三翼鸟 | **Haier** smart home

WE SUPPORT UN GLOBAL COMPACT

Haier Smart Home actively implements the principles of the United Nations Global Compact and provides strong support for the SDGs

A-shares code: 600690 D-shares code: 690D H-shares code: 6690

海尔智家股份有限公司 Haier smart home Co.,Ltd

2021 年度环境、社会及管治报告 Environmental, Social and Governance Report

海尔智家 **Haier** smart home

Haier Smart Home Co., LTD.

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2021

年度环境、社会及管治报告
Environmental, Social and Governance Report

Content

▎ About this report

Background

This report aims to objectively and fairly reflect environmental, social and governance (ESG) performance of Haier Smart Home Co., Ltd. and its subsidiaries (hereinafter referred to as "Haier Smart Home", the Company", "Company", "we" or "us") in 2021. It is recommended to read the contents concerning corporate governance in this report in conjunction with the *Corporate Governance Report* contained in the *2021 Annual Report of Haier Smart Home Co., Ltd*.

Reporting Scope

Unless otherwise specified, this report covers the period from January 1, 2021 to December 31, 2021. Some contents exceed this period. We review the scope of the report regularly to ensure covering the material impact of the Company's overall business portfolio.

Report Compilation Basis

This report is primarily prepared in accordance with Appendix 27 *Environmental, Social and Governance Reporting Guide* in the *Listing Rules* of the Stock Exchange of Hong Kong Limited (hereinafter referred to as *ESG Reporting Guide*), with reference to the *GRI Sustainability Reporting Standards* (GRI Standards) issued by the Global Reporting Initiative (GRI), *Sustainability Accounting Standards* (SASB Standards) issued by Sustainability Accounting Standards Board, *No. 1 Guideline on Self-Regulation of Listed Companies on the Shanghai Stock Exchange – Regulation of Operations* and the *Guidelines on Preparation of Corporate Social Responsibility Reports of Chinese Enterprises* (CASS-CSR4.0) issued by the Chinese Academy of Social Sciences (CASS).

Reporting Principles

The report has been prepared in accordance with four principles of materiality, quantitative, balance and consistency.

Materiality: We have conducted our materiality assessment based on the *ESG Reporting Guide*, which involves: i) identifying relevant ESG issues, ii) assessing the materiality of the issues, and iii) reviewing and confirming the assessment process and findings by the Board. We report on ESG matters based on the materiality assessment results. For details of work of materiality assessment, please refer to the section headed "Materiality Issues Assessment" below.

Quantitative: This report has followed *ESG Reporting Guide* with reference to applicable quantification standards and practices, adopted a quantitative approach to measuring and disclosing applicable key performance indicators, and set out environmental targets including actual numbers and directional

statements. The measurement criteria, methods, assumptions and/or calculation tools and the sources of conversion factors used in respect of the key performance indicators in this report, where applicable, are described accordingly. The relevant environmental targets have been disclosed in the section headed "Our Goals" of "Combating Climate Change to a Zero-carbon Future".

Balance: This report provides objective disclosure of both positive and negative information to ensure an unbiased presentation of the Company's ESG performance during the reporting period.

Consistency: This year's report has been prepared in a manner consistent with previous years. Where there are changes that may affect meaningful comparisons with previous reports, such changes have been noted in the appropriate places.

Information Source and Reliability Warranty

The text information and cases in this report mainly come from the Company's statistical data, relevant files, and internal communication documents. Some data in this report is extracted from the *2021 Annual Report of Haier Smart Home Co., Ltd*. Other data comes from the Company's internal systems or manual records. The Company promises that this report contains no false record or misleading statement, and bears responsibility for the truth, accuracy and completeness of its content.

The report is released in simplified Chinese, traditional Chinese and English. In case of discrepancy in the three versions, the simplified Chinese version shall prevail.

Report Access and Response

The report is published in both printed and electronic form, and the electronic edition is available on the Company's social website (https://smart-home.haier.com/cn/), Hong Kong Stock Exchange website (www.hkexnews.hk) and Shanghai Stock Exchange website (http://www.sse.com.cn/).

