

Haier 海尔

Haier Electronics Group Co., Ltd.
海爾電器集團有限公司*

Stock Code: 01169

**WE ALWAYS ADVANCE
WITH ENDLESS ITERATION
UNDER THE WAVE OF TIMES**



**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT
2019**

* for identification purpose only

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I. PREFACE

i. About this Report

This is the fourth Environmental, Social and Governance Report (hereinafter referred to as the “ESG Report”) of Haier Electronics Group Co., Ltd. (hereinafter referred to as “we”, “Haier Electronics” or the “Company”, together with its subsidiaries, the “Group”), which comprehensively illustrates Haier Electronics’ management performance on environment, society and governance in 2019, focusing on the matters that stakeholders are interested in or concern about, and describing the way by which the Group achieved economic, environmental and social sustainable development.

In the preparation of this report, we strove to ensure information disclosed herein meet the requirements of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on four principles, namely materiality, quantitiveness, balance and consistency.

ii. Scope of Report

The scope of the report is consistent with this year’s annual report, covering Haier Electronics Group Co., Ltd. and its subsidiaries.

iii. Basis of Preparation

This report complies with the requirements of the ESG Reporting Guide published by the Hong Kong Stock Exchange and is prepared with reference to Haier Electronics’ stakeholders’ needs. The preparation process of this report includes: identifying and ranking important stakeholders, identifying and ranking important issues related to ESG, determining the content of ESG report and its scope, collecting relevant materials and reference, combining relevant data according to information available, verifying data in the report and etc. Haier Electronics has complied with the “comply or explain” provisions in the ESG Reporting Guide of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

iv. Source of Information and Reliability Assurance

The source of information and cases of this report was mainly derived from the Company’s statistical reports, relevant documents and internal communication documents. The Group undertakes that there is no false record and misleading statement in this report, and assumes liabilities to the authenticity, accuracy and completeness of the information in this report.

v. Confirmation and Approval

With the confirmation from the management, this report was approved by the Board of Directors on 23 June 2020.

vi. Access and Response to this Report

This report is published in traditional Chinese and English and its electronic version is available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) under the category of “Financial Statements/ESG Information” of Haier Electronics or the website of Haier Electronics (www.haier.hk).

We attach great importance to stakeholders’ opinions and welcome readers to contact us through the channels below. Your comments will help us to further enhance Haier Electronics’ environmental, social and governance performance.

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II. MESSAGE FROM CHAIRMAN OF THE BOARD

We always advance with endless iteration under the wave of times.

2019 celebrated the 35th anniversary of the Haier brand. We officially entered a new stage of ecological brand strategy and continuously climbed towards the new peak of the IoT era. Under the general trend of global economic downturn, Haier was ranked as the world's No.1 brand of white household appliances for 11 consecutive years, and was listed in the BrandZ Top 100 Global Brands where Haier was the only IoT ecological brand on the list. At the same time, Haier Electronics reviewed its business development in a sustainability perspective, so as to create long-term values for its stakeholders. Proceeding from the concept of "green, lifestyle and caring", we embraced ESG concept into our corporate strategy and contributed to green ecology, intelligent lifestyle and a harmonious society. Haier Electronics' ESG management practice has achieved remarkable results and won awards such as the "Excellence in Social Disclosure Commendation", "Innovative Front-runner Award", "Best Corporate Governance (G) Responsibility Award" and "Most Socially Responsible Listed Company" from various authoritative institutions and media, demonstrating the wide recognition and acknowledgment from various sectors of the society.

We are the guardian of green ecology. We advocate green manufacture and green consumption. With the ideology of "Green design, Green manufacture, Green operation, Green recycle", we continuously explore the energy-saving and environmental protection attributes of the entire life cycle of products, so as to achieve resources and energy saving and promote environmental protection and ecological civilisation. In 2019, we gradually launched programmes for replacement of home appliances, tackling obstacles in the recycling of time-worn appliances while also helping consumers to replace old appliances of high energy consumption, high pollution and high maintenance rate by more environmental-friendly products. We care about the influence of climate change, and are committed to energy efficiency improvement and greenhouse gas emissions reduction. Based on the intelligent energy cloud platform supported by big data technology, we achieved optimal energy allocation and efficiency enhancement, and the energy consumption and greenhouse gas emissions per product have been reduced year by year. In 2019, Haier Electronics' energy consumption per product reduced by 17.72% as compared to the previous year, and greenhouse gas emissions per product reduced by 17.12% as compared to the previous year.



We are the pioneer of intelligent lifestyle. We always maintain a zero distance with users. By integrating the product features of our washing machine, water heater and water purifier businesses, we provide users with customised smart solutions for such as high-end water usage and health management. We also offer users with a variety of smart home scenarios such as smart bathroom, smart balcony and intelligent water usage for the whole house, so as to realise the best full-scenario experience for users through the interconnection of products. In 2019, the Haier Smart Home App and Global Store 001 were launched and opened, in which the “Experience Cloud Crowdcasting” (體驗雲眾播) platform supports the display and marketing of products of members of the ecosystem in the live broadcast room. Members of the ecosystem can build different scenarios and jointly establish ecological brands to meet users’ one-stop shopping experience, creating a smart living platform for millions of families. Through the COSMOplat platform, we have gathered global outstanding resources and led the innovation of IoT technology, and created an “Internet of Clothing” platform. While ensuring the security of user information, we have aggregated and analysed consumption data, usage data and traceability data through big data technology, so as to build an ecological IoT that integrates industries such as home appliances, clothing and washing, providing users with whole house smart solutions for laundry, caring, wardrobe, matching and purchase. Taking Haier’s 10 major open R&D centres in the world as the basic platform, we continuously invest in R&D resources for smart living, integrate the R&D efforts around the world aiming to solve the difficulties of users. We have obtained 1,054 new patents throughout the year, among which 416 are invention patents. With 4,469 patents by the end of the year, we are the industry leader in term of number of patents owned.

We are the practitioner of corporate citizen. We provide our staff with more chances to create common value. By adopting the “RenDanHeYi” innovative management model, our staff become “makers”, and makers join together to form micro-enterprises, while such micro-enterprises, each one as a basic unit, constitute an ecological chain comprised by groups of micro-enterprises. We offer makers high degree of autonomy to form a chain group driven entirely by user experience, so as to create win-win results based on user experience and share added-value. We express our warmth to the society. We continue to undertake brand public welfare projects, focusing on education and healthy growth of juvenile while offering material and spiritual support. The 3rd year of “Let’s hug, dad” public welfare event covered 26 cities with 38 enterprises joined this event, and attracted nearly 300 million followers. We also consolidate our stakeholder resources to form our public welfare ecosystem, where everyone can be the ambassador of warmth. In 2019, we promoted 7 related activities which attracted 1,336,547 followers. Since aiding to build the first Hope Primary School in 1995, Haier had invested more than RMB110 million in aiding to build a total of 306 Hope Schools (305 Hope Primary Schools and 1 Hope Secondary School) by the end of 2019, and is the Chinese enterprise that invested in building the most number of Hope Schools under the Hope Project of the Central Committee of the Communist Youth League.



We are the actor of fighting against the epidemic. The abrupt outbreak of the novel coronavirus pneumonia epidemic in early 2020 posed great challenges to people's lives, property and health. In this tough battle against the epidemic, Haier took immediate action and actively responded to the situation by leveraging on its global layout and giving full play to its industry edges. We took meticulous care of our employees and ensured that none of our employees were infected; worked together to build the ecosystem to assist the safe resumption of work for members of the ecosystem; attentively upgraded our services to provide users with healthier and safer products; and took full responsibility to gather global resources in terms of funds, medical equipment and IoT home appliances and launched four rounds of donations, becoming one of the earliest enterprises that offered the most assistance for Wuhan City.

The Earth is the common homeland of mankind. We have integrated into the era of IoT and created an ecological brand, while bearing in mind the concept of green and sustainable development. In 2020, Haier Electronics will devote more efforts and join hands with all sectors of the society to improve the overall level of ESG of the Company. We will mitigate the impact of the epidemic with tenacious will and create encouraging performance to welcome a better future.

Haier Electronics Group Co., Ltd.
Zhou Yun Jie
Chairman of the Board

III. SPECIAL TOPIC: FIGHTING AGAINST THE EPIDEMIC, HAIER ELECTRONICS IS TAKING ACTIONS

At the beginning of 2020, an abrupt outbreak of the novel coronavirus pneumonia (COVID-19) epidemic appeared quite intimidatingly, dragging our country and the whole world into a crisis.

The epidemic makes people get together to fight as a whole. Haier Electronics took initiative to answer such calling by immediately building a contingency command team to coordinate resources and respond quickly. It joined the fight forefront against the epidemic to demonstrate the responsibility that a company shall assume. Though merciless be the epidemic, kindness is with us the whole time. Haier Electronics attaches great importance to employee safety, supports ecological enterprises, guarantees service quality, devotes itself to social assistance, and works together with stakeholders to give mutual help and protection.

i. Safeguarding Employees

Makers are valuable assets of the Company; therefore, safeguarding their life safety is an incumbent responsibility of the Company. Since the outbreak of the epidemic, Haier Electronics has strictly adhered to national and regional policies, established epidemic prevention teams, clarified goals and set up teams, forming a well-established mechanism. We integrated business reality with local policy requirements, focusing on the philosophy of “safeguard our employees with our epidemic prevention system”. By reasonably arranging resumption of work and adopting a series of epidemic prevention measures, we comprehensively protect our employees’ health and safety.



Park safety 	Employee protection 	Publicity 	Logistics support 
<p>Conduct deduction of park scenes before resuming work; Reduce unnecessary gatherings;</p> <hr/> <p>Since the resumption of work, reduce the number of entrances and exits, implement personnel registration at entry points, control external visitors, and carry out all-round disinfection regularly in the park every day.</p>	<p>Postpone work resumption in response to the government's call. Encourage remote working and establish communication mechanisms and channels. Pay employees' salaries legally;</p> <hr/> <p>Track and communicate the health status of employees, conduct daily temperature checks on employees, collect health status and mobile information of employees, communicate with employees with special situations and report such information, and identify potential hidden dangers in time.</p>	<p>Prepare the "Guidance Manual on Epidemic Prevention for Employee" and distribute it to all employees;</p> <hr/> <p>Popularise and publicise epidemic prevention knowledge among employees online and offline;</p> <hr/> <p>Make safety signs and place them in key areas in the park for guiding employees on how to protect themselves scientifically.</p>	<p>Have protective supplies well prepared; Organise convoys for commute; Protect the health and safety of employees during commute; Provide services such as food delivery, haircuts and other living services to employees.</p>

As the domestic epidemic has been gradually controlled, under the premise of ensuring the safety of employees in accordance with the "Requirements on holidays and the restoration of production order of enterprises" of national and local governments, Haier Electronics has successfully achieved work resumption at various locations, and has been highly recognised as the "model enterprise" for resumption of work by various local governments.

ii. Ecological Support

We actively support ecological enterprises to resume work together, take the initiative to connect with local government departments so as to assist suppliers on applying work and production resumption. In addition, we require suppliers to strictly implement health and safety management, including safety measures such as publication of daily personnel health information, body temperature measurement, regulations on protective wears, and regular disinfection of production areas and offices, and urge supply chain to ensure the safety of employees back to work.

COSMOPlat boosts ecological enterprises to resume work

After the outbreak of the epidemic, we leveraged on COSMOPlat to establish a service platform for enterprises on work resumption and on productivity enhancement, and built an “ecological chain group for enterprises that have resumed work”. The platform has carried out dynamic statistical analysis and big data analysis on samples of more than 38,000 Small and Medium Enterprises (“SMEs”) in 18 industries in 31 regions across the country, and derived the overall status of resumptions of work and production, helping SMEs to resume work and production and enabling various levels of government authorities to offer decisional support in that regard. The entire process on epidemic prevention and control and resumption of work and production is intelligent and clouded, which formulated solutions in 10 complete scenarios, such as a safe environment for living for staff returned to work, intelligent management of epidemic prevention, resumption practice guidance, staff recruitment, online training and education, online office system and legal consultation services, so as to ensure a safe resumption of work and achieve a raise in productivity. In addition, we have set up functions on the platform to help achieve timely and precise zero-distance interconnections and efficient matching of supply and demand information for epidemic prevention supplies.



iii. Sincere Services

The promise of “being sincere forever” of Haier Electronics has never been changed amid the severity of the epidemic. In response to the needs of users during the epidemic, we have timely upgraded functions related to disinfection and sterilisation and have built smart scenarios that demonstrate health and safe for users. We continuously upgrade the user service experience and integrate the broad offline channel network with internet technology to provide consumers and users with on-demand and meticulous services.

1. Upgrade our health products

During such unusual period, consumers have proposed greater demand on product’s functions relating to health. Leveraging on its advantages of smart living services, Haier Electronics accelerated its process on innovating product’s functions in order to meet consumers’ demand on household product disinfection and health management. By connecting resources across industries and through product succession, we have built a “firewall” for consumer health.

Full scenario solutions for laundry care and health

We co-operated with resource providers of COSMOPlat to create disinfection and sterilisation full scenario solutions such as doorway entrance and daily life scenarios. When coming back home, users can put shoes into a smart shoe cabinet for sterilisation, put clothes into clothes care machine, and put glasses and keys under ultrasonic disinfection, and then wash hands with antibacterial hand sanitiser. In daily life scenario, we designed the cloud applications, namely “towel steaming and washing (毛巾煮洗)”, “high temperature disinfection and washing (高温消毒洗)” and “disinfection air wash (消毒空气洗)”. Just put clothes in Haier smart washing machine and download corresponding cloud programme, users can easily conduct clothes disinfection and sterilisation.

In respect of our “disinfection air wash”, we provide a unique healthy solution with constant temperature for whole drum, which is represented by the “steaming” function. The temperature is controlled at 56–85°C with micro steam air washing, thus the washing machine is able to sterilise and meanwhile protect clothes from high temperature damage.

2. Upgrade our remote sales

In order to tackle the inconvenience of travel during epidemic period, we have integrated sales channels with online live broadcast, which is popular nowadays, and apply live broadcast platforms to display and introduce our products, as well as to promote home protection knowledge. All scenarios in the live broadcast can be purchased online, providing consumers with a convenient and safe way of consumption.

Select and purchase water heater without leaving home

Water heater is a type of home appliances that requires installation and users may propose different requests on model, capacity and function. In Haier Electronics' live broadcast, our direct salespersons from different areas from all over the country presented themselves to give detailed and professional introduction on our water heater products and invited users to have "online experience". Consumers were welcomed to interact with broadcasters by sending message on pop-up screen, while broadcasters would give detailed answers to questions raised by viewers and help consumers to select proper water heaters based on their rich experience. As at the end of February 2020, live broadcasts held by Haier Electronics accumulated to 1,700 times.

In February 2020, we held a live broadcast on a broadcast platform with a theme of our water heater, which covered 4 major water heater categories and smart bathroom scenarios. In addition to salespersons, R&D, and after-sales staff answering questions online, there were designers participating in the interactions. Viewers could order online by simply one click, enjoying hassle-free services without leaving home.

3. Upgrade our services

Given to the unusual conditions for after-sales services of home appliances during epidemic period, we have explored to integrate online and offline channels, and provided innovative services such as online support, live broadcast and online interaction, which reduced unnecessary face-to-face interactions while maintaining our service quality, protecting users' and our service staff's health and safety and providing more convenient and considerate services to our users.

Popularise knowledge online

Since February, we have regularly organised live broadcasts to share tips with users on cleaning and maintenance of home appliances, self-inspection and repair through live broadcasts.

Online classroom and zero-touch services

In addition to live broadcasts, we set up home appliances classes through online platforms such as APPs and public accounts, and released micro-videos to share the tips on household appliances. Users could view and interact online at any time, whereas professionals provided remote guidance to help users solve problems without leaving home.

Door-to-door services and safety guarantee

During the unusual period, we improved service standards and performed our service specification, namely "one test, two items to wear, three times of disinfections, and four aspects of rest assured". We not only carried out self-testing and protection, but also disinfected clothing and products before and after services to ensure our goal of maintaining health, taking the lead in the industry in terms of service standards.

iv. Social Assistance

Haier initiatively devoted itself to the holistic battle against epidemic, demonstrating its social responsibilities as the pioneer of industry. As a significant part of Haier, Haier Electronics has called for concerted efforts with love and fearlessness. By upholding the strategy of “to change in response to changes and to seize advantages from changes”, Haier Electronics determinedly borne its corporate citizenship responsibilities to actively donate cash and supplies and fight against the epidemic through embodying its industry advantages; meanwhile, it provided life support for frontline medical staff and patients. Since 18 January 2020, Haier Group has arranged four rounds of donation and donated cash and supplies amounted to over RMB29.00 million in total, including RMB13.00 million in cash and medical equipment amounted to over RMB16.00 million (including approximately USD0.57 million of epidemic prevention materials from 12 countries such as the United States, Japan and Russia), as well as IoT home appliances amounted to over RMB2.50 million, becoming one of the earliest enterprises that offered the most assistance during the battle against the epidemic.

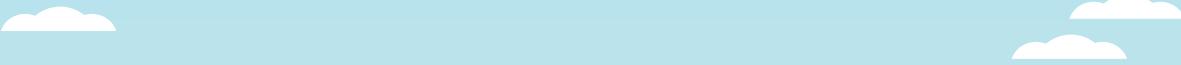
1. *Material assistance*

In combination with our industrial advantages, we donated supplies such as water heaters, washing machines and water purifiers to front-line medical workers and patients in a timely manner, helping them to take hot showers, drink clean water and wear clean clothes.

For domestic emergencies arising from short-term shortage in epidemic prevention materials, Haier took the advantage of its global reach to raise materials around the world, and received epidemic prevention materials from 12 countries, such as the United States, Japan, Russia, France, India, Thailand, Malaysia, Indonesia and Nigeria.

Water purifiers were delivered to Huoshenshan (火神山) in early morning

Huoshenshan hospital (火神山醫院) in Wuhan was put into operation in the evening on 2 February 2020. In the early morning, 22 sets of large-format purifying and heating integrated machines and 4 sets of water boilers, donated under Haier water purifiers, were sent to Huoshenshan hospital. This batch of water purifiers and water boilers have been installed at water boilers room and rest area for medical staff in the hospital, to fully ensure the hygiene of drinking water for medical staff and patients, providing further health security for fighting the epidemic.



We provided washing machines for an average of 7 hospitals per day

In designated hospitals for the epidemic, patients' clothes needed disinfection, and medical staff's protective clothing and clothes which were worn for long time also needed washing and sterilisation, which increased medical staff's burden of disinfecting clothes. As at the end of February 2020, Haier washing machines were donated to more than 150 hospitals in China with an average of 7 hospitals per day, providing clothes washing, sterilising and disinfecting services for medical staff fighting at the front-line and patients.

2. Front-line assistance

Our channel network resources accumulated over the years have played an important role in key periods. Employees of Haier Electronics contributed themselves to this battle by establishing "Haier's contingency team" to participate in resources allocation. Based on our nationwide channel network, Haier Electronics was able to send the supplies rapidly to the destinations, finish installation and testing as soon as possible and assist to fight against the epidemic in time.

Completed ahead of schedule, 300 Haier water heaters were installed in Leishenshan (雷神山)

Leishenshan Hospital (雷神山醫院) in Wuhan had its construction completed and was delivered for use within 10 days. While the “China Speed” astonishes the world, the hard work from countless builders also deserved our attention. During the course of donating water heaters to hospitals, Haier’s contingency team also stepped up its effort and made every second count.

Upon confirming donation of 300 water heaters for Leishenshan Hospital on 26 January 2020, we quickly arranged a contingency team for Leishenshan Hospital, and many employees voluntarily gave up their vacations and signed up for the team. With the full cooperation among our small business units, water heater industry participants, logistics and after sales teams in Wuhan, on 29 January, 300 Haier water heaters were delivered to Leishenshan Hospital, and were unloaded in the morning of 30 January. On 2 February, Haier service staff received an installation notice. However, as supplies storage area cannot be reached by trucks, and due to the lack of transporting equipment, in order to ensure timely installation, members of the contingency team manually moved those 300 water heaters to installation site. During the installation process, we followed the instructions on the spot, and worked together to install one water heater immediately after one ward was completed. The whole installation project of the 300 water heaters was completed with high quality on 4 February, one day earlier than Leishenshan Hospital’s delivery and acceptance.

