC Technologies has implemented a manufacturing execution system (MES) in 2016, so as to further improve quality and technical innovation. Our GP team has set up a laboratory to monitor for potentially environmentally harmful substances in the finished products, greatly enhancing the accuracy and efficiency of our laboratory tests. In 2016, our products achieved a passing rate of 100% and we received no complaints about environmentally harmful substances in the reporting period.

AAC Technologies adheres to the philosophy of "predict, prevent, protect" and takes a proactive problem-solving approach to quality development and management of the supply chain. In 2016, we continued to encourage product manufacturing and management excellence through the following initiatives:

- ▲ Raise the employees' awareness on quality control and management;
- ▲ Optimize the supply chain to ensure a stable supply of quality raw materials;
- ▲ Optimize product reliability and develop innovative manufacturing expertise;
- ▲ Encourage innovation and establish unrivalled product development platforms based on users' experience

○ Intellectual Property Rights

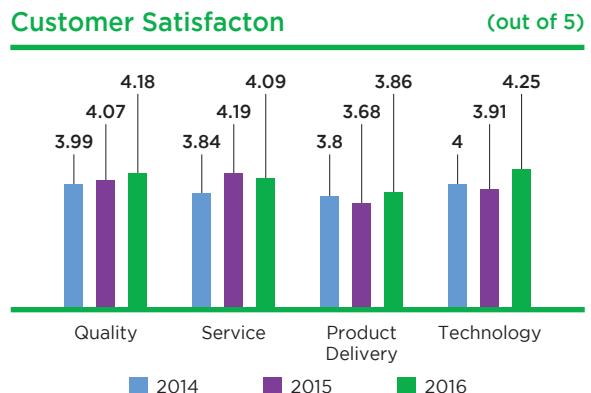
AAC Technologies values intellectual property among its most valuable assets. AAC Technologies has 14 research and development centers worldwide with over 1,210 senior engineers. In 2016, the Company successfully obtained 291 new patents and now has a total of 1,993 patents. We also filed 1,157 additional patent applications during the reporting period. During the year, there were no reported incidents of infringement of intellectual property rights, patents or trademarks.

¹ A family of quality management systems standards

² Hazardous Substance Process Management Standards in Electrical and Electronic Components and Products

○ Customers' Experience

Customers are one of the most important stakeholders of AAC Technologies, to whom it is committed to provide the best possible experience. To better understand customers' views on products and services, we collect feedback through the annual customer satisfaction survey. In 2016, we reached a new high in customer satisfaction levels with improvements in quality, product delivery and technology.



We have dedicated ourselves to maintaining the confidence from our customers by strengthening information security to better protect our business and customers from data breaches, leaks and hacks. During the year, AAC Technologies has formulated a management approach to safeguard its information assets that belong to or are managed by the Group. In addition, the Group established an information security committee in accordance with requirements of ISO/IEC 27001:2013. The purpose is to ensure the information security management system is well understood by our employees and its related measures are duly implemented throughout the organisation. The Company has standardized procedures for handling all forms of customer information to ensure it is not disclosed to third-parties. A manual of information security was also prepared to ensure that employees properly use the Group's information assets in the course of business and appropriately handle confidential information.

AAC Technologies provides innovative solutions by engaging customers in product development and offering technical support. We have also standardized procedures for handling customer feedback. If our team receives a complaint from a customer, we respond within 24 hours. AAC Technologies is committed to engaging the customer to identify the cause and adopt precautionary procedures within 7 days. Our project team regularly reviews customers' feedback to ensure improvements continue to be made.

○ Supply Chain Management

AAC Technologies advocates collaboration, mutual benefits, high standards, and integrity in its supply chain management and operations. We are committed to building partnerships with our suppliers and contributing to sustainable development of the industry and the society. In 2016, we had over 160 suppliers in China and 25 in other regions of Asia.