We appreciate opinions from stakeholders, and readers are welcome to contact us in the following ways.

Contact information: 0532-88931670
Email: finance@haier.com
Address: Haier Information Industry Park, No. 1 Haier Road, Qingdao City

Chairman's statement

2021 is the year of beginning the 14th Five-year Plan, the year of start-upping China's goals of achieving "2030 Peak Carbon Dioxide Emissions and 2060 Carbon Neutrality" and the year of transformation for China's HVAC industry entering into new stage, implementing new theory and integrating into new landscape. Haier has always integrated its corporate development with the national strategy and contributed to the "double carbon goals" and moved towards the "Haier Era".

At a time when companies are growing globally, we have long focused on market, community and investor expectations of ESG performance, and have given ESG a higher corporate standing and strategic awareness. In 2021, we have established the Haier Smart ESG Committee, with a focus on diversity, community involvement, commercial ethics, sustainable products and other operating aspects, and set out clear standards and action guidelines for ESG implementation. In the future, we will leverage the power of technology to constantly implement the ESG.

In the wave of the times, Haier Smart Home is gradually constructing low-carbon smart home map and always works together with stakeholders to achieve a win-win situation. On behalf of the Board of Directors, I would like to take this opportunity to express my heartfelt gratitude to our stakeholders for their understanding, trust and support, and to all staff for their unwavering faith and hard work.

Under the leadership of the China's "double carbon goals", we have implemented the carbon reduction strategy of "management, accounting, emission reduction and communication". We value the risks and opportunities that climate change may bring, and promote the low-carbon transformation of enterprises.

Haier Smart Home always adheres to the "human values first", builds the management model under "employee and user value synergy", continues to build a working environment with diversity and integration, pays attention to the growth and development of each employee, constantly improves the incentive mechanism, helps employees continuously break and realize their self-worth.

We continuously develop innovative technologies and improving product quality, bringing users a more convenient and intelligent lifestyle. We attach great importance to information and network security management, and work hard to provide users with comprehensive privacy and security protection.

We have been supporting education in a long time, participating in hundreds of volunteer activities. We continue to repay society with our actions and contribute Haier's passion and kindness.

In 2022, Haier Smart Home will open a new chapter as the trend towards quality, intelligence, scenarios and customisation in home appliance consumption becomes more pronounced. We believe that there are both opportunities and challenges, and together with all stakeholders, we will support China's double carbon strategy, provide a platform for the development of our employees, create a good experience for our customers and contribute to society.

Haier Smart Home Co., LTD.

Chairman:
March 2022

2021 Social Responsibility Performance Highlights

Corporate Governance

12
General meetings

11
Board meetings

11
Meetings of Supervisory Board

1
Formal meeting of ESG Committee

2
Informal meetings of ESG Committee

36%
Percentages of independent directors on the Board

9%
Percentages of female directors on the board

Commercial Ethics

100%
Coverage of employee on anti-corruption and anti-malpractice alert training

100%
Issuing integrity reminders for suppliers

1
Online bilingual anti-corruption animation course to train global employees in an easy-to-understand way

Sustainable Products

100%
China's factories certified to ISO9001 and ISO14001

32
China's factories certified to QC080000

0
Product recall

62
Products obtained global product certifications such as energy-saving and environmental protection, green and low-carbon, health and safety

Sustainable Operation

4.06%
Year-on-year decrease in waste generation of a single product

109
Energy saving and emission reduction projects

40
Hazardous waste reduction projects

17.8MW
Accumulated photovoltaic installation capacity

0
Environmental accidents

31%
283 suppliers audited onsite for social responsibility, accounting for the purchase amount

89.70%
User satisfaction

Inclusiveness and Diversity

50
Employees from countries around the world

100%
Coverage of employee on training

69.36 hours
Training hours per employee

100,000
Number of employee in safety drills

100%
Percentages of signing rate of special collective contracts for female employee