The hardship we face keeps us forging ahead more actively. We fearlessly fight against the epidemic until it has subsided. Haier Electronics keeps tracking on the epidemic situation, stands with all stakeholders in the fight against the epidemic, and does its best part to make the society brighter and warmer.

We firmly believe that with the national joint efforts, we will certainly win this battle against the epidemic.



IV. HAIER ELECTRONICS AND SDGs

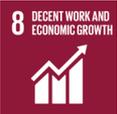
2019 witnessed multiple challenges from the economy, environment and society around the world. Haier Electronics has reviewed its own strategic development and daily operation management with a global perspective in response to the 2030 Sustainable Development Goals (SDGs) of the United Nations. To achieve the SDGs, we would proactively fulfil the responsibilities as a global citizen, and assume economic, environmental and social responsibilities of a corporate through adopting sustainability and responsible management measures. We work together with our global stakeholders to create a bright future for human beings.

	In response to the 2030 Sustainable Development Goals (SDGs) of the United Nations	Our actions in 2019
<p>Governance</p>	 	<p>Gave high priority to enhance the Company's corporate governance standards with emphasis on transparency, accountability and independence of the corporate governance structure</p> <p>Conducted anti-fraud trainings 34 times and trained more than 8,500 makers in total, reaching 100% coverage for management positions for their integrity education</p> <p>Haier has closely integrated ESG management into business operation, ensuring that adequate resources have been devoted</p> <p>Worked with supply chain partners to enhance the effectiveness of ecosystem and improve ESG management standard of supply chain</p> <p>Received two Grand Awards in the Hong Kong ESG Reporting Awards (HERA) 2019: Excellence in Social Disclosure Commendation and Innovative Front-runner Award</p> <p>Received the Best Corporate Governance (G) Responsibility Award in the China Corporate ESG Jinze Awards (金責獎) 2019</p> <p>Named as the Most Socially Responsible Listed Company (最具社會責任上市公司) in the 4th Golden Hong Kong Stocks Awards</p>

	In response to the 2030 Sustainable Development Goals (SDGs) of the United Nations	Our actions in 2019
Environment		<p>Established a smart energy cloud platform and managed production and operation precisely</p> <p>Except for newly built factories in the year that are yet to take part in annual review, all the factories have obtained the certification of ISO 14001 Environmental Management System</p> <p>Energy consumption per unit of product decreased by 17.72% year-on-year</p> <p>Carbon dioxide emission per unit of product decreased by 17.12% year-on-year</p> <p>Conducted home appliance replacement programme, gradually forming a closed loop of environmental management of the whole life cycle of products</p>

	In response to the 2030 Sustainable Development Goals (SDGs) of the United Nations	Our actions in 2019
Products	  	<p>Practised the quality concept of “users are the final judges of product quality”</p> <p>Except for newly built factories in the year that are yet to take part in annual review, all the factories have obtained the certification of ISO 9001 Quality Management System</p> <p>No product was recalled during the year</p> <p>Obtained 1,054 new patents, among which 416 were invention patents</p> <p>Owned a total of 4,469 patents, among which 1,461 were invention patents</p> <p>Participated in the formulation and publication of 31 industry standards</p> <p>Received numerous awards such as the National Science and Technology Progress Award, Technology Advancement Award by All-China Federation of Industry and Commerce, Science and Technology Progress Award of Shandong Province, IF Design Award and AWE Gold Award</p> <p>Water purification technology has achieved effective water saving at A+ level, with the maximum rate of water production reaching 75%</p>

	In response to the 2030 Sustainable Development Goals (SDGs) of the United Nations	Our actions in 2019
Users	 	<p>Gathered global innovative resources and connected with users' demand through zero-distance interaction, making users become the designer of a beautiful life</p> <p>Created intelligent scenes through intelligent home appliance and IoT technology to provide excellent life experience to users</p> <p>Rendered services with the following standards every time: "On call, complete in one-time, all-round housekeeper and serve the community with sincerity"</p> <p>Overall satisfactory rate of washing machine users was 99%, overall satisfactory rate of water heater users was 99.1%, and overall satisfactory rate of water purifier users was 99%</p> <p>Being users' "good neighbour" through widespread franchise stores and extended service scope, while our "Love To Home" service team has served a total of 500,000 people</p> <p>Developed perfect mechanism of information protection for users</p>

	In response to the 2030 Sustainable Development Goals (SDGs) of the United Nations	Our actions in 2019
Employees	   	<p>The “RenDanHeYi” management model gave employees more self-determination authority, helping employees and users share added-values</p> <p>Safeguarded employees’ interests, and provided diversified welfare system for employees</p> <p>Designed non-linear career development paths 1+N (1 management path + N professional paths)</p> <p>Provided good training resources, and the average training time per employee amounted to 55.86 hours</p> <p>Provided safe and healthy working environment, and upgraded HSE&6S cloud platform system</p> <p>Except for newly built factories in the year that are yet to take part in annual review, all the factories have obtained the certification of ISO 45001 Occupational Health and Safety Management System</p> <p>100% coverage of hazard assessment in occupational environment, 100% occupational health examination rate and 100% coverage of safety equipment</p> <p>0 work-related serious injury during the year</p>

	In response to the 2030 Sustainable Development Goals (SDGs) of the United Nations	Our actions in 2019
Society	  	<p>Deeply involved in “Hope Schools” building activity of Haier Group. As of the end of 2019, Haier Group had invested more than RMB110 million in building a total of 306 Hope Schools (305 Hope Primary Schools and 1 Hope Secondary School), covering 26 provinces, municipalities and autonomous regions in the PRC</p> <p>Conducted over 120 charity activities including Greenland Action, and Graduation Season of the Young Dreamers</p> <p>The charity activity of “Let’s hug, dad” caught nearly 300 million followers, and was reported by more than 30 authoritative media. 38 companies took part in the activity, connecting 26 cities while multiple families with left-behind children united</p> <p>Initiated 7 charitable ecosystem activities, involving 1,336,547 users in the ecosystem</p> <p>Received the Annual Responsible Brand Award at the Because of Love Ceremony 2018 and the 2019 Enterprise Social Responsibility Model Award at the 8th China Finance Summit</p>

V. HAIER'S DOCTRINES



In 2019, the product sales of Haier continued to take the lead in the industry, ranking No. 1 around the world for the eleventh consecutive year. Behind the 11 consecutive wins was a corporate which kept maintaining development, improvement and innovation. We believe that successful enterprises move with the times. Only making a change with the times can we obtain dynamic stability. For Haier Electronics, it requires making change based on changing demands of stakeholders and development of the times.

With the IoT era comes, Haier Electronics accelerates its pace for promoting its global ecological brand strategies, forging ahead and stepping into IoT ecological area. We transformed our enterprise from a garden surrounded by walls into a tropical-rain-forest-styled business ecosystem with self-evolutionary function. Ecology will never be closed, and is created by stakeholders under the global IoT ecology. Meanwhile, it is also a lasting momentum for driving our sustainable development.

OUR PERFORMANCE

SALES PERFORMANCE IN 2019

Revenue of RMB **75.88** billion

Gross profit of RMB **16.53** billion, representing a year-on-year increase of **3.8%**

Profit for the year attributable to owners of the Company of RMB **7.35** billion, representing a year-on-year increase of **91.2%** (Note: Excluding the one-off net disposal gain of Gooday Logistics of approximately RMB3.16 billion, the growth of profit attributable to owners of the Company would be 9%)

Among large-format home appliances brands, Haier **RANKED FIRST** in the global market in terms of retail volume for the **ELEVENTH** consecutive year

ETHICAL BUSINESS PRACTICE

Conducted anti-fraud trainings

34 times and trained more

than **8,500** makers in total

100% coverage for management

positions of their integrity

education

ESG MANAGEMENT

Received two Grand Awards in the Hong Kong ESG Reporting Awards (HERA) 2019 jointly hosted by several institutions including The Chamber of Hong Kong Listed Companies and The Hong Kong Independent Non-executive Director Association: Excellence in Social Disclosure Commendation and Innovative Front-runner Award

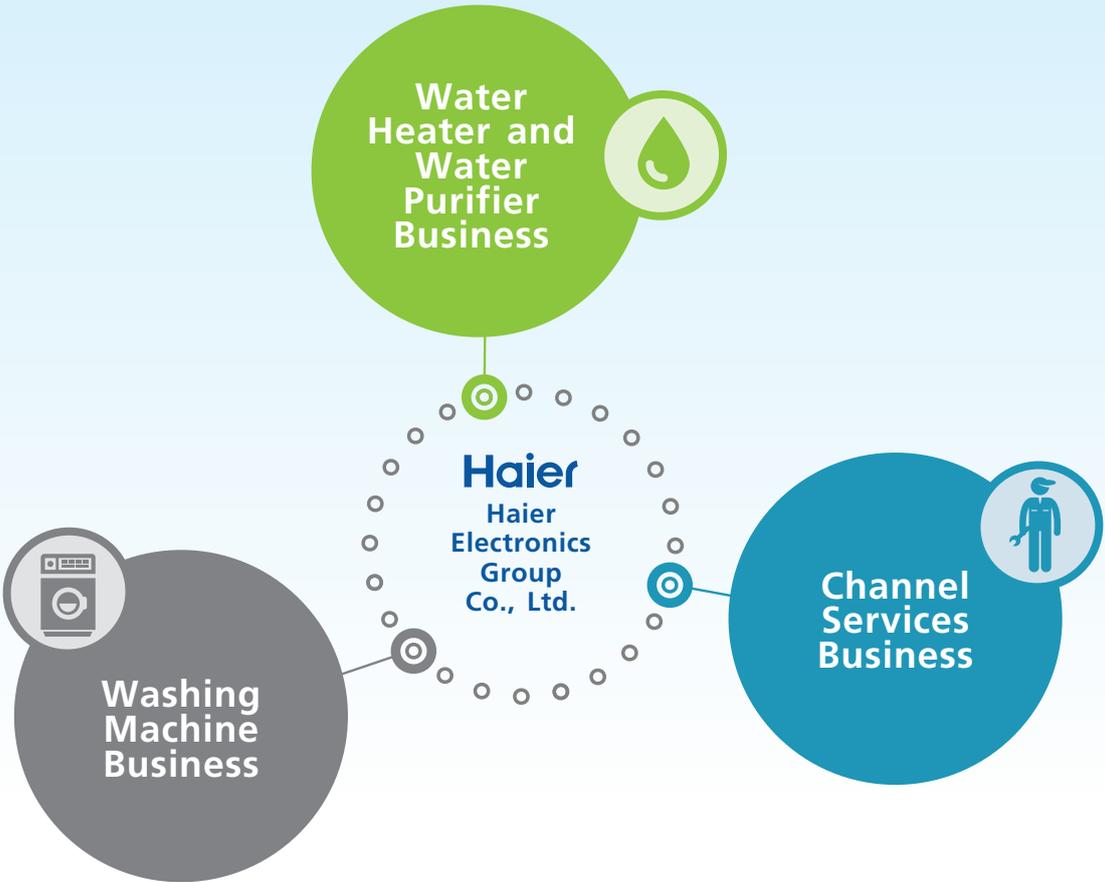
Received the Best Corporate Governance (G) Responsibility Award in the China Corporate ESG Jinze Awards (金責獎) 2019 hosted by Sina Finance

Named as the Most Socially Responsible Listed Company (最具社會責任上市公司) in the 4th Golden Hong Kong Stocks Awards co-hosted by Zhitong Finance (智通財經) and Straight Flush Finance (同花順財經)

i. Business Strategy

Haier Electronics Group Co., Ltd. (stock code: 01169), a subsidiary of Haier Group, is listed on the Main Board of the Hong Kong Stock Exchange. The Company and its subsidiaries (collectively the "Group") are principally engaged in: the research, development, manufacture and sales of washing machines and water heaters under Haier Group's brands (including "Haier", "Casarte" and "Leader"); and the distribution of electronics products of Haier Group in the People's Republic of China. It also invested in logistics services business which provides services under the name of "Gooday" in mainland China for large-format items, including but not limited to home appliances, furniture and fitness equipment.

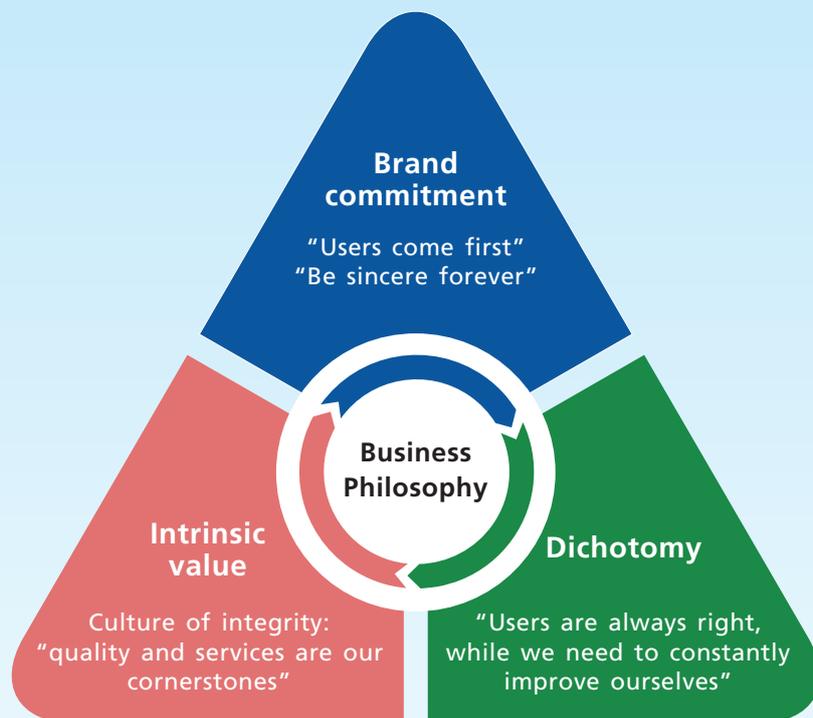
Haier Electronics Group engages in various businesses, and also receives support on the operation of its commercial ecosystem from the businesses and services of its affiliates. The businesses of us and our affiliates include:



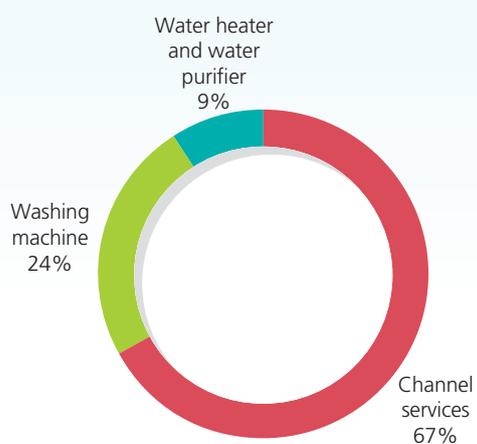
The headquarters and main office of Haier Electronics are situated in Qingdao, Shandong Province, the PRC, and production sites have been established in Qingdao, Hefei, Foshan, Chongqing, Wuhan, Tianjin and etc. Haier Electronics' channel services business manages stores and smart cloud stores in every villages and towns as well as community service stations spreading across cities, and sells Haier products through online channels including JD, Tmall and Shunguang.



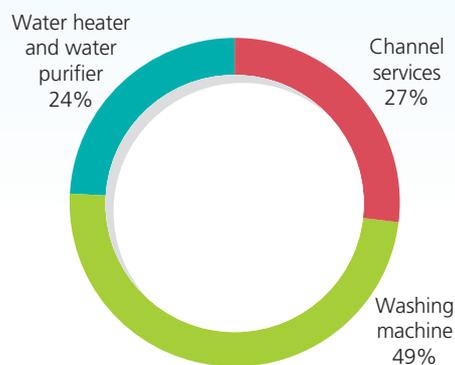
Haier Electronics' business philosophy



We are devoted to Haier Electronics' business philosophy which embraces brand commitment, dichotomy and intrinsic value, and iterate ourselves to build a company keeping abreast with the times. In 2019, the proportion of each business segment to revenue and profit was as follows:



Proportion of segment revenue to revenue before consolidated eliminations



Proportion of segment profit to profit before consolidated eliminations

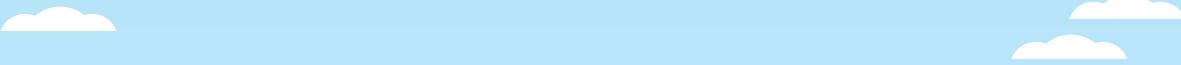
According to the data released by Euromonitor, a market researcher, in 2020, Haier ranked first in terms of retail volume of global large-format appliances in 2019 for the eleventh consecutive year. Among which, Haier Electronics' washing machines ranked first in the global market in terms of retail volume for the eleventh consecutive year.

ii. Governance Strategy

Haier closely integrates ESG management into business operation, and set up ESG management strategies and goals that commensurate with business development. The Board of Haier Electronics ensures the input of sufficient resources for formulating ESG management strategies, optimising ESG governance structure and identifying ESG risks, and fully leads the Group in managing the work related to ESG. We keep optimising corporate governance and ESG governance to effectively reduce operational risks and safeguard the interests of the Group and its shareholders.

In 2019, we received two Grand Awards in the Hong Kong ESG Reporting Awards (HERA) 2019 jointly hosted by several institutions including The Chamber of Hong Kong Listed Companies and The Hong Kong Independent Non-executive Director Association: Excellence in Social Disclosure Commendation and Innovative Front-runner Award; received the Best Corporate Governance (G) Responsibility Award in the China Corporate ESG Jinze Awards (金責獎) 2019 hosted by Sina Finance; and were named as the Most Socially Responsible Listed Company in the 4th Golden Hong Kong Stocks Awards co-hosted by Zhitong Finance (智通財經) and Straight Flush Finance (同花順財經).





1. Corporate governance

We fully understand that sound corporate governance practices are the key to efficient operation and protection of shareholders' interests. In this regard, the Board pays strong attention to enhancing the corporate governance standards of the Company with particular emphasis on transparency, accountability and independence of the Company in order to enhance the long-term value of Haier Electronics' shareholders.

We attach importance to the independence and diversity of the Board, and strictly comply with the Listing Rules. There are no financial or family relationships among the members of the Board, and all the Directors may have independent judgement on all matters of Haier Electronics. We recognise the benefits of having a diverse Board to enhance the quality of the Company's performance and as an essential element in maintaining sustainable development and achieving strategic objectives of the Company. We have adopted the Board diversity policy since the year 2013 to enhance the level of Board diversity. All Board appointment will be based on merits against objective criteria, and would be considered in terms of, among other things, age, gender, educational and cultural background, expertise, industry experience and independence, in order to complement and extend the skills, knowledge and experience of the Board.

Facing with the larger scale of business operation of the Group and increasing number of places where we operate, and the challenge against the rapid development trend of new business and the increase of new related financial and operating risks, we continue to strengthen our internal audit functions, and provide independent safeguard and objective consultation so that our business can be value-enhanced and improved, and help Haier Electronics to systematically and prudently assess and enhance the effectiveness of risk management, control and governance procedures so that goals can be achieved.

In respect of risk management, the Group's management and staff in-charge of key-process conduct systematic and institutionalised risk assessment across the enterprise to identify major risks of all aspects, and review the effectiveness of the key controls and mechanisms in place to provide reasonable assurance that the internal control measures are effective within their respective scope. The Internal Audit Department also plays a significant role in the implementation of risk management by embedding risk management into the formulation and implementation of audit plan. The Group has identified and assessed major risks of all levels, and the Risk Management Committee ultimately reviews the risks identified and the results of assessment. Mitigation strategies and plans with respect to each risk identified are formulated and implemented, which include establishing or enhancing internal controls with regular review and update. The work procedures performed are reported regularly to the Audit Committee and the Board.

2. Ecosystem of Integrity

“Ecosystem of Integrity” is one of the corporate slogans we are committed to carrying out. We have strictly followed the national laws and regulations with respect to anti-bribery, anti-corruption, anti-fraud, and anti-money laundering, and by taking industry risks into account, we have formulated a series of effective anti-fraud management systems to create a business environment of integrity and ethics.

The Board, with the assistance of internal audit department, legal department and company secretarial department, is responsible for reviewing and supervising the Group’s policies and measures related to compliance with laws and regulations. We regulate employees’ ethics and business ethics of members of the ecosystem through four dimensions, namely system assurance, publicity and prevention, internal control and audit, and report and publication, and penalise those in violation with laws and regulations. We have set up a variety of online and offline training channels to achieve a normal, comprehensive and feasible anti-fraud training model. In addition, we also conduct self-inspections and audits of our internal business on a regular basis to identify operational risks in a timely manner.