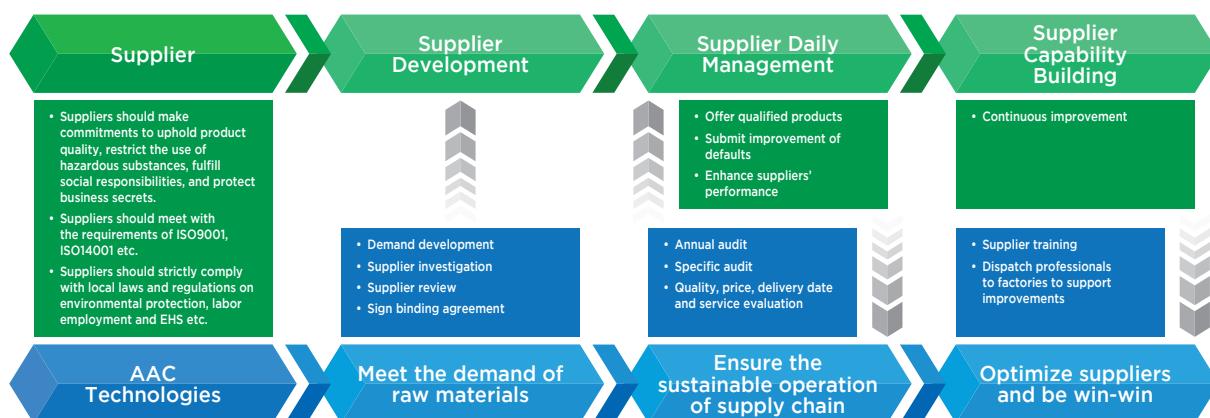


We recognize the need for strict environmental protection requirements in the electronics industry and have put in place a set of robust procedures for selecting our suppliers. Our Supplier Code of Conduct outlines our expectations of suppliers in the areas of legal compliance, labour and human rights, health and safety, environmental protection, as well as conflict minerals. In addition, our suppliers must obtain third party ISO 9001 certification for quality management, and suppliers must comply with ISO/TS 16949 system standards. We also encourage our suppliers to establish the ISO 14001 Environmental Management System and related environmental materials management and operations records as well as the SA 8000 Social Responsibility System. Those who failed to meet the expected criteria will face reduced patronage or removal from the suppliers list. In 2016, 50 suppliers in China were evaluated for performance in social responsibility. The majority passed the initial evaluation, and the rest were able to pass after rectification.

AAC Technologies has implemented guidelines with reference to the EICC regarding human resource policy, recruitment procedures and employee confidentiality. Our suppliers are required to sign a commitment regarding the above conditions, including the prohibition of child labour. Moreover, we conduct annual risk assessments of factors including environmental performance, social responsibility, products quality control and service quality. We have enhanced management of our supply chain by categorizing suppliers according to risk profile. High risk suppliers are subject to prioritized assessment and evaluation to ensure the quality of their raw materials.

Regarding conflict minerals, we require all suppliers to disclose the list of mines from which they procure the raw materials, especially metals like gold, tin, tantalum and tungsten, to ensure the supply does not contain conflict minerals originating from the fighting regions in the Democratic Republic of Congo or other militia-controlled territories. We actively encourage suppliers to procure from non-conflict mines approved by the EICC.

To ensure the conformity of product quality to the European Union's RoHS, REACH standards and other customer requirements, our GP Lab checks incoming goods for hazardous substances to avoid use of materials that do not comply with environmental protection standards. In order to effectively communicate with suppliers and help them better understand and respond to our updated requirements, we continue to engage suppliers through on-site audits, seminars and training with regard to system certification, self-test monitoring requirements and methods, product traceability, process cleaning, etc.



If defects are found in a supplier's products, we consider the specific conditions at that stage of production. We normally require the supplier to take corrective and preventive actions and follow-up and verify that action is indeed taken. However, in a situation where the same defect occurs four times and the supplier fails to fix the issue, that supplier's qualification is cancelled immediately.