Community Investment

RMB122 million
Accumulated investment in Hope Project over the years

346
Hope schools built by our contribution

8
Hope cottages completed

27
Loving laundries of Hope Project completed

More than 10,000
Teachers and students obtained our help

RMB37.79 million
Amount of annual charity donation

Haier Smart Home and SDGs

In 2021, Haier Smart Home officially joined United Nations Global Compact (UNGC), the largest and most influential United Nations agency in the sustainable development, which aims to promote corporate the sustainable development and social responsibility. Haier Smart Home is committed to the ten principles of the Global Compact, which cover the human rights, labour standards, environment and anti-corruption based on United Nation Convention, to further expand the Company's sustainable development impact. We will grasp the opportunity of joining UNGC to hold ourselves to more stringent standards and promote better results in sustainable development to provide strong support for the SDGs.

2030 Sustainable Development Goals (SDGs) set by the United Nations		Our Actions in 2021
Commercial Ethics	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• We have continuously optimized corporate governance, improved internal control, and built an honest ecology • In 2021, total assets and revenues that were included in the scope of internal control assessment accounted for almost 88% and 89% of the corresponding items in the Haier Smart Home's consolidated financial statements, respectively • Special teams were set up to be responsible for anti-corruption and anti-malpractice task • The Company has established a diversified anti-corruption compliance training system, and reporting channels around the world and strengthened protection of whistle blower • We eliminate false advertising and resist any unfair act that limits market competition
Sustainable Products	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	• The Company continuously improved product quality management system • The Company continuously strengthened supplier quality management • The Company carried out the sustainable development philosophy in the whole product life cycle to reduce the impact on the environment

2030 Sustainable Development Goals (SDGs) set by the United Nations		Our Actions in 2021
Sustainable Operation	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS 13 CLIMATE ACTION	• The Company implemented carbon reduction throughout the whole product life cycle • Active layout of recycling of old appliances and other circular economy industries • The Company identified the risks of climate change and reduce greenhouse gas emissions • A smart energy interconnected control platform was built • The Company formulated the relevant codes of conduct for suppliers around the world • The Company improved service system standards and continuously improved user interaction experience
Inclusiveness and Diversity	4 QUALITY EDUCATION 3 GOOD HEALTH AND WELL-BEING 8 CECENT WORK AND ECONOMIC GROWTH	• The Company created an inclusive work environment and paid attention to female employee development • Implement diversified incentives • During the pandemic, we firmly safeguarded the health and safety of global employees

2030 Sustainable Development Goals (SDGs) set by the United Nations		Our Actions in 2021
Community Investment	1 NO POVERTY 4 QUALITY EDUCATION 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES	• Construction of Hope Schools and participation in the construction of villages • We did our utmost to respond to the call for pandemic control and prevention • We actively participated in volunteering activities

About Haier

- Corporate strategy
- Corporate governance
- ESG management

About Haier

As the Company's predecessor, Qingdao Refrigerator General Factory was founded in 1984, with its headquarter located in Qingdao, China, which was officially renamed as Haier Smart Home Co., Ltd. in June 2019. The Company is a smart home ecological brand that customizes better life solutions for global users. It mainly engages in the research, development, production and sales of smart home appliances such as refrigerators/freezers, washing machines, air conditioners, water heaters, kitchen appliances, small home appliances and smart home scene solutions. Through a rich portfolio of products, brands and solutions, we create a full scenario of intelligent life experience to meet the needs of users to customize a better life.

The Company as one of the first listed companies in China was listed (stock code: 600690) on the Shanghai Stock Exchange in 1993. In 2018 and 2020, the Company was successively listed on the Frankfurt Stock Exchange in Germany (stock code: 690D) and the Hong Kong Stock Exchange (stock code: 06690). Thereafter, the Company has built the "A+D+H" global capital market layout.