System assurance	Publicity and prevention	Internal control and audit	Report and handling
<p>Haier Electronics established systems such as Anti-fraud Regulations;</p> <hr/> <p>For employees: We have established the practice of “compliance throughout one’s career in Haier” and formulated systems such as the “Staff’s Code of Conduct” and “Code of Business Conduct”;</p> <hr/> <p>For resource sides (suppliers/distributors): We have established the practice of “compliance throughout one’s career in Haier”. All of our resource sides are required to sign a specific deed of integrity while signing relevant cooperation agreements.</p>	<p>Opening up channels: We normalise warnings against fraud case, and send out all-around warnings from multiple sides including Members of Haier (海爾人) newspaper, iHaier APP, Haier TV news and emails;</p> <hr/> <p>Improving efficiency: We have developed an online video viewing system for warning cases, integrated online and offline training models, and increased training efficiency;</p> <hr/> <p>Ecological co-construction: We promote honesty and integrity to suppliers and distributors annually, enter into specific deeds of integrity, and encourage members of the ecosystem to identify and report fraud issues;</p> <hr/> <p>Collaboration: We cooperate with Haier Group’s anti-fraud department to organise quarterly anti-corruption events.</p>	<p>The authorities and duties of various business segments and operational units are clearly defined;</p> <hr/> <p>We have established a comprehensive internal control system and risk control procedures;</p> <hr/> <p>We perform regular audit on matters with potential risk according to the audit plan.</p>	<p>We have established an online whistleblowing platform as well as a compliance hotline and whistleblowing mailbox;</p> <hr/> <p>We set out whistleblowing methods in our contracts with suppliers;</p> <hr/> <p>We handle cases of fraud strictly and refer the cases of illegal activities to police and relevant judicial institutions.</p>

Case: Full coverage of education on warning

In 2019, we developed an online video system showing the warning cases, mainly targeting business units outside Qingdao, for conducting online education concerning integrity warning for Haier makers. The participation of makers in the online warning education programme can be shown in real time.

Through the combination of online warning education training and offline warning education training, we have improved our training efficiency. During the whole year, we carried out 34 trainings of different types with a total of 8,500 makers participated.

3. Fair competition

We strictly follow the principle of fair competition and resist all activities that limit market competition in accordance with relevant laws and regulations such as the “Company Law of the People’s Republic of China” and “Anti-Unfair Competition Law of the People’s Republic of China”. The Group complies with laws and regulations on advertising such as the “Advertising Law of the People’s Republic of China” and the “Regulations on the Administration of Advertising” in order to strictly comply with the requirements on marketing and build a sustainable industrial development model.

4. ESG governance

We regard environment, society and governance as important considerations for our corporate governance. We have established a three-level management structure of “Board — ESG Executive Committee — ESG Working Team” with clearly defined responsibilities and duties at all levels. The Board is responsible for determining ESG management risks and establishing an effective management system. The Executive Committee implements the monitoring system and directs the Working Team for the enforcement of such system. The Working Team is coordinated by the Internal Audit and Risk Management Department and the Securities Department with participation from ESG related departments, and is primarily responsible for implementing various management measures and reporting to the ESG Executive Committee and the Board periodically to assist them in understanding the status of implementation of ESG projects, identifying management risks and adjusting management strategies in a timely manner.

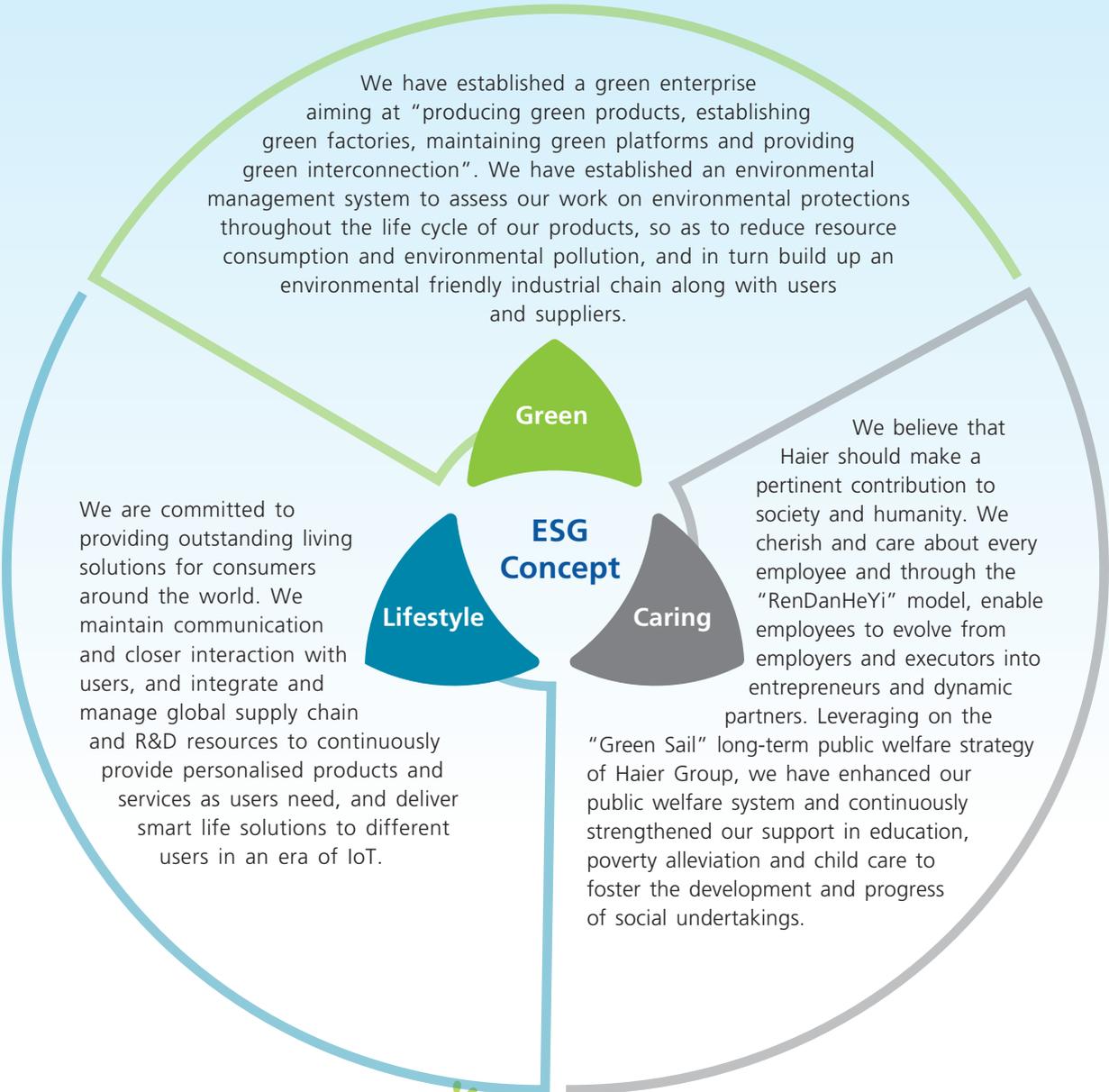
The roles and responsibilities of each unit under the ESG management system are as follow:

Role	Unit	Functions
Decision-making	Board	<ul style="list-style-type: none"> • Assess and determine Haier Electronics' environmental, social and governance related risks • Ensure Haier Electronics to establish an appropriate and effective environmental, social and governance risk management and internal control system • Review and approve environmental, social and governance related policies • Review and approve environmental, social and governance related goals • Review and approve environmental, social and governance reports
Supervision	ESG Executive Committee	<ul style="list-style-type: none"> • Enforce environmental, social and governance risk management and internal control • Direct the work of the ESG Working Team • Review environmental, social and governance related policies • Review environmental, social and governance related goals • Review environmental, social and governance reports and ensure the accuracy of key performance data
Enforcement	ESG Working Team	<ul style="list-style-type: none"> • Facilitate the implementation of environmental, social and governance measures in all relevant functional departments • Set environmental, social and governance related goals • Collect performance indicator data on environmental, social and governance for analysis • Prepare environmental, social and governance reports • Report the status of implementation of environmental, social and governance projects to the Executive Committee

iii. Pursuit of Responsibilities

1. ESG concept

Haier Electronics has established and developed an ecological chain group featured with environmental friendliness and social harmony through integration of user resources and supply chain resources across the globe. We incorporate ESG concept into the Group’s business operations as part of our corporate development strategy to achieve success and progress together with our stakeholders.



2. Communication with stakeholders

Haier Electronics attaches great importance to fostering a close relationship with its stakeholders. We have established effective communication channels with various stakeholders to maintain mutual, transparent and regular communication with them, understand their concerns and strengthen mutual trust and respect, and have taken practical actions to enhance the ESG governance of Haier Electronics.

The major stakeholder groups we identified, ESG issues concerned and communication channels are listed in the table below.

Category of stakeholders	Issues concerned	Communication channels/ ways of feedback	Frequency of communication
Shareholders/ investors	Compliance operation Business performance Anti-corruption	General meetings/ extraordinary general meetings	Annually
		Disclosure in reports	Annually/semi-annually
		Investor conferences	Annually
		Results announcement meetings	Annually
		Press release/ announcements	From time to time
		On-site visits	From time to time
		Instant messaging software	From time to time
		Investor relations section in our official website	From time to time
Employees	Employment Health and safety Development and training Labour standards	Interviews on employees' performance appraisal	Annually
		Internal publication "Members of Haier" (《海爾人》)	Weekly
		Staff survey	From time to time
		Employee representative congress	From time to time
		Feedback mailbox	Permanently opened
		Instant messaging software	From time to time
		Team-building activities	Monthly/from time to time

Category of stakeholders	Issues concerned	Communication channels/ ways of feedback	Frequency of communication
Suppliers/ partners	Business performance	Supplier conferences	Annually
	Anti-corruption	Tender invitation	From time to time
	Product responsibility	On-site research and investigation	From time to time
	Supply chain management	Exhibition	From time to time
		Meetings	From time to time
Instant messaging software	From time to time		
Distributors	Business performance	Distributor conferences	From time to time
	Supply chain management	On-site research and investigation	From time to time
		Meetings	From time to time
	Instant messaging software	From time to time	
Consumers	Product responsibility	Instant messaging software	From time to time
		Social network platforms	Normally updated daily
		Customer services channels	From time to time
Government and regulatory authorities	Compliance operation	Interactions	From time to time
	Business performance	Disclosure in reports	Annually/semi-annually
	Emissions	On-site investigation	From time to time
	Use of resources	Communication through conferences	From time to time
	The environment and natural resources	Working letters	From time to time
	Employment	Emails	From time to time
	Supply chain management		
	Product responsibility		
	Anti-corruption		
	Community investment		
Surrounding communities	Emissions	On-site visits	From time to time
	Use of resources	Releases	From time to time
	The environment and natural resources	Meetings/notices	From time to time
		Project hearing	From time to time
	Community investment	Instant messaging software	From time to time

Category of stakeholders	Issues concerned	Communication channels/ ways of feedback	Frequency of communication
Media	Compliance operation	Press release/ announcements	From time to time
	Emissions		
	Use of resources	On-site visits	From time to time
	The environment and natural resources	Interviews	From time to time
	Employment	Instant messaging software	From time to time
	Labour standards		
	Supply chain management		
	Product responsibility		

3. Assessment of material issues

During the preparation of this report, we performed our material issues assessment work by analysing the opinions and expectations of stakeholders on Haier Electronics' ESG work, so that the concerns of stakeholders can be responded with thorough disclosures and the subsequent ESG management work can be guided. Our material issues assessment is divided into three stages, as shown in the following table:

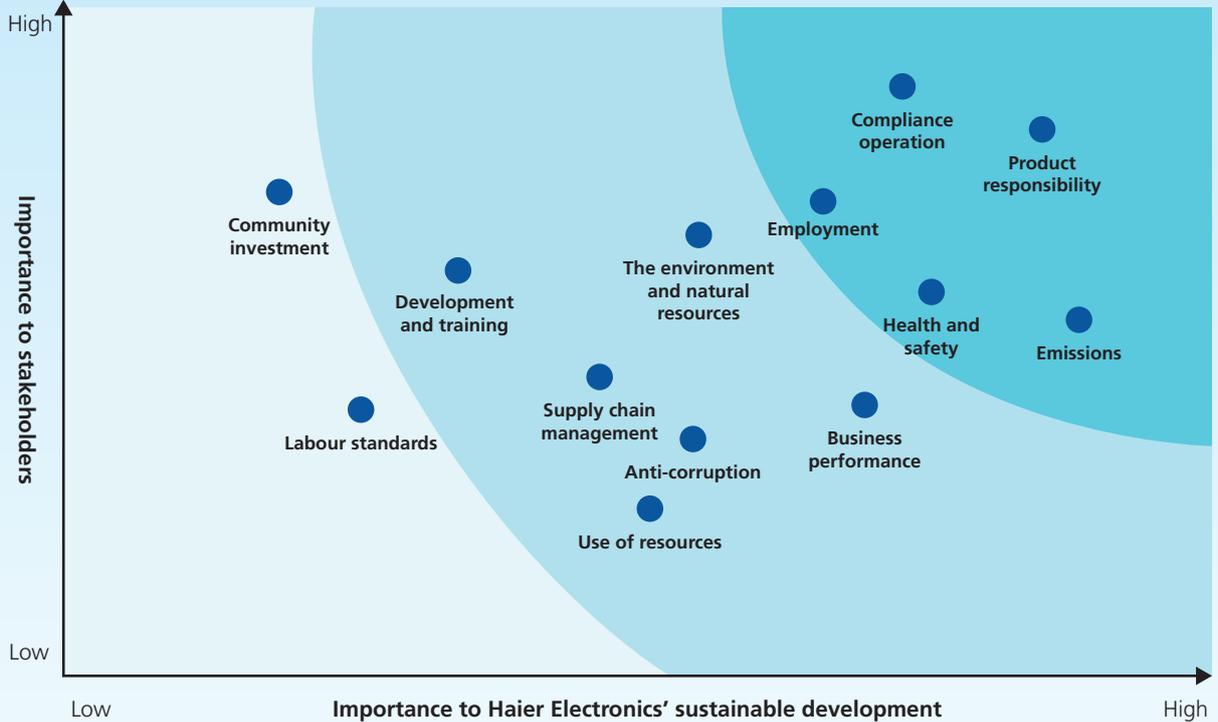
- 1. Collecting issues**

Haier Electronics collected ESG issues through a variety of channels, including recommendations from the management, analysis from internal and external experts, recommendations from various subordinate units and employees, recommendations from external stakeholders, capital market concerns, and guidelines and benchmarks for sustainable development related issues.
- 2. Sorting issues**

We analysed all related issues and selected the key issues after having comprehensively considered the following factors: issues that have a significant impact on the overall results of value creation, issues that are of major concern to key stakeholders and hot topics that are of general concern to society.
- 3. Reporting to the management and making disclosures**

We submitted the results of materiality assessment and the disclosure recommendations of material issues to the management. We also honestly presented the performance of Haier Electronics with respect to the related issues in this report.

In 2019, we continued to apply the two-dimensional matrix of “Importance to stakeholders — Importance to Haier Electronics” to analyse the material issues. A library on material issues of Haier Electronics has been formed to provide support and guidance for the implementation and disclosures of our social responsibility management work.



Aspects	Issues
Governance and economic aspect	Compliance operation* Business performance
Environmental aspect	Emissions* Use of resources The environment and natural resources
Social aspect	Employment* Health and safety* Development and training Labour standards Supply chain management Product responsibility* Anti-corruption Community investment

(* refers to high materiality issues)



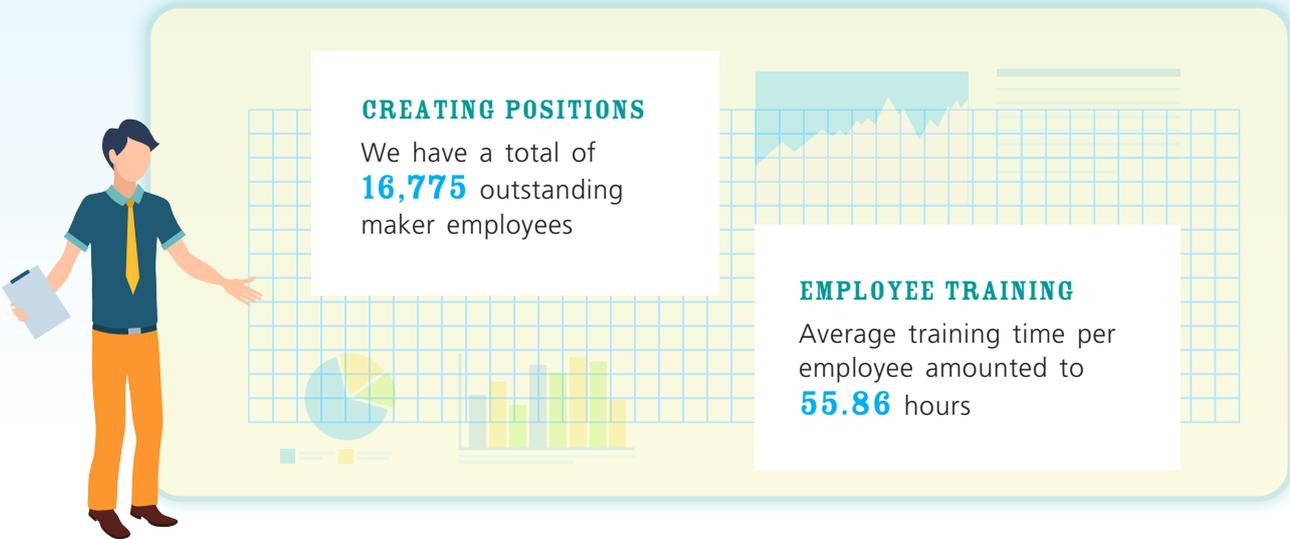
VI. HUMAN ORIENTED: RENDANHEYI MODEL AND SHARING ADDED-VALUE



Human is who we serve, and everything comes from zero. The unique “RenDanHeYi” model of Haier provides a favourable environment for staff’s development, innovation and entrepreneurship. “Individual (Ren)” refers to our employees, while “Goal (Dan)” refers to user values. “Combination (Heyi)” refers to the combination of employee values realised and user values created. Under the “RenDanHeYi” model, each of our employees is an individual with decision-making right, deployment right and distribution right. This model transformed our employees from the object of management into the subject, letting each of them participate in the operation with users and resource providers based on social hot topics and users’ problems. Benefiting others is the way of benefiting oneself. We allow each maker employees to achieve sharing of high added-value while creating value for users.

“RenDanHeYi” regenerates makers to make continuous advancement, and the new generation of makers will be the torch runner of the spirit of innovation and entrepreneurship, creating the most trustworthy ecological brand in the IoT era, and becoming the leader of this era.

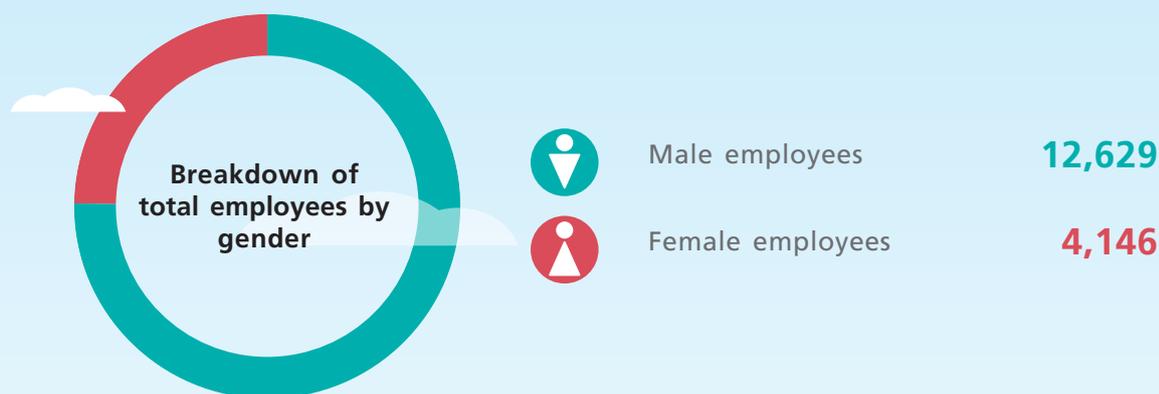
OUR PERFORMANCE



i. Employees

In 2019, Haier Electronics gathered a total of 16,775 outstanding makers who work hard and develop themselves in this big family. We value each maker as his/her devotion and pursuit provide a ceaseless source of momentum for the development of the Group.