Looking forward, AAC Technologies continues to focus on supplier quality control and sets improvement targets for suppliers based on their previous year's performance to fully align with our and customers' expectations. In 2017, the Group is revising the Supplier Code of Conduct to incorporate a rating system. The rating system enables the Company to manage the suppliers systematically by monitoring the integrated performance of suppliers, with indicators such as number of complaints from customers, compliance with environmental substance standards, delivery time, etc. We also encourage improvement of suppliers by setting up stringent standards for materials quality control. The Company aims to create a comprehensive system for managing suppliers where every aspect of their performance is measured, especially in environmental and social aspects.



Community



We are committed to the wellbeing and development of our local communities. During the year, our CEO was awarded the “Businessman of the Shenzhen Chamber of Commerce”, recognizing our remarkable progress in occupational and environmental safety, scientific management, proactive community participation and contribution to society.



AAC Technologies has a tradition of getting involved in communities where we operate and work hard to build good community relations by encouraging employees to volunteer for local programs. The priorities of our community investment programs are education, the environment, and social welfare, which contribute to our core value of promoting sustainable development. In 2016, the Company donated a total of RMB 2.5 million to charitable organisations.

○ Teach For China



Education has always been one of the main social issues of focus for AAC Technologies. In China today, two thirds of young people still grow up without access to quality education, especially children living in underdeveloped regions. AAC Technologies wants to contribute to society and help make a positive change for the millions of underprivileged children. Hence, we actively promote and contribute to a non-profit educational program called Teach For China and this is our third consecutive year of involvement in the program.

Running on donations and contributions, Teach For China recruits volunteers from China and the United States to equip students with knowledge, skills, and mindsets they will need to succeed in school and to access broader opportunities in life.

During the year, our Board Director, Ms. Ingrid Wu, became a member of the Teach For China Council, strengthening the cooperation between AAC Technologies and Teach For China. Aligned with the mission, we strongly believe that one day, every child will enjoy access to quality education in China and have the opportunity to dream and acquire the skills required to achieve those dreams.

○ Tencent 9.9 Public Fund Raising and Charity Sales

In support of Teach For China, our employees participated in the Tencent 9.9 public fund raising event on September 9th the Public Welfare Day. Our staff spread the word about the event to friends and family and actively made donations.

We also held a T-shirt charity sale that raised a total of RMB 10,800 from our employees for Teach For China. These donations made a positive impact that directly benefits the underprivileged children. Without hesitation, we will continue to help more children gain access to quality education.





○ International Coastal Clean-up

Co-organised with the Shenzhen Wetland Mangrove Conservation Foundation, over 20 employees participated in the coastal clean-up event in Shenzhen. The coastline was full of garbage, plastic bottles, food packaging, plastic bags, foam and fishing nets that could be seen everywhere. We recognise plastic waste is harmful to the environment as it is not bio-degradable and can remain in the environment for hundreds of years, affecting the surrounding living habitat.



Our volunteers worked tirelessly to clean up the coastline by picking up every single piece of garbage on the beach, muddy trail and in the rugged rocks. Their enthusiasm embodies the spirit of AAC Technologies: care, passion, and persistence in carrying out community services.

A total of 1,215 kg of garbage was cleaned up in Shenzhen Bay Beach Park, Sunrise Theatre, Xichong, Daya Bay and other places along the coastline. Cleaning up the coastline not only allowed us to restore the natural beauty, it also allowed us to make a positive impact and inspire more people around us to protect the environment.



○ Funing, Jiangsu Disaster Relief

Tornados, lightening and heavy rainfall struck Funing, Jiangsu causing more than 90 fatalities, 800 injuries and widespread property loss in June 2016. In response to this devastating event, AAC Technologies donated RMB 200,000 to support the local people to restore the affected areas and rebuild their homes. This shows our commitment to the community and spreading our love and support in the neighbourhood.