The Company owns a global cluster of home appliance brands, including Haier, Casarte, Leader, GE Appliances (hereinafter referred to "GEA"), Candy, Fisher & Paykel (hereinafter referred to "FPA") and AQUA. According to research data of global retail sales for large home appliance from Euromonitor International as an authoritative global market research firm, as of 2021, the retail sales volume of Haier brand refrigerator equipment and laundry equipment has ranked No.1 among global major appliance brands for 14 consecutive years and 13 consecutive years, respectively. Relying on its strengths in all categories and sets of home appliances, the Company has launched and iterated on smart home solutions. The Company leverages its interconnected home appliance products and cooperation resources, Haier Smart Home APP, Three-Winged Bird APP and Haier Smart Home Experiential Cloud Platform, in conjunction with offline experience centers and specialty stores, to provide users with smart home solutions for different living scenarios and meet their needs for a good life.

After years of development, the Company has formed three major business layouts, including smart home business in both China and overseas and other businesses.
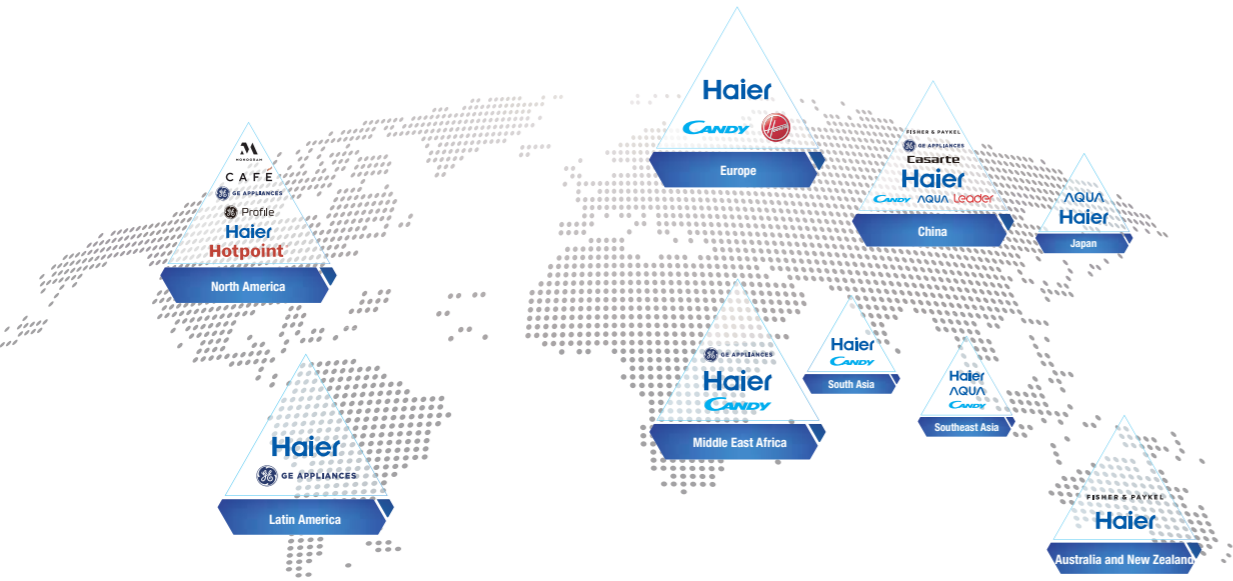
Seven Brands and Global Layout

Corporate strategy

"A successful company has simply capitalized on the times we're in." Haier Smart Home ushered in the new wave in the era of IoT and has started the sixth strategic stage – the strategy stage of ecosystem brand from 2019, transforming itself from a leader in the global major appliance industry to a global leader in high-end brands, scenario brands and ecosystem brands.

In 2021, Haier Smart Home has accelerated the promotion of high-end complete sets and implementation of scenario ecosystem: as for scenic brand, 1,317 Three-winged Bird No.001 shops have been set up in core cities nationwide, and have entered the 3.0 era of ecological co-creation; as for ecosystem brand, Internet of food and Internet of clothing and other open ecosystems are provided to users to build a "home" ecosystem for smart life.

