

## Forty years of spring flowers and autumn fruits, UFI Filters Group blooms new vitality in China

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The decades-long journey of UFI Filters Group and latest "2021 Sustainability Report" released, show the unswerving values of the group - innovation, passion, excellence, integrity, accountability and diversity, having experienced the innovations and changes of the global auto industry, and witnessed the rise and rapid development of the Chinese auto market, I believe that UFI Filters Group will continue to accompany the entire industry and move towards an exciting new future together.

In 1982, although the Chinese auto industry was sprouting, the progress was remarkable, and the auto production doubled from the previous 10 years.

The year-by-year development of China's national economy and the favorable market environment had opened up a starting point for the local auto industry to take off.

It was in 1982 that Giorgio Girondi, chairman of UFI Filters Group, set foot on Chinese territory for the first time. At that time, Giorgio Girondi's vision was to establish a new filtration business in China. He remembered that it took 33 hours to travel from Shanghai to Beijing by train, and the Chinese auto market was still in its infancy...

Time flies, 40 years have passed, and China has become the world's largest automobile market. UFI Filters Group currently has six industrial bases in this hot land – the 7th will be opened next year, and

occupies an important market position in the field of passenger cars and heavy-duty vehicles.

The past 40 years have been a story of constant innovation, change and advancement for the UFI Filters Group.

### From sprouting to rooting and flowering

After an initial slow introduction of joint venture agreements with international partners with the objective to create production capacity the Chinese market started to grow in earnest at the beginning of the new millennium. China's automotive sector grew at a compound average rate of 24 percent a year between 2005 and 2011 and, in 2010 overtook the United States as the largest single-country new-car market.

UFI Filters also follow a similar path and after a few turn-key projects it opened its first wholly owned facility in 1996 in Qingpu

Shanghai and it developed quickly alongside the market by opening in the next 10 years 3 other industrial sites for filter production including a factory in Changchun (Jilin province).

Between 2010 and today the Automotive market has shown a continuous growth rate arriving at today's 27 Mil vehicles (passenger and Light commercial vehicles) without faltering even once. The interesting facet of this tremendous growth is the fact that the development has not been only in numbers but also in sophistication of the product. Chinese consumers have developed taste and affinity for more technological and advanced products so much that now all major OEMs have a design and R&D center in China to cater to the needs of the consumers of the No 1 Automotive market. So much so that every year there are at least 1/2 global premieres of vehicles and 2/3 global launches of new versions or models of an existing car.

This growth has not only been in taste and innovation, but also in standards of emissions and cleanliness of engines. Leveraging on its global know how and globally connected R&D centers (one of which is located in Shanghai China), UFI Filters Group has managed to ensure the engines produced by global and local OEMs had the necessary compliance with standards of emission.

The "filtering technology for our planet" is a mantra that the Group has always instilled in its people and in its products above and beyond what the standards were calling for. UFI Filters China has always supported the changes in regulation by leveraging on European know-how as the Chinese regulations has for years lagged European new standards.

But from the design table and the product development the OEMs need to have physical and continuous production ready to go at a moment's notice. So UFI Filters started its philosophy of GLO-CAL Global for Local manufacturing. This translates in Global standards with world Class Manufacturing along with various ISO and IATF certifications dedicated to local production and industrial sites located near the OEMs. This method brought to light the establishment of new sites in China starting with UFI Filters Shanghai, dedicated to export product and established in the Export Processing Zone in Qingpu Shanghai 2004. Soon thereafter Sofima Automotive filter Changchun was born in Jilin province with the objective to serve all the northern OEMs located in the area. Last of the industrial sites was Sofima Chongqing ready to serve the developing South west of China identified by several brands as the new Auto Hub for the South and West.

### **Grasp new trends and meet new challenges and opportunities**

China is now the market every automaker in the world looks at first with over 25 Mil new vehicles being sold on the mainland each year. Chinese consumers are growing more sophisticated about cars and their tastes are evolving. To succeed in this more demanding environment, automakers must better understand what their customers want. In this way, the Chinese car market is becoming perhaps even more complex than North American, Europe, and Japan, given the many regional and segment differences. As an executive it is necessary to understand the



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intricacies of the automotive market and industry, where the market is headed because the automotive industry represents 5-6% of total Gross domestic Product and Employment.

But China is forging ahead not only in magnitude of vehicles sold, but also in type and models of vehicles. The electric revolution started in 2014 with the early boomers of BYD, followed more recently by the successful cases of XiaoPeng, Nio and Li Auto is now developing into a full tsunami taking the world by storm. Statistics and projections say that by 2025 a good 30% of the total market will be Fully electric vehicles (BEV) with the number growing to 50% by 2030.