○ Collaboration with Nanjing University

AAC Technologies recognizes the importance of educating the future generations, therefore, we have collaborated with the Nanjing University since its inception. We set up a Postgraduate Workstation in 2012, aiming to accelerate the application of innovative technologies. We have been focusing on research and development on OLED applications for the past few years and have gained support from the Jiangsu Industry-University-Research collaboration. Through continuous investment in the technology, the postgraduate workstation has published more than 20 papers in reputed journals and has filed about 40 patents jointly with AAC Technologies. The workstation not only benefits the Company but has also become a cradle for talents, developing career paths for postgraduates, providing resources and opportunities for development of applications at the laboratory. In the coming year, we are committed to expand the R&D team in the workstation, so as to broaden research fields including but not limited to theoretical chemistry, coordination chemistry, medicinal chemistry, life science and material science.

To recognise outstanding students in the acoustics field, we have established the “Nanjing University Acoustics – AAC Scholarship” since 2013, where more than 10 students are awarded the scholarship every year. Other than financial contribution, we have also been participating in several research and development projects, encouraging knowledge exchange between the academic field and the industry. Since 2015, we have been contributing to the development of IEC miniature speakers testing standards, which consolidated the Company’s status in the development of acoustics micro-components. AAC technologies aims to develop together with Nanjing University and contribute to acoustics technology, eventually to contribute back to the society.

○ Summary of charitable contributions in 2016

Description	Amount (RMB)
Donation to Beijing Lead Future Foundation	1,954,000
Donation to Nanjing University	500,000
Donation to Teach For China	50,000
Sponsorship to Badminton Competition	20,000
Donation to Jiangsu Wujin Central School of Vocational Education	15,400
Mid-Autumn Festival Donation to Changzhou Trade Association	10,398

At present, we recognise that contributions to charitable causes vary from year to year and were down from RMB 7 million in 2015. Going forward, we hope to work on a “controllable” framework which matches the different needs of communities that we are involved with on a longer-timeframe.

Performance Data Summary



This section provides statistical information on the Company's sustainability performance. To facilitate stakeholders' understanding and benchmarking of our corporate responsibility performance, our reporting follows Global Reporting Initiative's (GRI) disclosure framework, which is an internationally recognized set of indicators for economic, environmental and social aspects of business performance.



Workforce Demographics	Unit	2016	2015	2014	2013
	Total Headcount				
	By Geographical Distribution (full time)				
	Changzhou	28,903	24,062	25,304	18,648
	Shenzhen	2,034	2,325	1,848	977
	Shuyang	8,626	4,227	3,264	2,683
	Suzhou	559	538	502	
	Vietnam	5,836	4,535	1,254	703
	Overseas and other areas	438			
	Total	46,396	35,687	32,172	23,011
	By Age				
	<30	36,814	25,143	26,625	18,987
	31-40	7,923	4,909	4,442	2,707
	41-50	1,531	1,168	1,075	583
	>50	128	46	30	31
	By Gender				
	Male	26,906	18,307	17,193	11,683
	Female	19,490	12,959	14,979	10,625
	By Educational Background				
	Degree or above	13,983	10,884	8,479	6,135
	High school or below	32,413	20,382	23,693	16,173
	By Employee Category				
	Management	2,027	2,148	-	-
	R & D / Engineer	4,206	2,153	-	-
	Worker	40,163	26,965	-	-
	Employees Training (China)				
	Average training hours	30.3	30.7	19.1	8.3