01	02	03	04	05	06
Stage of the famous brand strategy **1984-1991**	Stage of the diversification strategy **1991-1998**	Stage of the internationalization strategy **1998-2005**	Stage of the global brand strategy **2005-2012**	Networking strategy stage **2012-2019**	Stage of the ecosystem brand **2019-**
Creating China's first refrigerator brand name with "smashing the refrigerator"	Creating No.1 brand of China's home appliances by activating the "shock fish" model with Haier culture	Creating a world famous brand in the centre by becoming the representative of China's brands	Creating a global cluster of home appliance brands with Integration of Sanyo Appliances, Fisher & Paykel, GE Appliances and Candy	Transformation from "manufacturing products" to "incubating makers" by becoming a node on the network	From product brand in the traditional era to platform brand in the Internet era to ecosystem brand in the Internet of Things era[4]

With the continuous promotion of brand strategy and globalization strategy, the brand influence of Haier Smart Home has been gradually increased and has become a representative of famous household appliance brands and ranked among the top 500 brands in the world. From 2020 to 2021, Haier Smart Home has been listed One of World's Most Admired Companies of Fortune, fully demonstrating that we are continuing to lead in the IoT ecosystem. In this era of "Internet of Everything", guided by smart homes, it brings a better living experience to global users.

Haier Smart Home has treated ESG as an important component of its corporate strategy. From philosophy leadership to organisational structure, from top-level design to implementation, we have improved ESG management system and the performance. We have established ESG committee and published Social Responsibility Report for more than 10 consecutive years, and have been a pioneer in the implementation of ESG in China in terms of promoting green development, investing in social welfare and improving corporate governance.
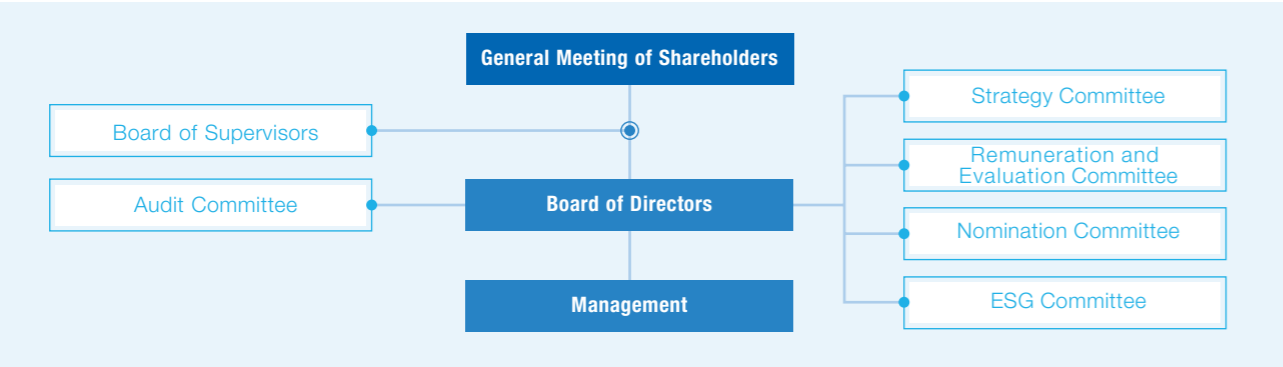
Corporate governance

We adhere to the core philosophy of "honest operation, standardized governance, and information transparency", and continuously optimize management structure, improve internal control, and build an honest ecology in accordance with such provisions specified in the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*, and other relevant regulations in the place of stock listing.

Management structure

Haier Smart Home is committed to the stability and sustainable development of the Company through high standards of corporate governance. We have set up a standardized and orderly corporate governance structure composed of the general meeting of shareholders, the Board of Directors and its special committees, the Board of Supervisors, and the management. We have established a governance mechanism with clear lines of authority and responsibility, mutual coordination and checks and balances, which has guaranteed efficient and compliant corporate governance.

In 2021, the Company convened twelve general meetings of shareholders, eleven board meetings, eleven meetings of Supervisory Board, seven meetings of Audit Committee, two meetings of Nomination Committee, four meetings of Compensation and Evaluation Committee, three meetings of Strategy Committee, one formal meeting and two informal meetings of ESG Committee, of which all the holding and voting procedures complied with relevant provisions specified in laws, regulations, articles of association, and rules of negotiation, and all voting results were legal and valid. These laid a solid foundation for the Company's standardized operation.