We are an aggressive team full of power



We are a team with scientific planning, reasonable assignments and maximised efficiency

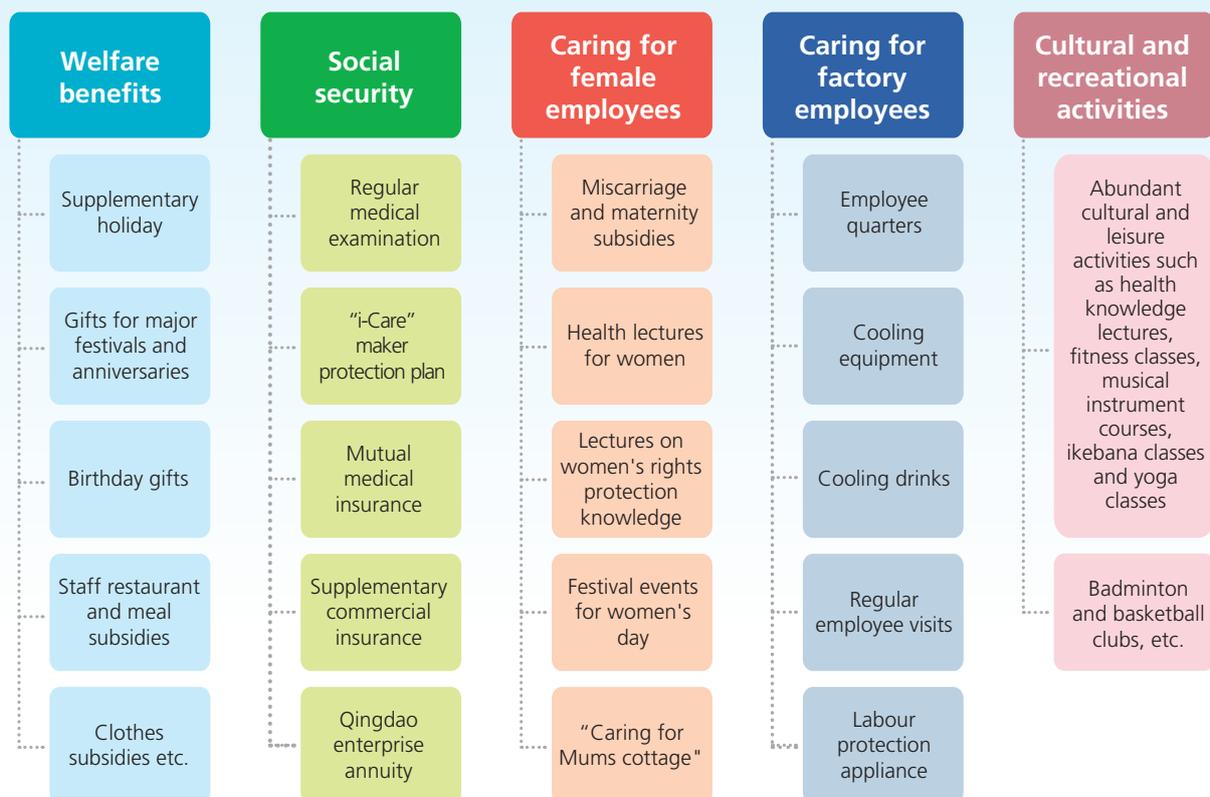


ii. Safeguarding Employee Rights and Interests

In compliance with relevant laws and regulations such as the “Labour Law of the People’s Republic of China” and “Labour Contract Law of the People’s Republic of China”, Haier Electronics continuously recruits and manages employees lawfully. We sign labour contracts with each employee and strictly abide by relevant laws and regulations to handle employee departures.

We respect every employee and not discriminating anyone against race, gender, age or religious beliefs. We promise never to employ child labour and forced labour.

Based on user-paid remuneration incentive model featuring RenDanHeYi, we provide differentiated and diversified remuneration packages consisting short term, middle-to-long term and super incentive portfolio to each employee who would be rewarded depending on the value that is created to users. Strictly in compliance with national laws, regulations and relevant policies, we provide statutory benefits including endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, enterprise annuity and statutory leave. In addition, employees can enjoy the diversified welfare system provided by Haier Electronics.



Case: Improvement of dormitory conditions

The production and manufacture of Haier Electronics rely on every front-line employee residing in the factory zone. We care about front-line employees' life in different factory zones by closely tracking their demands and integrating resources, so as to improve dormitory conditions.

For example, in Huangdao front-loading washing machine connected factory, the staff quarters apartments are equipped with intelligent security and fire control systems. Water drinking machines, recreation rooms and intelligent front-loading washing machines rooms with shoe washer and dry washer are provided inside the building. Each room has its own bathroom. In winter, heating is offered to ensure a warm temperature, and in summer, air conditioning is provided to relieve summer-heat.

Our pleasant dormitory environment has provided comfortable living conditions to employees, receiving unanimous acclaim from employees.



iii. Fostering Employee Development

Haier Electronics adheres to the principle of “everyone can develop, everyone can be recognised”, and have designed non-linear career development channels 1+N (1 management channel + N professional channels) to open up development paths. Each channel is interconnected, and the development of makers can be a leapfrogging progress across channels.

We have established a variety of training channels. Leveraging on learning platforms such as the Histudy online learning platform and Haier University, we provide employees with trainings in the form of online courses and offline open classes to meet the diverse and multi-level learning needs of employees. In 2019, Haier Electronics Group offered various training programmes according to the requirement of ISO 10015 “Quality Management — Guidelines for Training” to enhance the overall quality and capabilities of employees and motivate employees. In addition, we have organised a variety of open classes, such as English corner for improving employees’ language skills, accounting foundation course for improving employees’ financial knowledge and traditional culture course for enhancing employees’ self-cultivation. In 2019, the average training time per employee of Haier Electronics amounted to 55.86 hours.

Expediting development — Establishing a fast track for talent development

Against the enterprises' rapid transformation in the IoT era, we analysed and evaluated our existing talent capabilities by using target models, and closed the capacity gap through talent enhancement. We also strengthened leadership, teamwork and business mind-set in the key aspects of talent development.



Expediting transformation — Building a training camp for the transformation of talent capabilities

In order to accelerate the implementation of the “Eco-brand of IoT” strategy, we took chain group sample as an example to provide employees with capability advancement courses in innovation, management and their respective professional fields, and created self-study training environment for all employees, letting employees grow while working and change their role rapidly while growing.



Accelerated cultivation — Creating an engine for the rapid integration of new makers

We have provided fresh graduate employees with corporate experience trainings. During the year, we have conducted the trainings in two phases for 140 fresh graduates, covering corporate culture training, business skills training, business etiquette training, entrepreneurial culture experience and job rotations, to help graduates completing the transition period of role changes and enhance their basic business skills, so that a solid foundation can be laid for future development. We have also organised innovative project competitions for newly-recruited employees to inspire their creativity and stimulate their enthusiasm.



We encourage employees to take the initiative to start up and innovate, so as to stimulate their vitality and promote their development. Under the concept of “RenDanHeYi”, we constantly explore the mechanism of “Maker’s System”, and take the compatibility among openness, dynamics and incentive as considerations to avoid limitations arising from traditional incentive mechanisms, and thus realise the advantage of incremental and value incentives.

Maker’s System

The incentive and constraint mechanism for maker partners, referred to as the “Maker’s System”, is an innovative mechanism designed to work up an all-being-maker energy for innovation in response to the requirements put forward in a time of IoT but without changing the existing property rights of businesses. Distinguishing itself from the equity incentives of listed companies and also from the principal-agent incentive mechanism, Maker’s System allows each employee, through sharing of high added-value, to maximise their own value by creating user value. This also means that employees can not only earn labour income, but also share capital gains.

In 2019, we further clarified the Rules on Administration Measures and Equity Incentive for Maker Partners, kept evolving the all-being-maker mechanism for all employees to multiply the scope for incentive, and allowed employees to change from being the managed object to being the subject, and earn capital gains in addition to labour income. Outstanding chain group makers, who create user value and build up ecological brands or incubate and make new items of the IoT, are all having the opportunity to enter Haier’s maker incentive platform to become maker partners and share the dividends of enterprise development.

To complement all-being-maker mechanism, we further classified the delegation of “three rights”, meaning to delegate upon makers the rights to deployment, decision-making and distribution.



Case: Chain group achieved win-win by co-creating value

In 2011, Ms. Xu joined Haier Electronics as a product R&D engineer of gas water heater product line. In 2015, under Haier’s open talent system, Ms. Xu stepped out of her comfort zone and proactively competed for the position of project planning manager. Since then, she has been closer to users to learn about the needs of market and users; and endeavoured to integrate and connected all stages with an aim to providing users with best possible experience.

In early 2019, Ms. Xu competed to become the chain group leader of Haier gas water heaters to take up more significant tasks. She not only focused on products, but also on management and innovation of the whole process. Through her unremitting efforts, Haier’s gas water heater products achieved the highest market share in the entire network in November 2019. Together with her chain group makers, Ms. Xu keeps creating greater value.

iv. Enhancing Employee Satisfaction

In order to maintain a harmonious employment relationship, Haier Electronics has established employee communication channels such as iHaier, telephone, mail and face-to-face interviews so that the voices of maker employees can be heard in a timely manner and our employee satisfaction can be enhanced. The issues reflected by the employees will be forwarded to relevant departments, where the causes of such issues would be analysed with improvement made.

We give full play to the role of the employee representative meeting in its democratic decision-making, democratic management and democratic supervision, so as to cohere the motivation of employees. We organise employee talks on a monthly basis to collect reasonable suggestions from employees. At the end of each month, we convene the employee representative meeting to consider representative employees’ suggestions. All reasonable suggestions from employees will receive feedback. We regularly collect information on employees and make visits to express consolation to employees in need.

In 2019, we held an employee representative meeting to pass several proposals to offer employees more autonomy. With the foundation of the internal employee code of conduct, each chain group and micro business unit can formulate their employee management rules based on international practices, industry characteristics and business scenarios in order to provide employees with more flexible work models.

More freedom in flexible work	<ul style="list-style-type: none">• Four solutions to working timetable are provided for chain groups and micro business units to consider on their own.
More balance between work and life	<ul style="list-style-type: none">• Employees can customise their own annual leave plan, and unused annual leave for current year can be extended to next year

We strictly follow the “Labour Law” to manage the working hours of employees, advocate a balance between work and life, and pay close attention to employees’ work-leisure balance. We have set up employee activity clubs and actively arranged activities such as personal qualities development, sports competitions and skill competitions to relieve employees’ stresses and enhance corporate cohesion.



Case: Yoga class for makers

Yoga can effectively regulate the nervous system and endocrine system to improve the overall health of individual, and help stretch muscles and tendons. For certain spinal deformity or curves caused by inappropriate posture, yoga can stretch the spine anew. In order to alleviate the adverse effects on employees resulting from long time sitting in the office, we invite professional coaches to provide employees with yoga classes such as for shoulder and neck nursing every week. During such process, maker employees relax their body and mind.



Other employee activities



Farewell party for retired employees



Trainings and drills on 119 National Fire Services Day



Employee birthday parties



70th anniversary of the founding of the PRC



Visiting and caring activity in double eleven festival



Hardship-alleviating and help-offering activities



Fun sports meeting



Feelings on My People, My Country (movie)

VII. GREEN: PRECISE MANAGEMENT AND ECOLOGICAL OPERATION



“All things live in harmony and grow with nourishment”. Haier Electronics incorporates the concept of “green” into enterprise operation, building the foundation of ecological civilisation and committing itself to the trail of green development. We build our green enterprise in an all-round manner and share environment-friendly products with our society. During the process of R&D, design, manufacture and recycle, we take product’s environment-friendly features into consideration, reducing the impact of our products to environment in their entire life cycle.

We care about the influence brought by climate change. We have achieved the optimal energy allocation by adopting intelligent energy cloud platform supported by Internet technology and utilising big data analysis for precise management, which effectively improves our energy efficiency, reduces carbon dioxide emissions and makes contributions in tackling climate change.

Breaking new grounds and achieving new progress for ecological operation, Haier Electronics will create green value with intelligence, and continue to provide new show cases for green development.

OUR PERFORMANCE



Greenhouse gas emissions per unit of product: **1.50**kg of carbon dioxide equivalent/unit

Water consumption per unit of product: **27.45**kg/unit



Energy consumption per unit of product decreased by **17.72%** year-on-year



Comprehensive energy consumption per unit of product: **352.13**g of standard coal/unit

Use of packaging materials per unit of product: **2.41** kg/unit



Greenhouse gas emissions per unit of product decreased by **17.12%** year-on-year

i. Green Management

Haier Electronics continues to implement the national green development strategy, strictly complying with laws and regulations relating to environment and ecology protection. Leveraging on COSMOPlat, our enterprise Internet platform, we upgrade our capacity of green development by promoting customised, intelligent and ecological production. We keep pushing our energy saving and environmental protection projects, and proactively develop relevant technology so as to improve our efficiency of energy consumption and reduce emissions.

We have formulated a three-year environmental protection work plan, and we are committed to build our low-carbon environmental protection industrial park in 2020. We have set a three-level management network for environmental accountability with Haier Group's committee of environmental protection as its core, so as to clarify the responsibility of each node. We work with various departments to promote our work on environmental protection and improve environmental protection efficiency.

Our environmental management work principles

Complying with relevant laws and regulations, standards and requirements

"RenDanHeYi" management model

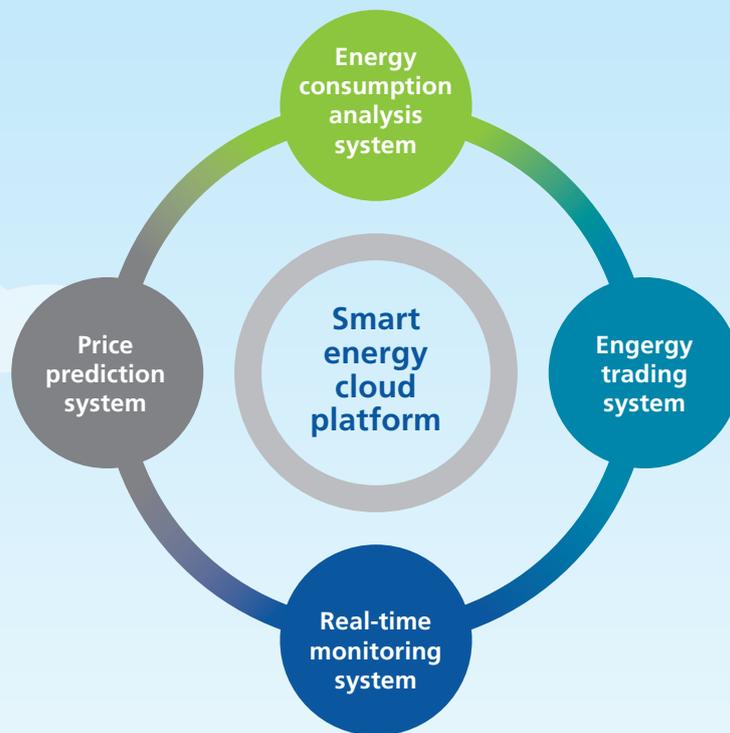
Focusing on prevention and continuous improvement

Building a platform and establishing an open and innovative ecosystem;
creating parallel interactions

Precise management in the whole process and
practising environmental protection and green development

We continuously promote the construction of ecological industrial parks and regularly engage professional institutions to monitor and assess the environmental management system. In 2019, except for newly built factories in the year that are yet to take part in annual review, all the factories of Haier Electronics have sought the certification of ISO 14001 Environmental Management System. We have formulated internal procedures and policies such as the Environmental Monitoring and Measurement Procedure, and implemented a life-long environmental assessment accountability system for new, reconstruction and expansion projects. We conduct overall inspection and management on production activities in the parks and adhere to the standards of environmental production. In 2019, Haier Electronics had no violation of environmental matters.

We have established a smart energy cloud platform integrating cloud computing, IoT and big data technology to conduct centralised management on major energy sources such as water, electricity, natural gas and steam. Leveraging on the smart energy cloud platform, we monitor the use of energies by all our factories in China on 24 hours basis. Through the collection, storage and calculation of data of energy used in operation and analysing relevant policies and prevailing price of energies, we forecast the trend of energy consumption in the future and control and optimise park energy system in advance, so as to improve the utilisation rate of new energy, reduce energy consumption costs and achieve the goal of reduction in carbon emissions.



ii. Green Operation

1. Green discharge control

Haier Electronics strictly complies with the relevant environmental protection laws and regulations such as the “Environmental Protection Law of the People’s Republic of China”. We build a green manufacturing system, and promote green manufacturing engineering.

By formulating internal procedures and systems such as the Pollutant Control Procedures and Hazardous Waste Management Procedures, as well as setting up internal monitoring standards, Haier Electronics has adopted stringent control and effective handling measures over various types of emissions. Hazardous waste such as waste oil, waste residue and waste liquid are stored and treated centrally. We have cooperated with qualified entities for hazardous waste treatment such as Shandong Sino Renewable Environmental Services Co., Ltd. (山東中再生環境服務有限公司), ensuring our hazardous wastes are treated in a compliant manner.

We have reinforced waste management and conducted front-end control of pollutants, and vigorously developed projects involving clean production, technique upgrade and substitution of chemicals. We kept undertaking hazardous waste reduction projects to control the generation of hazardous waste. For harmless wastes, Haier Electronics engaged recycling companies with professional qualifications on recycling renewable resources to collect and recycle the harmless wastes generated in the process of production and manufacturing. Haier Electronics has managed to achieve the transformation from “waste management and control” to “cost optimisation”. We kept carrying out the whole process management and control for factory wastes, enabling the factory to enhance management, reduce costs and add values. For these aims, we carried out projects such as those for low-quality production accountability, technology improvement for reducing wastes, and recycling for adding value.



Low-quality production accountability

Establishing an accountability mechanism for scrap outputs, making front-end accountable for scrap due to low-quality production, finding the reason for outputs of scrap, seeking solutions to eradicate the problem through technological transformation projects, and having the responsible parties to account for the losses.



Technology improvement for reducing wastes

Reducing waste outputs through technological transformation, exercising systematic management and control over technological transformation projects, and lowering scrap outputs at the production end.



Recycling for adding value

Making composition analysis of waste outputs in each factory, turning scrap with reuse value into useful materials, and establishing platforms and systems for diverting reusable wastes to other internal units in need.



Controlling harmless waste outputs

Case: Replacing packaging materials with trolleys

Through analysing the reason for quality deterioration for certain product modules during transportation, we optimised transportation packing technologies based on features of the product modules. We replaced the original packing materials such as tray and paper box with standard trolleys, so as to reduce damages in the process of transportation. Consequently, the packing materials usages and waste outputs were cut down, while the outputs of poor quality products were reduced.