	Unit	2016	2015	2014	2013
Health and Safety	Safe Manufacturing Investments RMB '000	53,090	47,920	37,220	24,570
	Performance of Occupational Health and Safety*				
	Major pollution or safety incidents	0	0	0	0
	Fire hazard	2	0	1	0
	Work-related accidents	142	137	133	115
	Work-related injuries per 1,000 workers	3.13	3.88	4.19	-
	Lost days due to work-related injury	2,337.4	2,783	-	-
	Work-related fatalities	1	0	0	0
	Number of occupational disease cases	0	0	0	0
	Training on Occupational Safety and Health*				
Environment	Total person-times training	194,518	107,972	73,150	18,669
	Total training hours	266,793	133,988	124,891	37,101
	Percentage of employees trained	100%	100%	62%	-
	Environmental Protection Expenditure RMB '000	33,550	19,100	19,780	6,250
	Total Resources Consumption*				
	Electricity kWh	381,708,872	354,208,228	240,729,150	199,159,962
	Fuel Oil kg	925,249	910,516	557,620	636,488
	Fuel Gas m³	880,653	681,867	576,075	625,223
	Coal Tonnes	0	21	50	444
	Total energy intensity GJ per million RMB revenue	93	114	103	96
Community	Water Tonnes	7,479,416	5,192,375	3,341,097	2,291,051
	Water intensity Tonnes per million RMB revenue	482	442	376	283
	Emissions*				
	Effluent				
	Wastewater discharge Tonnes	6,918,338	4,431,910	2,839,681	3,926,148
	Solid Waste				
	Hazardous waste Tonnes	4,040	347	56	18
	Non-hazardous waste Tonnes	10,422	8,071	5,792	5,196
	Waste intensity Tonnes per million RMB revenue	0.93	0.72	0.66	0.64
	Greenhouse Gases Emissions and Intensity^				
Community	GHG emissions tCO2e	271,986	221,240	177,908	173,555
	Scope I tCO2e	17,515	13,259	11,402	10,586
	Scope II tCO2e	254,471	207,981	166,506	162,969
	Emission intensity Per RMB 10,000 revenue	0.28	0.24	0.22	-
	Usage of Packaging Materials*				
	Carton PCS	4,183,718	4,010,754	5,235,964	7,623,851
	Blister boxes PCS	40,795,052	29,358,441	24,023,085	27,501,997
	Carrier tape Meter	11,428,054	8,895,973	10,362,812	12,578,007
	Carrier disc PCS	323,275	355,578	179,362	236,408
	Packing belt Roll	206,242	1,946	1,625	2,024
Community	Sealing paper Roll	459,591	425,550	6,480	428,400
	Label PCS	3,963,765	2,790,039	5,565,952	1,817,833
Community	Donation RMB '000	2,550	6,920	2,340	360

* Covering the factories in Changzhou, Shenzhen, Shuyang, Suzhou and Vietnam

^ Covering two factories in Changzhou, one each in Shuyang and Shenzhen

≤ Traffic accidents

○ Global Reporting Initiative Content Index

GRI guidelines help companies select material content and key performance indicators. For more on GRI, please see www.globalreporting.org.

Our GRI Content Index also includes references to Key Performance Indicators of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide (ESG Guide).

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks
General Standard Disclosures				
Strategy and Analysis	G4-1	-	Statement from the senior most decision-maker about the relevance of sustainability and the organization's strategy	P.6
Organizational Profile	G4-3	-	Name of the organization	P.1
	G4-4	-	Primary brands, products, and services	P.8
	G4-5	-	Location of the organization's headquarters	P.8
	G4-6	-	Number of countries where the organization operates	P.8
	G4-7	-	Nature of ownership and legal form	Annual Report, P.64
	G4-8	-	Markets served, and types of customers and beneficiaries	Annual Report, P.29
	G4-9	-	Scale of the organization	P.8
	G4-10	B1.1	Total number of employees by employment contract, gender and region	P.17
	G4-11	-	Percentage of total employees covered by collective bargaining agreements	P.20
	G4-12	B5.1	Description of supply chain	P.34
	G4-13	-	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	No significant change [client tbc]
	G4-14	-	Whether and how a precautionary approach or principle is addressed by the organization	P.25-31
	G4-15	-	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	P.45
	G4-16	-	Memberships in associations and national/international advocacy organizations	P.11
Material Aspects and Boundaries	G4-17	-	All entities included in the organization's consolidated financial statements or equivalent documents	Annual Report, P.111
	G4-18	-	Process for defining the report content and the Aspect Boundaries; and how the organization has implemented the Reporting Principles for Defining Report Content	P.13-15
	G4-19	-	All the material aspects identified in the process for defining report content	P.14-15
	G4-20	-	The aspect boundary for each material aspect within the organization and whether the aspect is material for all entities within the organization	P.15
	G4-21	-	Whether the aspect boundary for each material aspect outside the organization	P.15
	G4-22	-	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	P.13-15
	G4-23	-	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant change