The Nomination Committee is responsible for reviewing diversity policy for the Board, its effectiveness and implementation. We will select candidates for the Board of Directors based on diversified indicators, including but not limited to sex, age, culture, educational background, industry experience, technical capacity, professional qualification and expertise, knowledge, term of service, and other relevant factors.

As at the end of the reporting period, the Board of the Company compromised 11 members, including 4 independent directors, accounted for 36% and 1 female director, accounted 9%. The Board of Supervisors had 3 supervisors, including 1 employee representative supervisor. The heads and members of the Audit Committee, the Remuneration and Evaluation Committee, and the Nomination Committee were assumed by independent directors.

In order to provide motivation for the management to innovate, Haier Smart Home established a perfect remuneration assessment and incentive system for senior managers. The remuneration of senior managers is composed of monthly salary and value-added sharing, and is subject to annual evaluation of performance throughout the year, which is the key factor to determine performance bonus and development, mainly by "strategic undertaking", "market leading target competitiveness", "small and micro leading, platform leading", "ecological achievement" and other elements, in order to guide senior managers to take the initiative to undertake the Company's strategy and achieve higher market goals. In 2021, we incorporated sustainability performance into the senior management performance appraisal rating system and added assessment indicators for enhancing ESG performance, in order to reflect the importance that the Company's management places on sustainability issues.

Internal control

To better manage risks related to business development, we have clarified the roles and duties of the Board of Directors and its Audit Committee, the Board of Supervisors, and the management in the internal control mechanism, established and continuously improved the risk management and internal control system in accordance with the *Guidelines for Internal Control of Listed Companies* issued by the Shanghai Stock Exchange, the *Basic Standards for Enterprise Internal Control* and the *Supporting Guidelines for Enterprise Internal Control* that were jointly issued by Ministry of Finance, CSRC, National Audit Office, CBRC and CIRC, and the *Corporate Governance Code* issued by the Stock Exchange of Hong Kong Limited.

We conduct large-scale tests and self-assessment on the design effectiveness and implementation effectiveness of our internal control system once a year, employ accounting standards annual audit accountants in China to assess the effectiveness of internal control over financial reporting, and disclose the material deficiencies noted in the internal control unrelated to financial reporting. The self-assessment reports, financial reports issued by annual audit accountants, and internal control and audit reports will be fully uploaded to the exchange's website for disclosure to be reviewed and supervised by stakeholders. In 2021, the total amount of corporate assets and the revenues that were included by Haier Smart Home in our internal control assessment range either accounted for almost 88% and 89% of the corresponding items in the Company's financial statements, respectively. According to the assessment of Board of Directors, the internal control system of Haier Smart Home was sound and effectively implemented. There was no significant defect identified in the Company's internal control design or implementation. According to the annual audit accountants, the Company maintained effective internal control in all material respects in 2021.

Honest ecology

We understand the importance of adhering to moral standards in current global commercial environment which instant changes, and promise to perform operation activities according to the highest moral standards.

Honest operation

Haier Smart Home strictly complies with the *Law of the People's Republic of China for Countering Unfair Competition*, the *Law On the Prevention of Money Laundering of the People's Republic of China*, the *Anti-monopoly Law of the People's Republic of China* and other laws and regulations of overseas places where we operate related to anti-bribery, anti-fraud, anti-extortion and anti-money laundering. We have formulated and strictly implemented the *Code of Commercial Conduct of Haier Group*, the *Anti-fraud Regulations*, the *Employee Code of Conduct of Haier Smart Home*, the *Management Policy of Supplier Black List* and other policies in the world. The Board of Directors is responsible for reviewing and supervising the Company's policies and measures that are related to compliance of laws and regulations. We have set up special teams to perform anti-corruption and anti-malpractice tasks, actively promoted the development and implementation of anti-corruption, anti-money laundering and other systems related to commercial ethics. We regularly identify commercial ethics risks, undergone specialised anti-corruption audits and report to the Board of Directors and the Audit Committee, and strive to create an honest and ethical business environment. We require personnel at important positions to sign the *Commitment Letter of Incorruptibility* every quarter, and signed the *Incorruptibility Agreement* with suppliers, urging our employees and suppliers to strictly abide by the bottom line of compliance.