Before betterment



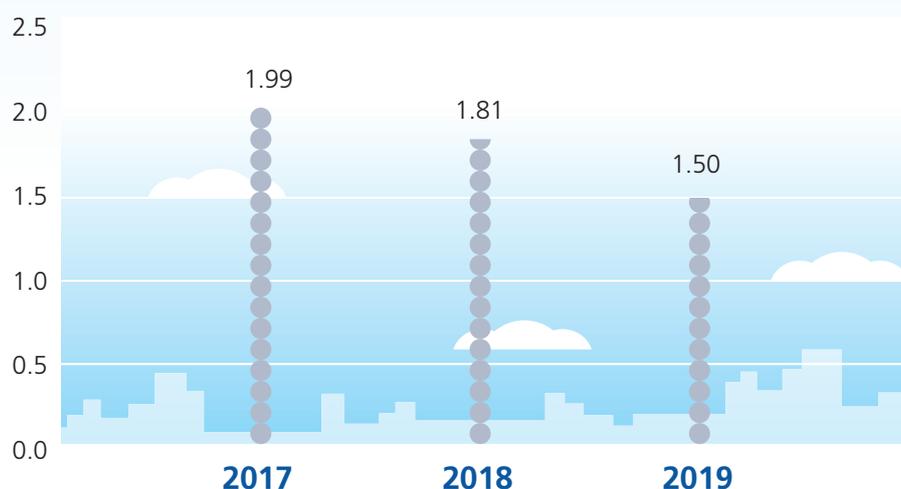
After betterment

In 2019, the emissions in the Group's production and operation were as follows:

Indicators	2019 data
Total wastewater discharge (tonnes) ¹	1,259,162.89
Total discharge of hazardous wastes (tonnes)	281.59
Hazardous waste produced per unit of product (g/unit)	3.54
Total harmless waste disposed (tonnes)	16,170.27
Disposed harmless waste per unit of product (g/unit)	203.51
Total greenhouse gas emissions (tonnes of carbon dioxide equivalent) ^{2, 3}	119,243.37
Scope 1 greenhouse gas emissions (tonnes of carbon dioxide equivalent) ⁴	17,840.80
Scope 2 greenhouse gas emissions (tonnes of carbon dioxide equivalent) ⁴	101,402.57
Greenhouse gas emissions per unit of product (kg of carbon dioxide equivalent/unit)	1.50

Notes:

1. Wastewater includes production wastewater from factories;
2. Based on the business nature of Haier Electronics, its gas emissions are mainly greenhouse gas emissions derived from the use of electricity, steam and fuel converted from fossil fuels;
3. The greenhouse gases include carbon dioxide, methane and nitrous oxide, which are mainly derived from purchased power, steam and fuel. Greenhouse gas emissions are measured in carbon dioxide equivalent in accordance with the Emission-reducing Projects For Baseline Emission Factors for Regional Power Grids in China 2017 issued by the Ministry of Ecology and Environment, and the IPCC 2006 Guidelines for National Greenhouse Gas Inventories (revised in 2019) issued by the Intergovernmental Panel on Climate Change (IPCC);
4. Scope 1 greenhouse gas emissions are greenhouse gas emissions directly arising from the consumption of natural gas, gasoline and diesel in the manufacturing of washing machines and water heaters by the Company. Scope 2 greenhouse gas emissions are greenhouse gas emissions arising from the consumption of purchased electricity and steam.



Greenhouse gas emissions per unit of product (kg of carbon dioxide equivalent/unit)

2. Energy-saving

In compliance with the “Law on Conserving Energy of the People’s Republic of China”, Haier Electronics prepared the “Energy Management Handbook” to continuously explore and expand the scope of application of new energy while enhancing the utilisation rate of energy and resources.

Chongqing top-loading washing machine factory:

Incandescent lamps in the manufacturing centre were replaced with energy-saving LED lights, which have a longer service life and helped reduce energy consumption by saving 30% energy per light.

Foshan front-loading washing machine factory:

Increased the use of intelligent temperature control and reduced power consumption of the factory.

Shunde top-loading washing machine factory:

Used low-energy consumption air compressor and dry machine in replace of the original equipement to save energy.

**Some cases on
energy saving
of factories**

We have promoted water conservation and further used recycled water, and actively prompted the application of recycled water and treated water in flushing toilets and greening. Each factory actively carries out technological transformation to reduce water consumption.

Case: Recycling injected water of washing machine of Qingdao Sino-German Ecopark

The production process of washing machine involves simulative water injection test to ensure the production quality, and a large volume of water is needed. Qingdao Haier Washing Electric Appliance Co., Ltd. stores tap water that water injecting station required into water tank. Water in the tank is discharged into the washing machines through drain pipes for testing, and then will be drained out to circulating water facilities for purification afterwards. The purified water is recycled into the water tank through water return pipe, thus realizing water saving.



Before betterment



After betterment



Reuse water purifying facilities



Store purified reuse water temporarily in back discharge tank

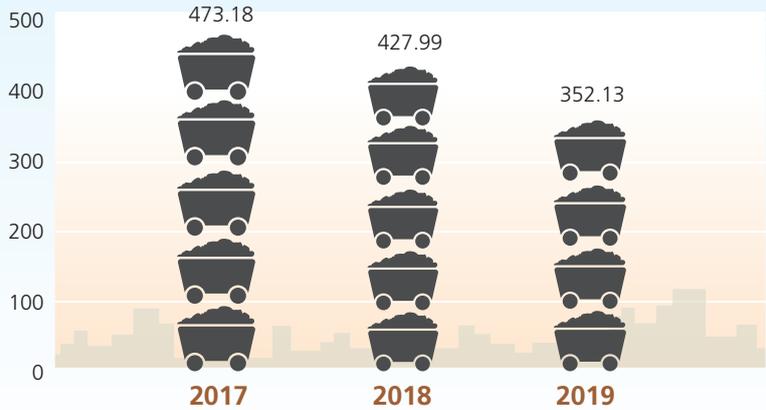
In addition, Haier Electronics proactively puts green office mode into practice and effectively manages the use of office resources and energies. We have made full use of sun light and divided light controls by zones. Conference rooms are checked regularly so that the “no people, no light on” principle are met. We control the temperature of air-conditioners in public areas, limiting summer cooling to not lower than 26°C and winter heating to not higher than 19°C.

In 2019, the use of resources in the Group’s production and manufacturing was as follows:

Indicators	2019 data
Total comprehensive energy consumption (tonnes of standard coal) ¹	27,978.73
Total direct energy consumption (tonnes of standard coal)	10,298.47
Total indirect energy consumption (tonnes of standard coal) ²	17,680.26
Energy consumption per unit of product (grams of standard coal/unit)	352.13
Total water consumption (tonnes)	2,181,086.95
Water consumption per unit of product (kg/unit)	27.45
Total consumption of packaging materials (tonnes) ³	191,543.80
Total consumption of packaging materials per unit of product (kg/unit)	2.41

Notes:

1. Comprehensive energy consumption is calculated based on the consumption of power and petroleum and the conversion factor set out in the “General Principles of Comprehensive Energy Consumption Calculation (GB/T 2589–2008)”, a national standard of the People’s Republic of China;
2. The data for purchased electricity covers operations in Qingdao, Hefei, Shunde, Chongqing, Foshan and Wuhan;
3. During the year, we have further enhanced our statistical ability in respect of consumption of packaging materials.



Energy consumption per unit of product (grams of standard coal/unit)

3. Products recycling and replacement

We continue to explore green management in the entire life cycle of products, actively respond to national policies for home appliance consumption and advocate and practise green and recyclable pattern of consumption. In 2019, we focused on consumer’s difficulties in replacing home appliances. Leveraging on the nationwide channel networks, we gradually coordinate with all parties engaged in recycling to help consumers participate in the home appliance replacement activities, so that consumers can get rid of old home appliances of high energy consumption, pollution and maintenance ratio, and start using more green products, and this helps environmental protection and green development and promotes ecological civilisation construction.

VIII. HARMONY: SAFETY PRODUCTION AND HEALTHY WORK



With the goal of “innovative HSE&6S management system featuring RenDanHeYi”, Haier Electronics safeguards its safety standards and strengthens the accountability of supervision and management in all aspects, so that a safe and healthy working environment is provided for our employees.

We promote intelligent park and service model and keep updating the HSE&6S cloud platform system to create an intelligent safety management system. We attach great importance to employees’ health and safety, enhance equipment management and pay attention to daily inspection, so as to achieve the goal of “6 zeros”. We continuously strengthen the cultivation of safety culture by inculcating the idea of “6S for everyone, everything and everytime” into every employees and putting it into practice in daily operation.

Our Performance



SAFE PRODUCTION

0 work-related serious injury for the whole year



SAFETY EDUCATION

527 safety drills
9,976 people participated in comprehensive/special production safety drills



OCCUPATIONAL DISEASE MANAGEMENT

100% coverage of hazard assessment in occupational environment

100% occupational health examination rate

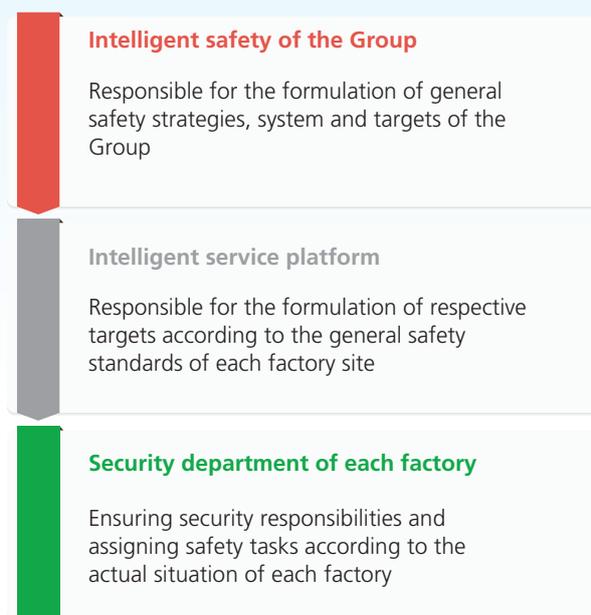
100% coverage of essentialised safety equipment

i. Safe Production Management

Haier Electronics complies with relevant laws and regulations such as the “Production Safety Law of the People’s Republic of China” and “Fire Protection Law of the People’s Republic of China” and has established safety management systems such as “Labour Safety and Hygiene Management”, “Equipment Safety Management” and “Safety Accidents and Cases Evaluation and Investigation Management” for our all-round safe production management. We have implemented safety control measures from multiple dimensions such as in departments, positions, engineering, technical upgrade, equipment, fire fighting, protection, and staff training and qualification. We attach great importance on safety risk inspection, and we have implemented regulatory measures such as weekly joint inspection on safety performance, monthly safety performance evaluation and motivational appraisals for achieving monthly/yearly safety targets to ensure compliance in safety control at all times.

In 2019, Haier Electronics upgraded OHSAS 18001 Occupational Health and Safety Management System Certification by referencing requirements proposed by the Shandong Province’s “Double System” for Work Safety, National Work Safety Standardisation System and new ISO 45001 system. We updated our HSE&6S system and strengthened the platform, system and standard of our safety system. We facilitated our accountability system covering all management levels and improved the safe production management network. In 2019, except for newly built factories in the year that are yet to take part in annual review, all factories of Haier Electronics have obtained the certification of ISO 45001 Occupational Health and Safety Management System.

Network of safe production management of the Group



Network of safe production management of factories



In 2019, we had 0 work-related serious injury of employees for our washing machine, water heater and water purifier business.

Case: Improvement on safety devices of Huangdao Front-loading Washing Machine Factory

In 2019, we improved our safety devices for the manufacturing process in Huangdao Front-loading Washing Machine Factory by adopting intelligent devices which were able to automatically cut, pierce, weld, roll rivet and fasten screw. Employees and machines would be separated, so as to ensure the safety of our employees. We installed safety door and set safety chain protection, ensuring no entrance of employees while machines were in operations. Meanwhile, we installed safety rope inside our device for protection of our employees during the inspection of device.



We also care about the safety of our stakeholders in parks. We formulated the “9 Must Dos for Construction Safety Management” and “18 Rules for Construction Safety Management”, which regulates the responsibilities of construction units, factories’ corresponding departments and safety departments. By strengthening construction safety management, we have effectively safeguarded the health and safety of third-party construction staff in parks.

ii. Occupational Health Management

In compliance with the “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases”, Haier Electronics continuously pays attention to the occupational health and safety of our employees and prevents occupational diseases.

Haier Electronics has engaged qualified third-party institutions to inspect the positions associated with occupational hazards and environments involving on-site hazardous operation and issue relevant reports. Hazard factors are monitored, so as to ensure compliance in the occupational safety and health environment. In 2019, the coverage of hazards assessment in occupational environment was 100%.

For employees exposed to occupational diseases, we have issued the Notice on Positions Associated with Occupational Diseases (《職業病危害崗位告知書》), which specifies the potential exposure to hazards. We ensure that all employees exposed to occupational diseases have undergone the “pre-job, in-job and post-job” medical examination for occupational diseases. Employees whose results of medical examination do not meet the requirements of their respective positions will be re-designated to other positions in a timely manner to prevent and cure occupational diseases or potential occupational diseases. In 2019, the coverage of medical examination for occupational hazards was 100%.

Haier Electronics has continuously propelled equipment automation in production lines of factories, unmanned operation in highly hazardous work sites, as well as dark and automated factories, so as to reduce production risks. In 2019, the coverage of essentialised safety equipment was 100%.

iii. Promotion of Safety and Health Culture

Haier Electronics has earnestly embraced safety culture into our production and operation. While promoting the construction of the HSE&6S cloud platform safety management system, we proactively nurture the safety culture of “6S for everyone, everything and everytime”. We are committed to achieving the 6 Zeros of safety.



We continued to promote the implementation of requirements of the “8 Must Dos for Safety” model and ensure the effective delivery of safety information and the clarification of accountability. The security departments of each factory of Haier Electronics have established inspection teams to carry out joint inspections and on-site inspections on safety to check the running of machinery, prevent employees from non-compliance and ensure that employees put on labour protective gear. Abnormal equipment operations were reported to the HSE&6S platform in a timely manner by the team. Non-compliance actions were rectified in a timely manner, and severe cases were handled according to the provisions for non-compliance.

We provide pre-job safety trainings for employees. Before employees engaging in work, they are required to pass relevant assessments, and are equipped with proper protective gear for such position. We regularly provide employees with safety trainings on laws and regulations to raise their safety awareness.

In addition, to further enhance employees' safety awareness and emergency handling skills, Haier Electronics regularly organises safety drills and competition on relevant technical skills.

Case: Fire control drills and competition on technical skills

In November 2019, we carried out promotion campaigns and drills on the theme of fire safety during the fire prevention month to cultivate employees' safety awareness and emergency evacuation ability. We organised security staff in the park to participate in on-site competition, including competition on wearing firefighting clothes and air breathing apparatus and using fire extinguishers, connecting water band of fire hydrant and fetching water, so as to improve emergency handling ability of the security staff in the park.



In 2019, Haier Electronics carried out a total of 527 safety drills. 9,976 employees participated in comprehensive/special production safety drills.

IX. ALLIANCE: CHAIN GROUP CONTRACT AND ECOLOGICAL ALLIANCE



With the full release of users' personalisation and diversified demands, enterprises and supply chains are facing increasing challenges on their adaptability, flexibility and reliability. In the IoT era, Haier Electronics, adhering to the concept of "Integrity Ecosystem, Win-win Evolution", promotes the integration of supply chain resources for forming a harmonious chain group that share the same target of growth based on user's demands. Focusing on application scenarios ecology, Haier Electronics realised zero-distance interaction between global resources and users while satisfying users' appeal for participating in product design and customisation. This has brought about seamless, transparent and visualised excellent experience for users.

Haier Electronics continuously optimised ESG management on ecological chain to promote the evolution of ecosystem. We assessed the suppliers' performance on environmental and social responsibility to enhance ESG level within the ecosystem. We carried out training for suppliers in multiple dimensions to revitalise supply chain, promote coordinated development along the industry chain and improve market competitiveness of Haier Electronics.

The application of emerging technologies such as the IoT, artificial intelligence and big data are providing support for the ecological brand construction of Haier Electronics. By jumping out of the original industry boundaries and breaking out fences between industries, we continue to explore the possibility of industry convergence to develop an ecological alliance that brings about win-win situation and adds value.

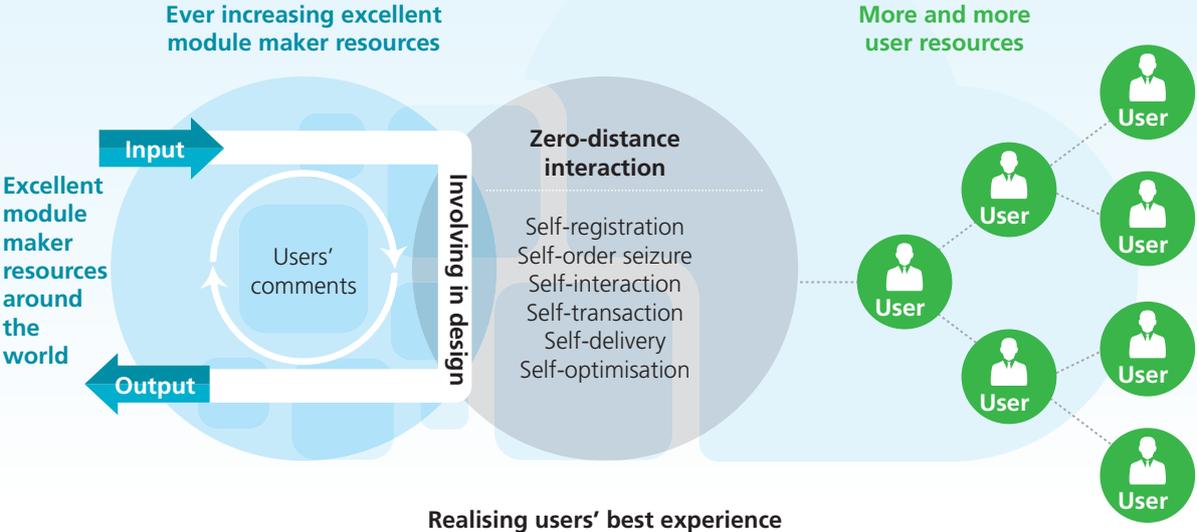
Our Performance

- 4,125** requests from users were received by the Haidayuan supplier platform
- 7,654** resource solutions were uploaded by suppliers through the Haidayuan supplier platform
- 68** suppliers passed the SRG (Supplier Responsibility Guideline) certification

i. Establishing a Mutually Beneficial Ecosystem

At the large-scale customised Internet platform COSMOPlat based on users’ experience, global design resources could interact with users without interruption, rendering service support for users’ ideas and interaction of community. By breaking the core model of traditional home appliance industry, our supplier resources access platform “Haidayuan” has transformed from the model of selling components and raw materials with fixed location, price and contract to resources management model with the characteristics of “open-ended, zero-distance, transparent and user-evaluated”. The new model further leveraged on global premium supplier resources to meet users’ needs, and directly connected with users, Haier Electronics and suppliers, so as to achieve rapid matching of raw materials and the provision of customised products.

Through the “Six Self processes”, namely “self-registration, self-order seizure, self-interaction, self-transaction, self-delivery and self-optimisation”, the Haidayuan platform forms a reticular ecosystem that allows zero-distance interaction between global resources and users. Both users’ needs and suppliers’ excellent resource solutions can be uploaded on the platform and upgraded based on users’ experience, forming the ultimate solution. In 2019, Haidayuan platform received a total of 4,125 requests from users that were related to Haier Electronics, while Haier Electronics’ suppliers uploaded a total of 7,654 resource solutions.



ii. Social Responsibility Management of Ecosystem Members

1. Admittance of suppliers

Haier Electronics has converged excellent supplier resources around the world through the Haidayuan platform and developed good cooperation model with mutual benefits and trust. We have conducted whole process management for the admittance of suppliers for our three industries, namely washing machines, water heaters and water purifiers. We have formulated systems such as the “Management Standards for Self Capability Commitments Made by Module Makers” (《模塊商能力自承諾管理標準》) and “Interconnection of On-Site Quality of Suppliers” (《供應商現場質量互聯》), aiming to review and manage various attributes of suppliers. All suppliers in the Haidayuan platform must undergo three stages of review, namely “self-commitments”, interconnection and financial indicators.

Our major suppliers consist of the module suppliers and water purifier OEMs (Original Equipment Manufacturers). All the module suppliers and OEMs of Haier Electronics are required to connect with Haidayuan platform. New suppliers are required to pass through screening under nine qualification categories, namely basic qualifications, financial ability, modularised manufacturing capabilities, modularised design capabilities, modularised delivery capabilities, industry 4.0 interconnected factory attributes, tier-2 and tier-3 supplier management capabilities, quality assurance capabilities and social responsibility, and submit relevant supporting information and materials to complete the “self-commitments” stage. Our micro business team is responsible for answering suppliers’ query towards the “self-commitments” section in real time, ensuring that all suppliers fully understand the requirements from Haier Electronics. Once the suppliers passed through “self-commitments”, the SQE (Supplier Quality Engineer) and the Procurement Department would jointly conduct on-site interconnected reviews on suppliers’ quality and performance on social responsibility. The suppliers would be graded in accordance with seven dimensions including TQRDC (technology, quality, responsiveness, delivery and cost) evaluation elements, and suppliers’ management on environment and labour, and bottom line of compliance.