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Material Aspects	GRI Indicator	ESG Guide	Description	Remarks
General Standard Disclosures				
Stakeholder Engagement	G4-24	-	List of stakeholder groups engaged by the organization	P.14
	G4-25	-	Basis for identification and selection of stakeholders with whom to engage	P.13-14
	G4-26	-	Organization's approach to stakeholder engagement	P.14
	G4-27	-	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	P.13-14
Report Profile	G4-28	-	Reporting period for information provided	P.4
	G4-29	-	Date of most recent previous report	P.4
	G4-30	-	Reporting cycle	P.4
	G4-31	-	Contact point for questions regarding the report or its contents	P.5
	G4-32	-	GRI Index with "in accordance" option chosen and references to External Assurance Reports	P.4
	G4-33	-	Organization's policy and current practices with regard to seeking external assurance for the report	The Company is planning to seek external assurance at an appropriate time
Governance	G4-34	-	Governance structure of the organization, including committees of the highest governance body and those responsible for decision-making on economic, environmental and social impacts	P.13
Ethics and Integrity	G4-56	-	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	P.9
Performance Indicators				
1. Economic				
Economic Performance	G4-EC1	B8.2	Direct economic value generated and distributed	P.9
2. Environmental				
Energy	DMA	A2	Report how the organization manages the material Aspect or its impacts	P.27
	G4-EN1	A2.5	Materials used by weight or volume	Data Summary
	G4-EN3	A2.1	Energy consumption within the organization	P.27
	G4-EN6	A2.3	Reduction of energy consumption	P.26
Water	DMA	A2	Report how the organization manages the material Aspect or its impacts	P.28
	G4-EN8	A2.2	Total water withdrawal by source	P.29
		A2.4	Issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	P.28-29
Emissions	DMA	A1	Report how the organization manages the material Aspect or its impacts	P.25-31
	DMA	A3	Report how the organization manages the material Aspect or its impacts	P.25-31
	G4-EN15	A1.1, A1.2	Direct greenhouse gas (GHG) emissions (Scope 1)	P.28
	G4-EN16	A1.1, A1.2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	P.28
	G4-EN18	A1.2	Greenhouse gas (GHG) emissions intensity	P.28
	G4-EN19	A1.5	Reduction of greenhouse gas (GHG) emissions	P.28
Effluents and Waste	DMA	A1	Report how the organization manages the material Aspect or its impacts	P.30
	G4-EN23	A1.3, A1.4, A1.6	Total weight of waste by type and disposal method	P.30
	G4-EN27	A3.1	Extent of impact mitigation of environmental impacts of products and services	P.30
Compliance	G4-EN29	A1(b)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	P.31
Supplier Environmental Assessment	G4-EN32	B5.2	Percentage of new suppliers that were screened using environmental criteria	P.34