We have established a diversified anti-corruption compliance training system that combined "on-site training + online courses + e-publications". We organized all employees to watch educational films every quarter. We have carried out anti-corruption training on directors and the management through Newsletter to improve their awareness of anti-corruption. We also conduct trainings for investigators, to improve their anti-malpractice work implementation ability. In 2021, the Company organised 4 on-site training sessions and 1 online training session, launched 1 bilingual animation course and issued 12 monthly e-publications in relation to anti-corruption, respectively. Employee coverage of anti-corruption and anti-fraud alert training reached 100%, and each employee received an average of 5 hours of training.

We share anti-corruption training issues through the Global Law Summit. In 2021, anti-corruption training covered the operating regions of China, Europe, America, Middle East Africa, South and South East Asia. In particular, all GEA employees have completed training on conflict of interest, code of conduct, anti-corruption and fair competition.

In 2021, the Company has a total of three litigation cases involving anti-corruption and anti-malpractice, which were concluded by judicial organs. Three officers involved in such cases were convicted of misappropriation of duties, infringement of commercial secrets and bribery crime of non-official servant, and were sentenced to 1-3 years' imprisonment and a fine of RMB10,000-200,000 respectively. After the cases, the Company's anti-malpractice department issued timely warning notices for each case, actively cooperated with the state authorities in the investigation and successfully recovered the misappropriated funds, and carried out strict investigation and serious rectification of the problems revealed by the relevant cases.

Whistleblower Protection

We have formulated and updated the *Whistleblower Management Regulations on the Ecological Platform of Haier Smart Home*, set up and disclosed the public online reporting platform and email to all employees and suppliers. After initial screening and investigation, the internal control and internal audit department will submit any suspected crimes to legal departments for handling. We have also set reporting routes for conflicts of interest, so that employees could actively report the positions of their relatives in the Company and partners of the Company to reduce or avoid the potential risks of corruption. In 2021, we also applied the "whistleblower" system to our overseas operating regions to promote the development of policies in line with local laws and practices.

To protect the privacy of the Whistleblower, NAVEX Global will provide the Whistleblower with a confidential number and not record the Whistleblower's personal information and may automatically send an email to the Internal Risk Control and Audit Team upon receipt of the Whistleblower's information. The Company undertakes that it is committed to taking all reasonable steps to protect the Whistleblower's identification information and to treat the Whistleblower fairly and protect him or her from any retaliation in accordance with the relevant systems. The Company will also strictly limit the scope of disclosure when the identity of the Whistleblower is required for investigative purposes or by local law.

Reporting channels for clues and issues related to malpractice:
iHaier Reporting Port: Malpractice reporting
Reporting E-mail: jubao@haier.com
Reporting Website: www.haierchina.ethicspoint.com

Reporting channels for compliance-related concerns and issues
Reporting E-mail: Compliance@haier.com
Chinese Website: https://www.haierchina.ethicspoint.com
English Website:
https://secure.ethicspoint.eu/domain/media/en/gui/102394/index.html

Management of compliance propaganda

The Company strictly complies with the requirements of relevant laws and regulations for advertisement and publicity in the places where it operates, seriously implements the compliance management of marketing in order to eliminate false advertising and resist any unfair act that limits market competition.

ESG management

We believe good ESG management is of vital importance for us to guarantee stable enterprise operations, deal with sudden threats, and seize development opportunities.

ESG Management Structure

Haier Smart Home built the ESG management structure covering overseas systems at the levels of governance, management, and implementation. The Board of Directors of the Company has established ESG Committee, which fully supervises ESG matters of Haier Smart Home and performs ESG management duties on behalf of the Board of Directors. Meanwhile, we have issued the *Code of Commercial Conduct of Haier* to guide the tasks related to ESG.