In 2019, we strengthened the requirements over suppliers' quality system certification. Upon research, we sorted out 35 authoritative institutions for quality system certification. We published such institutions to all the suppliers, and encouraged suppliers to implement quality certification with authoritative third party. We prioritised the module makers who have sought the quality system certification from above published institutions, further improving the supplier quality of Haier Electronics.

In 2019, we reviewed 76 suppliers who completed "self-commitments", 12 of which passed the on-site and financial indicator reviews and were admitted into the supplier database of Haier Electronics.

2. Human resources risk of supply chain

Effective management and labour risk reduction of supply chain are some of the key issues concerning the admittance of suppliers of Haier Electronics. We, through the formulation of detailed rules for management evaluation, urge suppliers to establish a sound management system for employees, conduct legal employment and provide a safe working environment and reasonable working security.

During the "self-commitments" stage, we concern about labour practice of suppliers through the "Management Standards for Self Capability Commitments Made by Module Makers":

- Concerning about the labour practice of suppliers: We require suppliers to develop an employment system that strictly complies with the requirements of national laws and regulations, such that the employment of minors and forced extension of working hours are prohibited. Suppliers are required to provide detailed employee list and a Commitment of No Illegal Labour stamped with the company chop;
- Concerning about the fire safety of suppliers: We require suppliers' factories to have fire permit or approval document, develop comprehensive fire management system and sufficient fire extinguishers or fire protection equipment. Suppliers are required to submit fire acceptance certificate;
- Concerning about the safe production of suppliers: We require suppliers to secure the safety of machinery that could cause workers' injury, develop chemical management system and disclose the material safety data sheets to workers;
- Concerning about the occupational health of suppliers' employees: We require suppliers to equip workers of occupational hazard-prone posts with personal protective equipment and arrange regular occupational medical examination.

During the on-site interconnected review stage, we conduct further review on labour risk management of the supply chain. Based on "Interconnection of On-Site Quality of Suppliers", we review suppliers' capability in labour management in detail and verify issues of suppliers' working hours and remuneration management, equality and anti-discrimination, anti-harassment as well as channels for employee complaints.

3. Conflict minerals management

During the process of overseas expansion of business, Haier Electronics has insisted on fulfilling global social responsibility as its objective, aiming to boost sustainable development of industry chain through ethical sourcing. Metal materials like tin, antimony, tungsten and gold are used in the production process of Haier Electronics' products. We understand that the procurement and use of "conflict minerals" may cause social risk, and thus corresponding review procedures have been established for the material suppliers of products sold to Europe and America based on the governance requirements on conflict minerals in US Dodd Frank Act and EU Conflict Minerals Regulations, which will be implemented in 2021. We have introduced suppliers' conflict mineral examination measures in the social responsibility section of the "self-commitments", requiring all suppliers of GE brand product to comply with policies and develop relevant procedures to avoid procuring and using conflict minerals. Suppliers are required to provide written statement and policy and track the metal sources used by their components or modules to ensure that their procurements do not involve minerals from unknown sources or conflict minerals. In order to meet the requirement of Euro-American market on supply chain management and conflict mineral management, Haier's suppliers that manufacture GE brand product have all passed through SRG (Supplier Responsibility Guideline) certification.

As at 31 December 2019, 68 suppliers had passed such certification.

4. Procurement and management

The Haidayuan platform has provided a fair competition mechanism, and advocated the business mechanism of collaboration and share between enterprises and suppliers. We have developed a dynamic partnership with interaction between suppliers and enterprises and achieved fair, open, honest, effective and orderly sunshine procurements.

For new products in the washing machines, water heaters and water purifiers manufacturing businesses, module solutions provided by suppliers at Haidayuan platform would be subject to users' final selection, allowing users' access to the first-class resources without limitation. As for the resource replacement of existing products, through system innovation, Haier Electronics has implemented digital authentication mechanism so as to adopt online-tendering. Such act has saved tendering cost and administration cost, enhanced transparency and efficiency, and raised the competitiveness of the tender and chance of bidders for participation. It could also reduce the possibility of colluded bidding and protect the confidential information of project, and effectively enhance the fairness and impartiality of the tenders.

The Haidayuan platform searches the resources and identifies potential suppliers through intelligent functions. We have strengthened the risk control on the search process through big data. By connecting the third party data such as "Chengxintong", we can verify and pre-filter suppliers based on the information including blacklist, basic information, quality system information, litigation risks and tax arrears etc. so as to assure suppliers' qualifications reaching the required standards. Among the three or above suppliers that meet the requirements on qualification and hardware, the supplier with the highest aggregate score would be introduced as a supplier partner.

The contracts entered into between us and suppliers included "Commitment on Security Responsibility", "Commitment on Environmental Protection" and other requirements on social responsibility. These help Haier Electronics to fulfil social responsibility in respect of the safety and environmental protection for our ecological alliance.

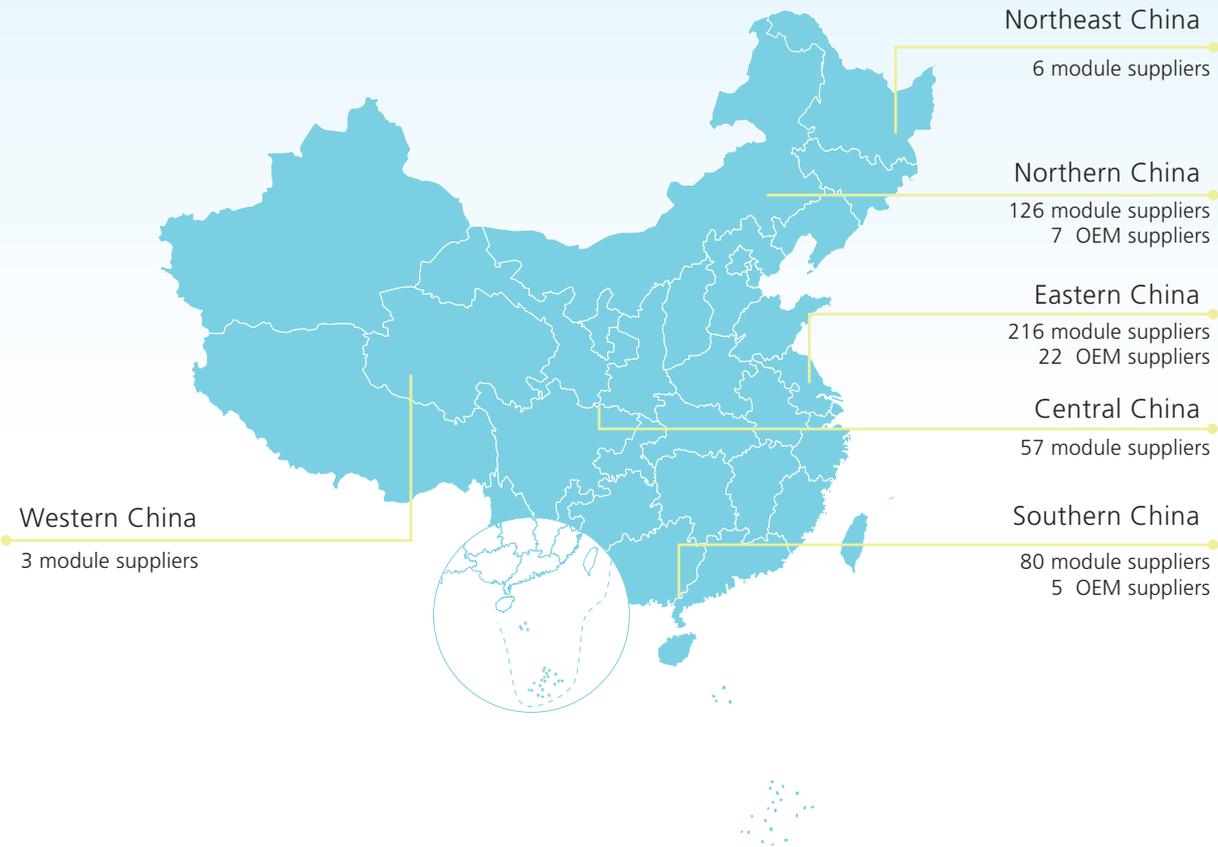
Haier Electronics has continuously enhanced the monitoring and management on suppliers by establishing digital supplier management system. A procurement big data system has realised the integration of big data and procurement operation, and promoted procurement decision analysis. Our visualisation management includes supplier real time analysis model and consists of 76 indicators and more than ten billion data, realising life cycle data management on suppliers. We also attach importance on users' feedback by connecting internet based users' feedback information module with suppliers' ratings, so that users can directly make evaluations on suppliers. Our cooperation strategies with suppliers are differentiated through scoring, and suppliers whose scores are persistently below standard would be eliminated, so that users' evaluations can directly drive suppliers' continuous improvement.

Case: Intelligent risk identification of suppliers

In 2019, the Haidayuan platform set standards covering aspects such as financial risks, business risks, legal risks and internal control risks, and through accessing the risk results provided by the big data platform, evaluating and updating the risk ranking of suppliers.

We had interviews with suppliers based on different risk ratings, and for suppliers with high risks, measures have been taken to reduce supply risks.

Distribution of suppliers:



iii. Enhancing the Effectiveness of Ecosystem

Haier Electronics has taken the value chain capacity building as its objective, aiming to enhance the effectiveness of ecosystem and achieve mutual benefits with our partners. Through launching supplier trainings, we have shared development and management experiences of Haier, guiding suppliers to fulfil their social responsibilities.

1. *Suppliers' advocacy and encouragement*

In 2019, Haier Electronics strengthened the training to suppliers and continuously educated them on hazard substances and product quality, so as to enhance their sense of responsibility. We also arranged regular integrity conferences with suppliers to advocate integrity requirement.

Case: Training on hazard substances control standards

In 2019, in addition to 6 hazard substances for which inspections are required according to domestic and international standards (such as RoHS standards), we upgraded our inspection coverage to 10 hazard substances, further strengthening our control on suppliers in respect of hazard substances. Such act has ensured product security and safety.

In order to further ensure suppliers' understanding on our upgraded hazard substances control standards and module inspection requirements, and ensure proper trainings are provided to module inspection employees of each production line, Haier Electronics organised relevant training sessions to suppliers and module inspectors. Apart from the introduction of relevant standards, we also interpreted the control requirements of Haier Electronics and that on the hazard substances reporting. We also helped our suppliers to establish control system on hazard substances. These trainings have enhanced suppliers' control standard for hazard substances in products.



We have established solid relationship with our suppliers. By holding annual supplier conference, we sum up the performance and improvement made of the year with our suppliers, exchange our experiences, encourage and reward outstanding suppliers, and look forward to the changes and opportunities in the digital era with enterprises in our ecological chain.

Case: Supplier conference

In our annual supplier conference of 2019, we shared with our suppliers the progress of ecological transformation and the evolution of module supplier resource platform ecosystem in 2019. We awarded the “Gold Magic Cube Award” (「金魔方獎」) to 82 outstanding module suppliers, recognising their proactive participation in design of Haier products and their contributions on creating best users’ experience.



2. Trainings and effectiveness enhancement of distributors

Trainings and enhancement of distributors are closely related to Haier Electronics’ reputation as distributors are the main component of Haier Electronics’ downstream value chain. We have launched the “smart cloud stores” system to provide online trainings for distributors and their employees, through comprehensive forms of presentation (text, graphics and videos) on television and mobile phone, continuously improving their professional skills and service standard.

X. QUALITY: IOT BASED PRODUCTS AND SCENARIOS OF INTELLIGENCE



In the era of IoT, smart scenarios made by Internet of everything create customised and pleasurable life for users. Adhering to the open and innovative concept of “World is My R&D Department”, Haier Electronics continuously boosts the R&D and innovation of its products with a view to building an intelligent household water ecosystem. We are user-oriented and allow users to be the master of our products. By integrating and linking the world-class resources, we enable the continuous interactions of users, makers and innovative resources with zero distance, therefore users’ demand can be fully understood and satisfied. With continuous input on R&D of patents, Haier Electronics proactively participates in the formulation of standards, leading the development of the industry. We pay attention to the health, safety and environment-friendly features of our product materials. Based on layer by layer detections, we strictly control our product quality.

Technology is the means, products are carriers, and users are the essence. We are committed to bring excellent experience for users through continuous launching of innovative and best products by our ecological chain.

Our Performance

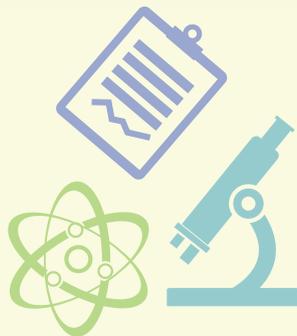
R&D CAPABILITY

We obtained **1,054** new patents, among which **416** were invention patents

We owned a total of **4,469** patents, among which **1,461** were invention patents

We participated in the formulation and release of **31** industry standards

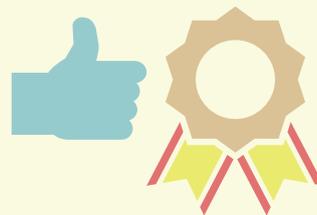
Patent promotion activities were attended by **900** people



QUALITY ASSURANCE

No product was recalled during the year

All modules of washing machines 100% compliance with RoHS standard, and water heaters and water purification facilities met corresponding industry standards



i. Quality Assurance

“The first is quality, the second is quality, and the third is also quality”. Haier Electronics attaches great importance on quality management, and has formed a unique Haier quality culture of “RenDanHeYi, Everyone attends to quality”. Except for newly built factories in the year that are yet to take part in annual review, all factories of Haier Electronics have obtained the certification of ISO 9001 Quality Management System, and products that exported to overseas have sought the necessary system certification according to local market requirements.



In 2019, we continued to strengthen the quality control of washing machines, water heaters and water purifiers, and formulated quality management systems on module purchase inspection procedures and sampling for inspection management procedures. From supplier screening, acceptance of product raw materials, product manufacturing to batch testing prior to product launch, we have embedded our quality culture throughout the entire process and ensured the output of high-quality products through comprehensive product quality management. Each factory has set up a quality team to be responsible for quality control and report the situation to the responsible department in a timely manner. We have designated the respective responsible body in every production process, so as to eliminate problems of bad quality.

Haier Electronics has enacted a sound product recall system and process in compliance with the “Consumer Protection Law of the People’s Republic of China”. In 2019, we achieved zero product recall for our washing machines, water heaters and water purifiers.

Stock-in module

We check supplier's components before admitting to our warehouse and exploit the Group's resources to impose systematic and computerised control on suppliers. All sub-suppliers are incorporated in the information system. We record the cases of defects stock-in, on-site returned goods, unqualified items and defaults into the system and perform monthly assessments. Those suppliers with frequent defects found will be replaced.

Production

Each product can be traced back to its production factory and corresponding personnel by barcode. We conduct frequent on-site inspections on a daily basis, and supervise and inspect personnel, machinery, materials and techniques. The quality records will be kept for filing. We have set up an information management system for a fast delivery of visualised information on changes of personnel and production technique.

Stock-out

We strictly comply with GB/T 2828 "Sampling for Inspection Procedures" to sample and examine finished products. We have formulated detailed measurement procedures, established independent sampling laboratories well-equipped with essential facilities for sampling and checking in each factory. We test the performance parameters of each batch of products. All experimental records will be filed properly.

Case: Collaborative management on washing machine quality in the whole process

In 2019, Haier Electronics implemented the self-driven and self-evolved "new product quality control" over the washing machine production lines. With reference to the quality management model of the GEA new product "nine-step method", we optimised the new product quality management system and information system, and carried out full-process collaborative management and control on new product quality, making a systematic and traceable organisation for factory's new product technical documentation. In the end, there were zero incident relating to the quality of new products, and user experience has been enhanced.

All modules of Haier's washing machines are in compliance with the RoHS ("Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive"). We pursue the concept of "users are the ultimate judges of quality", transforming user demand into high requirements for product quality and continuously improving quality. We commenced the "Quality Ecosystem Chain Group" project to integrate first-class resources, achieve innovation breakthrough and fully eradicate persistent problems, so as to enhance user experience.

Case: Quality leadership on noise level of gas water heaters

The noise of gas water heaters has always been one of the user's attention. In 2019, Haier's water heater production line improved the structure of transformers, pumps, fans and other components by integrating external resources from the United States and Japan. The technology simulated and analysed the five major sources of noise. Through detecting the level of noise with the BOM new product test, Haier formulated the "Domestic Gas Fast Water Heater Simulation Test Specification", leading the online monitoring of noise in the industry.

We regularly conduct supplier factory quality trainings, and carry out various staff training activities on key processes to improve the quality awareness of all staff. Our Six Sigma quality improvement team is responsible for carrying out quality improvement projects, conducting Six Sigma quality training, solving market feedback issues and improving the quality performance of Haier Electronics' products.

Case: Quality training for water purification business

Haier Electronics' water purifier production line organised quality trainings relating to complaints from market and process issues to improve product quality and reduce the rate of defective products in the market, so as to provide users with a better user experience. Our quality training covers quality management personnel, production management personnel and employees, process technicians, etc., and achieved good results.

In 2019, the water purifier production line was awarded the honorary titles of "National Product and Service Quality Integrity Demonstration Enterprise", "National Quality Leading Brand of Water Purification Industry", "National Quality Integrity Benchmarking Enterprise" and "Stable Qualified Products in National Quality Inspection" by the China Association for Quality Inspection.



Case: Continuous implementation of Six Sigma

In 2019, the washing machine and water heater production lines organised representatives from various business units to participate in the training of Six Sigma BB (Black Belt) and MBB (Master Black Belt). More than 20 representatives obtained the written examination certificate organised by the China Association for Quality.

After the trainings, more than 20 Six Sigma black belt projects were generated, including on-site/market quality improvement, noise/computer board/module external loss improvement, lean production and ESD system establishment, bringing economic benefits while improving quality. The excellent project "Reducing Poor Electronic Control in the Market by 15%" participated in the selection by the Qingdao Quality Association and the Asia Quality Assurance Forum and was awarded the first prize.

ii. Intelligent Lifestyle

1. R&D resources

Haier Electronics pursues the R&D concept of "the world is our R&D department", connecting global resources, users and enterprises to achieve interactive innovation. With Haier Group's ten R&D centres established in the PRC, Germany, the United States, Japan, South Korea, New Zealand, Mexico, Israel and India, Haier has established a "10+N" open innovation system worldwide. Fully leveraging global R&D advantageous resources, we have established a global innovation partner community platform to understand different users' demand, and used our 24-hour uninterrupted global R&D resources to provide users with the best solutions.

Each R&D centre of Haier Electronics includes a R&D department, a R&D platform and a R&D experiment centre. We have established independent R&D centres for our washing machines, water heaters and water purifiers with our own R&D team composed of excellent talents. As of the end of 2019, the washing machine, water heater and water purifier production lines absorbed 367 top-notch R&D personnel with a master's degree or above.

Case: Build a water purification laboratory comparable to that of international authoritative institutions

On 13 May 2019, Haier Strauss Water Purification Laboratory had its construction commenced in Haier National Innovation and Entrepreneurship Demonstration Base in Qingdao High-tech Zone. It is a R&D testing laboratory for performance of pure drinking water products positioned at the highest of the water purification industry in the PRC and comparable to the testing capabilities of international authoritative institutions. It covers an area of 2,573.08 m² with a total investment of RMB50 million. After the completion of the laboratory, it will become a R&D base with advanced technologies, covering three major segments including domestic water purification, whole-house water purification and commercial water purification. It will also be a R&D and testing base for the performance of water purification products, electronic and electrical products, water quality and materials.

Haier Strauss Water Purification Laboratory will focus on the product life cycle, promote the upgrade of new products and help Haier water purification business continue to lead the industry.

2. Technological standards

In 2019, our washing machine, water heater and water purifier production lines continued to innovate, actively lead and participate in the formulation of relevant standards and promote the standardisation of the industry. We focused on the “RenDanHeYi” model and adhered to the user-centric approach. Practising the high-quality intellectual property development strategy, we continuously obtained high-value core patents and laid out the construction of smart home scenarios. We would make use of the high valued patents to provide users with premium products and services, leading the progress and development of the industry.

	Washing machine segment	Water heater segment	Water purifier segment
Total number of patents granted in 2019	699	341	14
In which: Number of invention patents granted	341	73	2
Total number of patents owned as at the end of 2019	2,596	1,773	100
In which: Number of invention patents	1,279	180	2

In 2019, Haier Electronics achieved extensive industry and social recognition in terms of R&D and innovation, and won a number of important national and regional awards. The following set out certain of the awards.