Performance Data Summary

Material Aspects	GRI Indicator	ESG Guide	Description	Remarks
Performance Indicators				
3. Social - Labor Practices and Decent Work				
Employment	DMA	B1	Report how the organization manages the material Aspect or its impacts.	P.16, 18
	G4-LA1	B1.2	Total number and rates of new employee hires and employee turnover by age group, gender, and region	P.17
Occupational Health and Safety	DMA	B2	Report how the organization manages the material Aspect or its impacts.	P.21
	DMA-b	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.21-23
	G4-LA6	B2.1-2.2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	P.23
Training and Education	DMA	B3	Report how the organization manages the material Aspect or its impacts.	P.19-20
		B3.1	The percentage of employees trained by employee category (e.g. senior management, middle management, etc.)	P.20
	GA-LA9	B3.2	The average training hours completed per employee by employee category	P.20
Supplier Assessment for Labor Practices	DMA	B5	Report how the organization manages the material Aspect or its impacts.	P.34-35
	G4-LA14	B5.2	Percentage of new suppliers that were screened using labor practices	P.34-35
4. Social - Human Rights				
Child Labor	DMA	B4	Report how the organization manages the material Aspect or its impacts.	P.20, 35
	G4-HR5	B4.1	Operations and suppliers identified as having significant risk for incidents of child labor, and measures to eliminate all forms of child labor	P.20, 35
Forced or Compulsory Labor	DMA	B4	Report how the organization manages the material Aspect or its impacts.	P.20, 35
	G4-HR6	B4.2	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to eliminate all forms of forced or compulsory labor	P.20, 35
Supplier Human Rights Assessment	DMA	B5	Report how the organization manages the material Aspect or its impacts.	P.34-35
	G4-HR10	B5.2	Percentage of new suppliers that were screened using human rights criteria	P.34-35
5. Social - Society				
Local Communities	DMA	B8	Report how the organization manages the material Aspect or its impacts.	P.36
	G4-SO1	B8.1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	P.36-39
Anti-Corruption	DMA	B7	Report how the organization manages the material Aspect or its impacts.	P.19
	DMA-b	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Whistle-blowing Policy on company website
	G4-SO5	B7(b), B7.1	Confirmed incidents of corruption and actions taken	P.19
Compliance	G4-SO8	B1(b), B2(b), B4(b), B7(b)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	P.25
Supplier Assessment for Impacts on Society	DMA	B5	Report how the organization manages the material Aspect or its impacts.	P.34
	G4-SO9	B5.2	Percentage of new suppliers that were screened using criteria for impacts on society	P.35

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Material Aspects	GRI Indicator	ESG Guide	Description	Remarks
Performance Indicators				
6. Social – Product Responsibility				
Customer Health and Safety	DMA	B6	Report how the organization manages the material Aspect or its impacts.	P.33
	DMA-b	B6.1, B6.4	Percentage of total products sold or shipped subject to recalls for safety and health reasons	P.21, 34
Product Service and Labeling	DMA	B6	Report how the organization manages the material Aspect or its impacts.	P.34
	G4-PR5	-	Results of surveys measuring customer satisfaction	P.34
Customer Privacy	DMA	B6	Report how the organization manages the material Aspect or its impacts.	P.34
	DMA-b	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	P.34
	G4-PR8	B6.2	Total number of substantiated complaints regarding breaches of customer privacy and loss of customer data	No reported case
Compliance	G4-PR9	B6(b)	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	P.33
Protecting Intellectual Property Rights	-	B6.3	Description of practices relating to observing and protecting intellectual property rights	P.33

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○ United Nations Global Compact

Human Rights		
Principle 1	Business should support and respect the protection of internationally proclaimed human rights; and	P.20, 35
Principle 2	Make sure that they are not complicit in human rights abuses.	P.34-35
Labor Standards		
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;	P.20
Principle 4	The elimination of all forms of forced and compulsory labor;	P.20, 35
Principle 5	The effective abolition of child labor; and	P.20, 35
Principle 6	The elimination of discrimination in respect of employment and occupation.	P.20
Environment		
Principle 7	Business should support a precautionary approach to environmental challenges;	P.24-31
Principle 8	Undertake initiatives to promote greater environmental responsibility; and	P.24-31
Principle 9	Encourage the development and diffusion of environmentally-friendly technologies.	P.24-31
Anti-corruption		
Principle 10	Business should work against corruption in all its forms, including extortion and bribery.	P.19, 35



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