Europe has caught on to this trend and declarations of "Full Range Electrification" abound among European car manufacturers and legislators. The trend is a disruptive one because the technology of the electric vehicles is simpler than an internal combustion engine and the complexity has gone from the engine and car development to the passengers and their entertainment/connectivity. This new trend



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has opened the market to a new type of manufacturers that were not traditional vehicle manufacturers but that instead have their expertise in the connectivity. Prime examples of this new trend are Apple, Huawei, FoxConn who are traditionally mobile phone giants.

The car mechanisms getting simpler does not mean the system management is getting less complicated. However, the New Energy Vehicles (NEVs) need to have an optimal operational range of temperature in order to be stable and with maximum efficiency. A temperature too high will create problems to the electric engine, transmission and battery, while a temperature too low will affect the operational capacity of the vehicle and reduce range and performance. UFI SOFIMA has developed a full range of Thermal management products like Heater Exchangers for E-engines and E-Axle and Battery Chillers, Coolant Battery Heaters, Liquid Cooled Condensers, Transmission Oil Coolers, Internal Heat Exchangers and Receiver Dryer. Additionally, we are cooperating with other partners for the development of new Electronic Expansion valves to be integrated in our Modules.



In order to sustain and better develop this new trend UFI Filters Group has decided to open its 7th industrial site in China (20th globally) in Jiaxing, Zhejiang Province. This new state of the art facility will be the biggest yet built in China by the Group. CEO Facchini says, "The commitment we made back in 1996 has never waned or faltered. It has always been strong and a growing crescendo. We will further invest in the construction of a new factory in Jiaxing, Zhejiang and new projects of UFI green technology in the future."

COO Trazzi says, "This investment, the 7th industrial site in China Mainland, will support the development of the NEVs products that represent the future of transportation for both the passenger and commercial vehicles, in the most important and dynamic automotive market of the world, China. We already have four other industrial bases, providing jobs for more than 1,600 people. The new production site will have over 36,000 sqm of production and warehouse coverage, with possible expansion on an adjacent 30,000 sqm plot."

Our facilities will be for production of advanced filtration systems and thermal management applications for New Energy Vehicles starting in 2023. Additionally we will have a new state of the art R&D and Laboratory center for the research and development of our new systems and products. This new plant will strongly contribute to our future result and will reach a revenue for over a Billion RMB and employ over 600 people in the future.



## Embrace Sustainability, Embrace Future

More breathable air and a cleaner environment are the essential elements of the New Corporate Social Responsibility trend. The CSR is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society.

It is based on 3 main pillars Environment / Social / Governance measure the sustainability and social impact of each company on a standardized scale of KPIs agreed upon by the United Nations and by other organisations (GRI - Global Reporting Initiative). This is the new push for saving our planet and is an organised movement involving all areas of business and extending agreements like the PARIS Agreement on Global warming to all corporate entities.

UFI Filters Group keeping pace with its spirit and mantra "Filtration Technology for Our Planet." is pushing the boundaries of R&D and developing new capabilities to create a new generation of products for growing market demand and new manufacturers, including Electric Axle/Electric Motor Coolers, Coolant Battery Heaters, Liquid Cooling Condenser. Because the air in the passenger compartment and for the engine has to be cleaner than ever before, UFI Filter Group has introduced the new HEPA-CARBON air filter, a new type of media-specific compliant with US regulations filter. HEPA stands for High Efficiency Particulate Air (Filter), which absorbs harmful gases.

It is worth noting that the UFI Filter Group also released the "2021

Sustainability Report". Giorgio Girondi wrote a letter to the stakeholders as the opening remarks of the report, so as to make it clear and forge ahead. "Our DNA is innovation and new technology and during this period we have adapted and enlarged our product range to walk together with our clients, so that we can continue to be a leading global supplier also in Thermal Management and in electrification

vehicle. We have risen to the challenge and have adapted thanks to the dedication and to the undying spirit of our people... because in times of need are people doing the difference, helping each other and overcoming difficulties together. This is the spirit that characterizes our Group and our history."

This letter carries UFI Filter Group's deep understanding of its own positioning and future development, and also conveys its original intention and determination that has not changed for decades.

## Write at the end

The decades of long development of UFI Filters Group and the latest "2021 Sustainability Report" released, it shows the values that the group has chosen for a long time - innovation, passion, excellence, integrity, responsibility and diversity, we have reason to believe that after experiencing the innovations and changes in the global auto industry, and witnessing the rise and rapid development of the Chinese auto market, UFI Filters Group will continue to accompany the entire industry and move towards an exciting new future together.