Washing machine segment

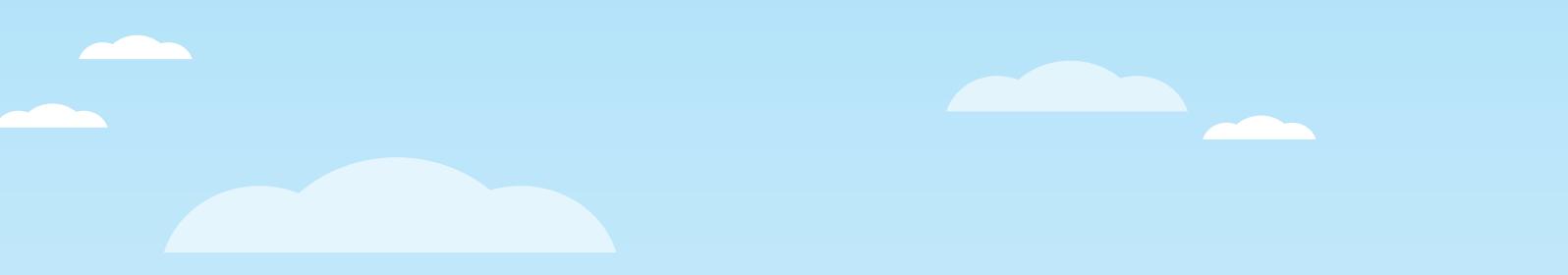
- “Research and Industrialisation of Key Technologies of Front-loading Washing Machines Compatible with Laundry in Separate Drums” (滾筒洗衣機分區洗護關鍵技術的研究及產業化) was awarded the National Technological Advancement Award (Second Class Prize)
- “Research and Industrialisation of Key Technologies of Micro-steam Air Washing” (微蒸汽空氣洗關鍵技術的研究及產業化) was awarded the Technological Advancement Award of Shandong Province (Second Class Prize)
- “Research and Industrialisation of Key Technologies of Single Drum Automatic Washing Machine”(單桶洗全自動洗衣機關鍵技術的研究及產業化) was awarded the Technological Advancement Award of Qingdao City (First Class Prize)
- Haier’s full-process laundry drum washing machine was awarded the IF Design Award
- Micro-steam air washing technology solution was awarded the “Global Washing Care” Best Experience Award
- Casarte freely convertible washer-dryer C9 HB13/17U1 was awarded the 2019 AWE Gold Award
- Casarte Twin Ella front-loading washing machine was awarded the “Asian Electronic Information Industry Innovation Award 2019” (2019年度亞洲電子信息產業創新獎大獎)

Water heater segment

- “IEC60335-1 Safety of Household and Similar Electrical Appliances Part 1: General Requirements and other 5 (series) international/national standards” was awarded the first prize of the 2019 China Light Industry Federation Technological Advancement Award (2019年中國輕工業聯合會科技進步獎一等獎)
- “Innovative Technology System and Application of Gas Water Heaters for Safety, Intelligence and Comfort” was awarded the second prize of the 2019 China Light Industry Federation Technological Advancement Award (2019年中國輕工業聯合會科技進步獎二等獎)
- “Application of GB 4706.12-2006 and IEC 60335-2-21:2009 in Storage Type Electric Water Heater Industry” was awarded the 2019 Technological Advancement Award of Shandong Province (Third Class Prize)
- “Application and Industrialisation of Integrated Water Quality Pre-treatment Technology in Electric Water Heaters” was awarded the 2019 Technological Advancement Award of Qingdao City (Second Class Prize)
- “R&D and Industrialisation of Gas Water Heaters Based on Pressure and Combustion Sensing Technology” was awarded the 2019 Technological Advancement Award of Qingdao City (Second Class Prize)

Water purifier segment

- Qingdao Haier Strauss Water Equipment Co., Ltd. won awards such as the “National Quality Leading Brand in Water Purification Industry”, “National Water Purification Industry Technological Innovation Brand”, “National Water Purification Industry Design Innovation Brand” and “National Water Purification Industry Influential Brand”
- Commercial water purification was awarded the “2019 Excellent Brand Enterprise of Drinking Water Equipment in Campus” (2019年度飲水設備進校園優秀品牌企業)
- Casarte IoT water purifier “Yunjing” was awarded the “Ingenious Product Award”
- Haier’s IoT water purifier “Boguan” was awarded the “Star of Smart Home Appliances”



In 2019, our washing machine, water heater and water purifier business led or participated in the release of 31 industry standards:

Washing machine segment

- 20141365-T-607
GB/T 20292-2019 Methods for measuring the performance of tumble dryers for household use
- 2015-1551T-QB
QB/T 5428-2019 Technological requirements and test methods for water-saving dishwashers for household and similar uses
- 20172360-T-607 Intelligent technology for smart home appliances and special requirements for washing machines
- 20172403-T-607 IEC 62512:2012 Methods for measuring the performance of electric washing and drying machines for household use
- 20172408-T-607 IEC PAS 62958:2015 Test method for reducing microbial pollution for household washing machines
- 20180872-T-607 Noise test methods for household and similar electrical appliances and special requirements for washing machines and centrifugal dehydrators
- 20180876-T-607 Noise test methods for household and similar electrical appliances and special requirements for tumble dryers
- QBCPZT1669-2015 QB/T 5427-2019 Evaluation method of self-cleaning function for washing machine sleeve
- 2018-1138T-QB Requirements and test methods for Total Volatile Organic Compounds (TVOC) of household and similar electrical appliances
- 2018-2206T-AH Clothing care machine
- 20120099-Q-469 Dishwasher energy efficiency and water efficiency threshold and levels

Water heater segment

- GB/T 38041–2019 Intelligentisation technology for intelligent household appliances — Specific requirements for electrical water heaters
- QB/T 5731–2019 Technological requirements and test methods for speed controllable heat pump water heaters for household and similar uses
- NB/T 10154–2019 Technological requirements for household solar heat pump hot water system
- NB/T 10155–2019 Test and evaluation method of household solar heat pump hot water system
- T/CAS 360–2019 Household gas fast water heaters with boosted pressure and preheat function
- T/CAS 354.2–2019 Technical specifications for the evaluation of smart home service platform based on big data, part 2: Smart Bathroom
- GB 37480–2019 Minimum threshold values of energy efficiency and energy efficiency grades for low ambient temperature air source heat pumps (water chiller) packages
- GB/T 37499–2019 Safety and control devices for gas burners and gas-burning appliances — Specific requirements — Automatic and semi-automatic valves
- NB/T 10156–2019 General specification for air source heat pump drying unit
- NB/T 10158–2019 Air source heat pump fruit and vegetable dryer
- T/CECA-G 0022–2019 Energy efficiency testing method for water heaters for household and similar uses

Water purifier segment

- QB/T 4144–2019 Pure water processor for home and similar purposes
- QB/T 4143–2019 Household and similar general water quality processors
- T/CAQI 71–2019 Service standard for piped drinking water systems
- T/CAQI 72–2019 Environmental requirements for drinking water stations
- T/CAQI 93–2019 Technical specifications of intelligent module for online monitoring of water quality at the end of urban water supply network
- T/CAQI 89–2019 Precise purification requirements and test methods for household and similar general water processors
- T/DZJN 06–2019 Household bath and similar water softeners
- T/DZJN 03–2019 Instantaneous drinking water electric heater with energy efficiency threshold and energy efficiency rating
- T/CAS 334–2019 General technical requirements for whole house smart water purification system

3. Innovative products

Haier Electronics adheres to the user-centric approach and continuously upgrades smart scenarios through product innovation to customise the beautiful life for users. We fully consider the safety of and energy saving effect on users in product uses, and are committed to bringing users a more intimate product experience.

More comfort: Dynamic monitoring and fire protection

The electric water heaters fire incidents keep occurring in the market, affecting the development prospects of electric water heaters.

Haier water heater has innovatively developed integrated temperature dynamic detection power plug technology and applied it to electric water heaters. Water heaters equipped with this technology can monitor the temperature information of the power plug in real time. When the temperature of the power plug of electric water heaters rises to the safety threshold, the alarm prompts and the relay is disconnected as such temperature rise is determined as abnormal for the contact between the power plug and the socket. It can effectively avoid continuous heating up, which would cause severe situations such as burning of the plug and even fire. Such technology on safety can protect the safety of users.

More attentive: Two drums for separate washing

In response to the demand of consumers to wash adult and children clothing, underwear and outerwear as well as clothing of different textures separately, Haier pioneered a two-drum intelligent separate washing technology to achieve a new washing mode for washing different categories of clothing at the same time. It has also solved industry problems such as smooth and quiet operation at various washing states, water and time saving as well as gentle washing.

This project is the world's pioneer technology and was awarded the National Technological Advancement Award (Second Class Prize). This is the first National Technological Advancement Award awarded to front-loading washing machines, leading the industry and starting a new era of washing.

More green: Long-term water-saving and precise purification

Through technical improvements, Haier Electronics' water purification technology has achieved A+ level long-term water saving, and the water production rate can reach up to 75%. In addition, our water pre-treatment protection technology extends the life of key filters, and the purified water and wastewater adjustable technology has achieved intelligent automatic adjustable control of purified/waste water ratio of 1:1-1:3, saving water and filters.

In 2019, we launched the "Double A+" water purifier product series of "Boguan" which has obtained A+ precision purification and A+ long-term water saving certifications. It can precisely remove antibiotics and pesticide residues in water, while also ensuring more efficient and reliable water purification, bringing sustainable and healthy drinking water experience to users.

4. Intellectual property

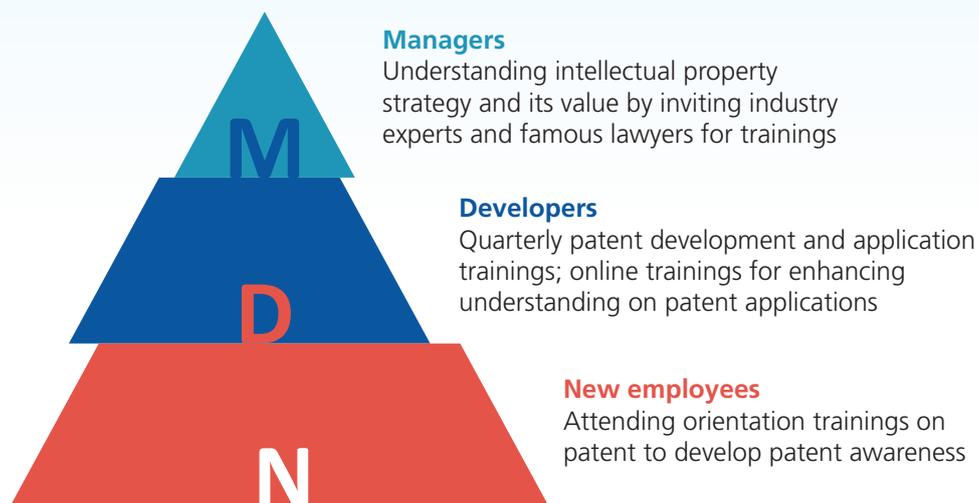
As one of the first enterprises in the PRC to set up a specialised department to manage intellectual property, Haier Electronics upholds Haier Group’s intellectual property strategy positioning, insists on intellectual property strategy focusing on high-quality development. Through adopting the “technology, patent and standard” linked model, we accumulate high-value intellectual property assets and safeguard global market freedom.

We protect the legitimate interests of our intellectual property in accordance with laws and regulations related to intellectual property in the PRC such as the “Copyright Law of the People’s Republic of China”, “Trademark Law of the People’s Republic of China”, “Patent Law of the People’s Republic of China” and “Measures for the Administration of Domain Names for the Chinese Internet” and relevant laws and regulations of other jurisdictions, while also avoid infringing the intellectual property rights of others.

We carry out whole-process management on intellectual property, and conduct comprehensive intellectual property management and review from project establishment, product R&D to product manufacture and marketing, so as to ensure compliance. Together with domestic and foreign prestigious enterprises with edges on intellectual property, we have built a patent alliance with global competitiveness and influence, constantly exploring new ways of patent operation and patent assetisation, and gaining a strong voice for Haier Electronics in mastering global core and general technologies.

Haier Electronics continuously strengthens employees’ intellectual property risk awareness training to prevent relevant risks. In addition, we encourage employees to innovate and pay attention to the application for invention patents. We have established systems such as the “Achievement Transformation Implementation and Reward System” to reward patents and inventions, so as to increase the proportion of invention patents.

Haier Electronics’ multi-level intellectual property training system:



In 2019, more than 900 Haier Electronics’ employees attended online or offline patent promotion activities.

5. Smart scenarios

With the help of big data, IoT, artificial intelligence and other technological development achievements, Haier Electronics has broken industry barriers, promoted integrated development and actively explored cross-sector alliances.

We use smart home appliances and the IoT technology to create smart scenarios and provide users with a superior living experience. For smart bathroom, we provide smart solutions for sanitary ware, water usage, washing and caring, etc., connecting smart devices such as lights, air heaters, water heaters and body fat scales in the entire bathroom, providing users with various functions such as a warm room before bath, pure soft water bath, dehumidification and dynamic recording of health status, enabling a customised smart bath lifestyle. For smart balcony, we have achieved the whole process of washing, drying to folding in one step through smart washing machines, drying racks and folding machines, solving user's difficulties in manual selection of laundry and caring of clothing, and achieved cross-scenario smart connection through linking a variety of ecological products of the Internet of Clothing.

Case: Haier's Internet of Clothing — Smart scenarios for whole-house washing and caring

Haier Electronics leverages on Haier's Internet of Clothing home appliances and the IoT technology to achieve the digital management of smart clothing. We cooperate with other industry resources such as clothing, home textiles, washing and dyeing and the IoT technology. By embedding IoT technology solutions such as RFID tags on clothing, we connect with clothing manufacturers. By aggregating washing machine consumption data, usage data, fabric traceability data, and clothing and detergent consumption data, we can integrate resources and optimise resource allocation, so as to build an ecological platform that integrates industries such as home appliances, clothing and detergent, and to connect factories, stores and homes, providing users with smart solutions throughout the entire lifecycle of laundry, caring, wardrobe, matching and purchase of clothing.



Haier's Internet of Clothing has gathered 2,320 apparel companies, 5,000 smart stores and more than 3,600 ecological resources, and won numerous awards such as the "2019 National Light Industry Enterprise Management Modernisation and Innovation Achievement — First Prize" (2019全國輕工業企業管理現代化創新成果一等獎). At the same time, Internet of Clothing has achieved leading standards — the "Clothing Product Coding and RFID Tag Specification" being officially released as a national standard, and such standard was the world's first Internet of Clothing standard approved by the IEEE (Institute of Electrical and Electronics Engineers).



XI. SINCERE: PROVIDE CARING SERVICES AND MAKE THE SOCIETY WARMER



“Be sincere forever” is Haier Electronics’ constant commitment to everyone.

We serve everyone with sincerity. Through high-quality delivery, our intimate services and professional qualities customise a beautiful life for users, bringing a satisfactory user experience while continuously maintaining the Group’s excellent reputation. Through extensive channels, we are committed to turning ourselves as a responsible, caring and trustworthy neighbour of our users, and providing them with meticulous care.

We give back to society with sincerity. Through outstanding public welfare projects, we continuously communicate with our society attentively and caringly. We actively explore innovative public welfare models, connecting stakeholders and integrating resources to build a sustainable public welfare ecosystem.

Our Performance

HIGH-QUALITY SERVICES

Overall satisfaction rate of washing machine users reached **99%**

Overall satisfaction rate of water heater users reached **99.1%**

Overall satisfaction rate of water purifier users reached **99%**

“Love To Home” served a total of **500,000** people throughout the year



SOCIAL WELFARE

Carried out more than **120** public welfare events, including the Young Dreamers Greenland Campaign and the Young Dreamers Graduation Season

The “Let’s hug, dad” public welfare campaign attracted the attention of nearly **300** million people. More than **30** authoritative media reported the event and **38** enterprises participated in the interaction. **26** cities were connected and multiple families with left-behind children were reunited

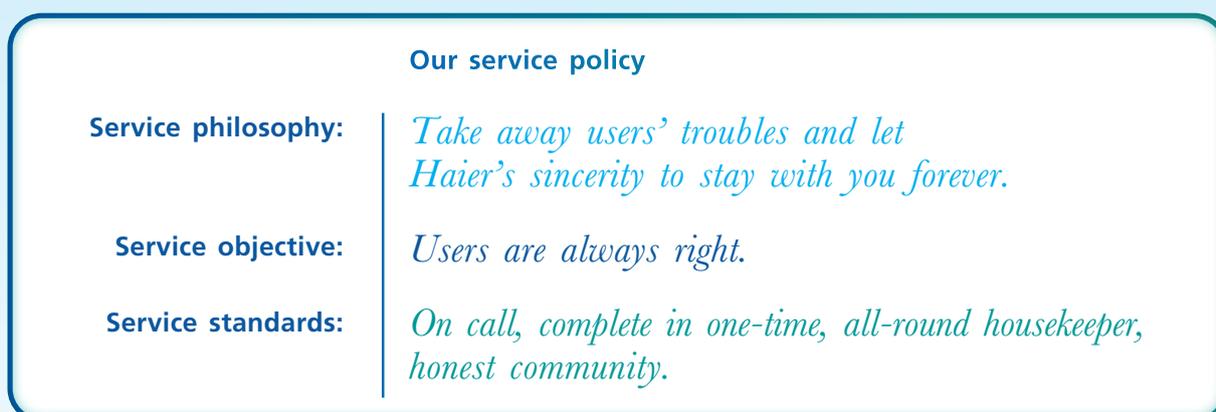
7 public welfare ecosystem activities were initiated, attracted the attention of **1,336,547** users of the ecosystem

i. Users Come First

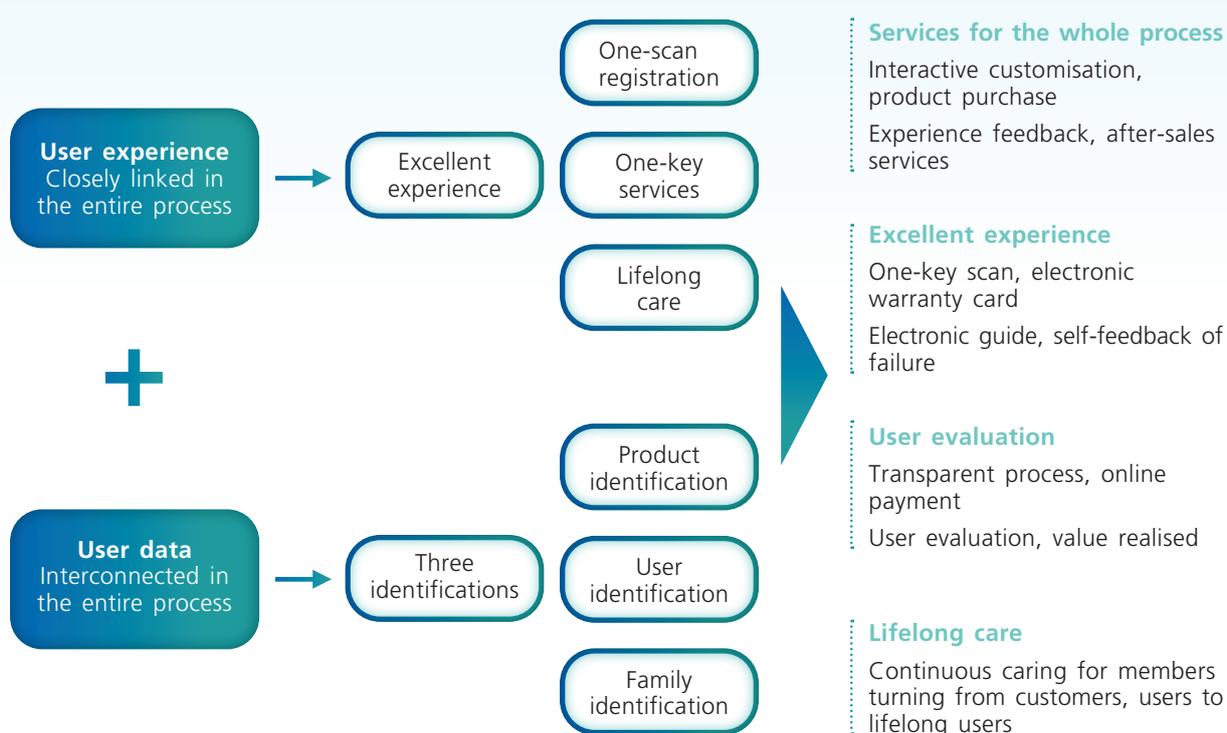
1. Attentive customer services

We continuously optimise customer service experience and create convenient and smart service scenarios for our customers. In 2019, Haier launched the Haier Smart Home APP, breaking the boundaries of traditional e-commerce trading platforms, and building a value-connected platform that covers scenario experience and interactive iteration, where users can view and experience smart scenarios and make appointment for the design and customisation of ecological services free of charge. From designing a smart home, building a smart home to serving a smart home, user's demand for smart lifestyle can be met in a package.

We continuously implement Haier Electronics' service policy and strive to complete our services with a unified service standard.



We have continuously optimised the HCC (Haier Customer Care) system, focused on entire process services for users and accurately identified user demand through real-time interaction and analysis.





Based on big data analysis, we have connected stages in the entire process, so that user evaluation can be transmitted to key stages and key personnel in real time, and we have also continuously optimised the formation of an upgraded closed system, creating the best service experience in the entire process.

Real-time exchange of user evaluation

- Obtain user experience evaluation through online and offline channels such as phone, WeChat, Weibo, user terminal, shopping malls and e-commerce platforms, and compile and classify the results of evaluation

Real-time connection of stages in the whole process

- Connect the whole process of design and R&D, module procurement, intelligent manufacturing, logistics transportation and outlet services, and user feedback is connected to the corresponding stage of the process in real time

Continuous update of user experience

- User feedback is delivered accurately to the responsible personnel, and each stage is continuously updated to create the best experience in the entire process

In 2019, we had a total of over 17,000 service staff to support our water heater after-sales services, 17,000 service staff to support our washing machine after-sales services and nearly 5,000 service staff to support our water purifier after-sales services nationwide. We pay attention to the training of service providers and empower service staff through a variety of online and offline channels. We developed the iService system to provide service providers and service staff with on-demand training, online learning, online upgrades, online interactions and remote support. During the year, we launched the “Gold Lecturer” activity, selecting outstanding service staff as lecturers to drive the improvement of overall service quality. During the year, the average length of training for each service staff was over 40 hours.

Case: Selection and certification of "Gold Lecturer"

In order to improve the overall technical level and service capabilities of front-line service staff, Haier Electronics' after-sales team held an internal "Gold Lecturer" selection and certification in 2019.

Taking the washing after-sales team as an example, after dozens of campaigns, by the end of October 2019, a total of 1,000 high-skilled and highly competent network internal lecturers were selected, so that service providers with a certain size across the country had their own internal lecturers.

Following the completion of the training for internal lecturers, the internal training was conducted in all centres and branches. The lecturers used morning meetings, evening meetings and free time to publicise new products and craftsmanship to each service staff in real time, promoting the overall learning atmosphere of service staff.



"On call and complete in one-time" is the best portrayal of our relentless pursuit of service quality. After years of service accumulation, we have formulated the "12345 service norms", provided "1+5 full set services" to our customers, and further imposed strict requirements on the quality of services through the "Ten dos" and "Ten don'ts". We equip all service staff with a "Service Standard Implementation Manual", tool kit and relevant materials to bring efficient and professional services to customers.

First express delivery and installation services for water heater on "Double 11"

Mr. Zhu from Wuwei City, Gansu Province purchased Haier water heater products during the "Double 11" shopping festival. It was already midnight at the time of ordering online. Mr. Zhao, an after-sales engineer of Haier water heater located at 1 km away, contacted the customer to make an appointment for delivery and installation. The entire process of delivery and installation was completed efficiently with high-quality through 5 minutes of stocking, 10 minutes of delivery and 15 minutes of installation.

From ordering to the completion of installation and on-site testing of the water heater, Haier's after-sales engineer only took 30 minutes. Mr. Zhao also explained to the user on how to use the water heater. Mr. Zhu was satisfied with the service quality of Haier Electronics.



In 2019, Haier Electronics recorded an overall satisfaction rate of washing machine users of 99%, overall satisfaction rate of water heater users of 99.1% and overall satisfaction rate of water purifier users of 99%. In the “Diamond — 10th China Household Appliance Service Industry Professional Skills Contest” organised by the China Household Appliance Service and Maintenance Association and the All-China Federation of Trade Unions in 2019, Haier washing machine team and water heater team won the top three individual awards and top two group awards in their respective categories. Haier washing machine team also won the “Outstanding On-site Service Performance Award”, “The Most Beautiful Service Engineer Award”, “Excellent Organisation Award” and “Special Contribution Award”.

2. Interconnected channels

We take “good neighbours, see you every day” as our service objective, integrating logistics network, service network, marketing network and information network resources to build an open four-network integrated platform with products as tools, services as a stage and experience as parameters to define value.

Through our widely available specialty store channels, we continuously promote the “6L of Love To Home” service standard — “Healthy L, Comfortable L, Heartfelt L, Convenient L, Educational L and Charitable L” and meet the demand of users under “LOVE”. “Love To Home” goes deep into the community, providing free value-added services and carrying out creative life interaction activities, allowing users to better experience our products and services, providing users with solutions to living problems, and building a warm service brand. For the whole year of 2019, “Love To Home” has served a total of 500,000 people.

From customers to users and lifelong users, Haier specialty store is like a responsible, caring and trustworthy good neighbour that is always around.



3. Privacy protection

Haier Electronics strives to provide safe and comfortable experience for users. We have developed and optimised the mechanism of user information protection in accordance with the requirements of relevant laws and regulations such as the “Cybersecurity Law of the People’s Republic of China” and the “Mobile Internet Application Information Service Management Regulations”. All of our APPs describe our policies and practices for obtaining, managing and protecting users’ personal information. We obtain users’ consent when we collect and use their personal information to protect users’ right to know and choose when installing or using APPs.

We have established an internal mechanism to regulate our sales, logistics and after-sales processes. By entering into contracts with service providers, we undertake the responsibilities and measures to protect users’ privacy.

- Cancel the information export function of the front-end system;
- Adopt a strict identity verification system for the Intranet, and monitor and block the USB interface;
- Prohibit the HCC system from extracting a full set of user contact information;
- Empower the system to record all voucher exported;
- Special request for a large amount of user data must be reviewed by the Group and transferred in a unified manner;
- Sign the “Non-Disclosure Agreement” or “Personal Confidentiality Agreement” with external cooperation companies and individual partners to require them to strictly control user information to prevent information leakage.

ii. Charity

We believe that Haier should make a pertinent contribution to society and humanity. Haier Electronics has created a platform to communicate with the communities and listen to their expectation and demand. Through the labour union and online and offline channel network, we integrate relevant resources, actively assume corporate social responsibility and devote ourselves to public welfare, so as to give back the society. In 2019, Haier Electronics’ channel network was awarded the “2018 Because of Love Ceremony Annual Responsible Brand Award” and the “8th China Finance Summit 2019 Corporate Social Responsibility Model Award”.

We support growth through education. Haier has continuously invested in educational support. As of the end of 2019, we have invested more than RMB110 million in aiding to build a total of 306 Hope Schools (305 Hope Primary Schools and 1 Hope Secondary School), covering 26 provinces, municipalities and autonomous regions nationwide. We also pay attention to the educational level of young people and children, helping poverty areas in our country to establish basic education facilities as well as improving the conditions of school operation in under-developed areas.

Case: Young Dreamers

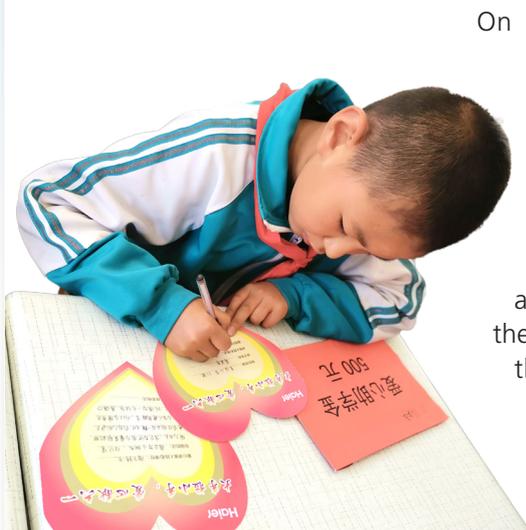
It has been three years since the launch of the “Young Dreamers” charity project, representing not only a continuation of charity activity, but also the commitment of love and hope.

On 31 May 2019, before the coming of the Children’s Day on 1 June, the first national launching ceremony of the “Wonderful Education X.O, Dreams of New Ecology” for Young Dreamers “Graduation Season” of Haier specialty stores was held in Sumuying Haier Hope Primary School, Lanqi Town, Longhua County, Hebei Province. Every child was awarded a customised graduation certificate and graduation album of Haier Hope Primary School. With the graduation certificate, the children in Hope Primary School could make video calls with their families and friends through Haier’s TV multi-screen interconnection function at the dream stations. The caring “Love To Home” service team also went to Haier Hope Primary School to carry out health service activities and provided thorough cleaning for the electrical products in the school, bringing a tidier learning environment to the children.

Sumuying Haier Hope Primary School is only an epitome of the “Young Dreamers” charity project. In 2019, Haier specialty stores around the country launched more than 120 public welfare activities for such as the Young Dreamers Greenland Campaign and the Young Dreamers Graduation Season, and awarded more than 3,000 graduation certificates of Haier specialty stores.

We will continue to provide children with material and spiritual encouragement through our labour union and channel network to support children in the pursuit of their dreams.

Case: Dreams finding, building and fulfilling



On the eve of Children’s Day, we actively communicated with relevant staff in Liyuan Street. We identified more than 100 poverty students through the archives of poverty families and contacted them to understand their wishes. After receiving the wishes, we mobilised various organisations, youth associations and youth experts to realise the wishes for the children of these poverty families through donations and sponsorship. On 28 May 2019, we cooperated with the relevant departments of Pingdu City and provided more than 100 poverty students of Liyuan Street, Pingdu with the Dream Fund.

Case: My future home

In order to stimulate and nurture children's creativity, care about children's extracurricular life, enrich their extracurricular activities and encourage children to make use of their imagination, in 2019, Haier specialty stores cooperated with China Youth Development Foundation to jointly organise the 2nd National Children Drawing Competition of Haier Hope Primary Schools. Students from more than 300 Haier Hope Primary Schools around the country participated in the competition under the theme of "My Future Home — My Smart Home".

Children drew to record the changes that the rapid development of the mother country brought to their "home", and freely created their envisioned future technological lives. Numerous pictures showing the warmth of home were drawn.



We dispelled loneliness with companionship, helping left-behind children to solve their difficulties and assisting them to realise their dreams for family reunion.

Case: Let's hug, dad

2019 was the third consecutive year since the launch of the "Let's hug, dad" activity of Haier specialty stores. We cooperated with China Charities Aid Foundation for Children, Xinhua News Agency and many other partners to establish a brand public welfare alliance. Together with more than 30 brands and institutions including Haier Smart Home, China Charities Aid Foundation for Children, Xinhua Insight, Dettol, Oiwas, Zotye New Energy, Wanda Hotels and Shunguang, we outspoke for solving the issue of left-behind children.

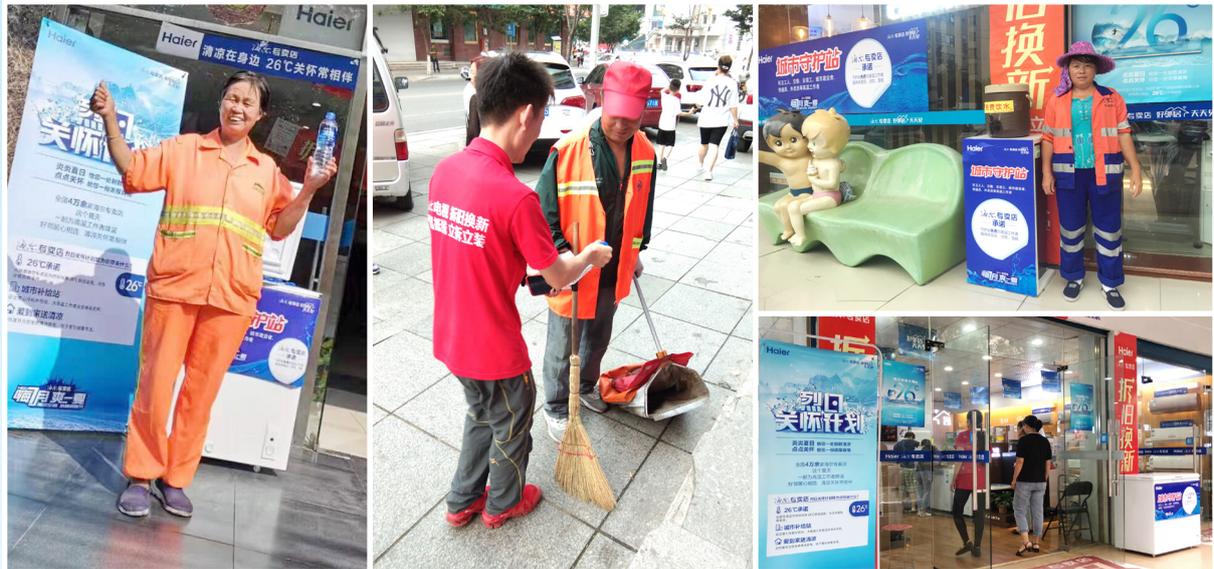
During the event, the staff of Haier specialty stores around the country shot the theme poster of "Let's hug, dad". Meanwhile, the verified V bloggers who have extensive influence in the field of parenting and childcare also appeared as supporters of the public welfare alliance and urged everyone to "speak for left-behind children together".

During the "Let's hug, dad" event, Haier specialty stores held the 2019 "Let's hug, dad" offline public welfare exhibitions in Shanghai and Shenzhen. The true stories of left-behind children were shown by photos and audio recordings. More than 50,000 people visited the interactive public welfare exhibitions in Shanghai and Shenzhen. In this way, the organiser hopes to let more people pay attention to public welfare, and participate in public welfare activities.

The "Let's hug, dad" public welfare campaign attracted the attention of nearly 300 million people. More than 30 authoritative media reported the event and 38 enterprises participated in the interaction. 26 cities were connected and multiple families with left-behind children reunited. Through the crossover and gathering of brands, the "Let's hug, dad" activity generated discussions and aroused the attention among different industries and groups of people, creating the effect of 1+1>2.



We send warmth to the society. We care for special groups who serve their posts, soldier groups such as garrison soldiers, retired soldiers and armed police, as well as the elderly in nursing homes or people in need. In winter, we have assigned December every year as the Haier Specialty Store Thanksgiving Month, and carried out more than 1,600 warm winter events in 2019. In summer, in the face of high temperatures in cities, we have launched the “26°C Scorching Sun Care Programme” to provide refrigerators and rest areas for coolness to people in need.



We have established a public welfare ecology. In 2019, the Communist Youth League, Haier Shunguang and Haier specialty stores jointly created Haier’s online public welfare portal. Leveraging on the online community platform of Shunguang, we have connected the needs of schools and children with the public welfare section of the Shunguang APP. The love of the micro-shop owners are collected and needs are dealt with in different places. We cooperated with local public welfare organisations to allow more users to participate in the public welfare activities of Haier specialty stores. A public welfare ecosystem was hence established. In 2019, we launched a total of 7 activities and attracted 1,336,547 users in the ecosystem.

APPENDIX

i. Hong Kong Stock Exchange ESG Reporting Guide Content Index

ESG Guide Content		2019 ESG Report	
Environmental	A1 Emissions	General disclosure	Green Management
		A1.1 The types of emissions and respective emissions data.	Green Operation
		A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation
		A1.5 Description of measures to mitigate emissions and results achieved.	Green Management Green Operation
		A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green Operation
	A2 Use of Resources	General disclosure	Green Management Green Operation
		A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in 000s) and intensity (e.g. per unit of production volume, per facility).	Green Management Green Operation
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Management Green Operation
		A2.3 Description of energy use efficiency initiatives and results achieved.	Green Management Green Operation
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Management Green Operation
		A2.5 Total packaging material used for finished products (in tonnes), if applicable, with reference to per unit produced.	Green Operation

ESG Guide Content		2019 ESG Report	
Environmental	A3 The Environment and Natural Resources	General disclosure	Green Management Green Operation
		A3.1 Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Green Management Green Operation
	B1 Employment	General disclosure	Safeguarding Employee Rights and Interests Fostering Employee Development Enhancing Employee Satisfaction
B1.1 Total workforce by gender, employment type, age group and geographical region.		Employees	
B1.2 Employee turnover rate by gender, age group and geographical region.		The Group plans to conduct detailed management and make future disclosure accordingly.	
Social	B2 Health and Safety	General disclosure	Safe Production Management Occupational Health Management Promotion of Safety and Health Culture
		B2.1 Number and rate of work-related fatalities.	During the Reporting Period, the Group had no fatality caused by work-related accident
		B2.2 Lost days due to work injury.	During the Reporting Period, the Group had no cases of work-related injury
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safe Production Management Occupational Health Management Promotion of Safety and Health Culture	

ESG Guide Content		2019 ESG Report	
Social	B3 Development and Training	General disclosure	Fostering Employee Development
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management and middle management).	The Group plans to conduct detailed management and make future disclosure accordingly
		B3.2 The average training hours completed per employee by gender and employee category.	Fostering Employee Development
	B4 Labour Standards	General disclosure	Safeguarding Employee Rights and Interests
		B4.1 Description of measures to review employment practices to avoid child and forced labour.	Safeguarding Employee Rights and Interests
		B4.2 Description of steps taken to eliminate such practices when discovered.	During the Reporting Period, the Group did not employ any child labour or forced labour.
	B5 Supply Chain Management	General disclosure	Establishing a Mutually Beneficial Ecosystem Social Responsibility Management of Ecosystem Members Enhancing the Effectiveness of Ecosystem
		B5.1 Number of suppliers by geographical region.	Social Responsibility Management of Ecosystem Members
		B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Establishing a Mutually Beneficial Ecosystem Social Responsibility Management of Ecosystem Members

ESG Guide Content

2019 ESG Report

Social

B6 Product Responsibility	General disclosure	Quality Assurance Intelligent Lifestyle Users Come First	
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	During the Reporting Period, the Group had no product recall	
	B6.2 Number of products and services related complaints received and how they are dealt with.	Users Come First	
	B6.3 Description of practices related to observing and protecting intellectual property rights.	Quality Assurance	
	B6.4 Description of quality assurance process and recall procedures.	Quality Assurance	
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Users Come First	
	B7 Anti-corruption	General disclosure	Governance Strategy
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	During the Reporting Period, the Group had no cases regarding corrupt practices
		B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Governance Strategy
	B8 Community Investment	General disclosure	Charity
B8.1 Focus areas of contribution (e.g. education, environmental affairs, needs of labour, health, culture and sports).		Charity	
B8.2 Resources contributed (e.g. money and time) to the focus area.		Charity	

ii. Compliance with Major Laws and Regulations

ESG Guide	Major Laws and Regulations to be Complied with
Environmental	A1 Emissions A2 Use of Resources A3 The Environment and Natural Resources "Environmental Protection Law of the People's Republic of China", "Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Atmospheric Pollution Prevention and Control Law of the People's Republic of China", "Regulations on the Safety Administration of Hazardous Chemicals", "Energy Conservation Law of the People's Republic of China", etc.
	B1 Employment B3 Development and Training B4 Labour Standards "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China", "Social Insurance Law of the People's Republic of China", "Law on the Protection of Women's Rights and Interests of the People's Republic of China", "Regulations on the Labour Protection of Women Workers", etc.
	B2 Health and Safety "Production Safety Law of the People's Republic of China", "Fire Protection Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", etc.
Social	B5 Supply Chain Management "Bidding Law of the People's Republic of China", etc.
	B6 Product Responsibility "Tort Law of the People's Republic of China", "Copyright Law of the People's Republic of China", "Trademark Law of the People's Republic of China", "Patent Law of the People's Republic of China", "Measures for the Administration of Internet Domain Names of China", "Law of the People's Republic of China on the Protection of Consumer Rights and Interests", "Advertising Law of the People's Republic of China", etc.
	B7 Anti-corruption "Criminal Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China", etc.
B8 Community Investment "Charity Law of the People's Republic of China", etc.	