ESG Executive Office: It was formed by relevant employees from the Securities Department, Overseas Strategy Department, Strategy Department, Research and Development Department, Internal Control Department, Human Resources Department, Legal Department, Energy Department, Values Department and other functional departments, and was responsible for guiding and managing work related to ESG and reporting work progress to the ESG Committee on a regular basis.

ESG Executive Team: The top managers of each ESG function and business segment formed an ESG Executive Team to promote the effective implementation of ESG work and report regularly on the work progress.

Board of Directors

Reviewing and monitoring ESG tasks		Tasks reporting

ESG Committee

Guiding and managing ESG tasks		Tasks reporting

ESG Executive Office

Promoting and coordinating ESG tasks		Tasks reporting

ESG Executive Team

The FPA has established a Sustainable Development Steering Group in November 2019 to understand the process of sustainable prospecting and to develop the direction and plan to achieve corporate sustainable development.

CANDY is developing a sustainable development management structure and will specify the roles at all levels of management. In particular, the Senior Leadership Team (SLT) will be responsible for approving the sustainable development plan, the annual sustainable development report, overseeing and reviewing the implementation of the Company's sustainable development commitments and related matters. The Company's management will be responsible for reviewing and reporting to SLT the progress of the Company's sustainability objectives. The sustainable development executive officer will be responsible for following up on sustainable development goals, plans and action paths, communicating and promoting a culture of sustainable development within the team, sharing best practices and reporting regularly to the management.

ESG strategy

Centering on the five dimensions including "commercial ethics, sustainable products, sustainable operation, inclusiveness and diversity, and community engagement", we have formulated the ESG strategy to guide us to carry out ESG management in global operations.

| Commercial ethics	Sustainable products	Sustainable operation	Inclusiveness and diversity	Community investment
Operating the Company with the highest moral criteria and compliance requirements and developing a compliance culture to win the trust of shareholders, employees, users, suppliers, communities, and other stakeholders	Providing eco-friendly designed products with excellent performance and high-quality services to make families and communities enjoy a better life	Protecting the earth by reducing the impact of our operations on the environment	Building a safe and inclusive work environment, adhering to "prioritizing people's value", and getting closer to users and communities with the diversified employees	Assisting in community construction through various activities

Participation by stakeholders

Haier Smart Home identified major stakeholders, understood and responded to the ESG issues they were concerned about.

Major stakeholders	ESG issues	Major communication channels
Government and other regulators	Corporate governance Labor standards Product responsibility Anti-corruption Community investment Climate change	Policy consultation Event reporting Information disclosure
Shareholders and investors	Corporate governance Product responsibility Anti-corruption	General meeting of shareholders Investor meeting Report disclosure Official website
Employees	Employment Health and safety Development and training Labor standards	Employee congress Face-to-face communication Telephone and email Internal applications
Users	Product responsibility	Real-time communication software Social media Customer service channels

Major stakeholders	ESG issues	Major communication channels
Suppliers, dealers and partners	Supply chain management Product responsibility Anti-corruption	Meeting On-site research Exhibitions Real-time communication software
Industry counterparts	Product responsibility	Meeting Industrial activities Telephone and email
Media and non-governmental organizations	Emissions Use of resources Environment and natural resources Employment Supply chain management Product responsibility Climate change	Press conference and seminar Social media Official website On-site visit Interview
Non-governmental organisations and the public	Emissions Community investment	On-site visit Meeting Charitable activities Social media

Materiality issues assessment

We identified highly important issues including product quality and safety, corporate governance, employees' rights and interests, health and safety of employees, product innovation, electronic waste, carbon emission, climate changes, green product, social responsibility management of supply chain, conflict minerals, high-quality service, labor standards, employee training and development, and talent attraction; and generally important issues including intellectual property management, customer complaint, use of energy, water resource utilization, anti-corruption, diversity and equal opportunities, information security and privacy protection, advertising compliance, and community investment. We will discuss the contents of all issues respectively in this report.

Importance to shareholders

Importance to sustainable development of Haier Smart Home
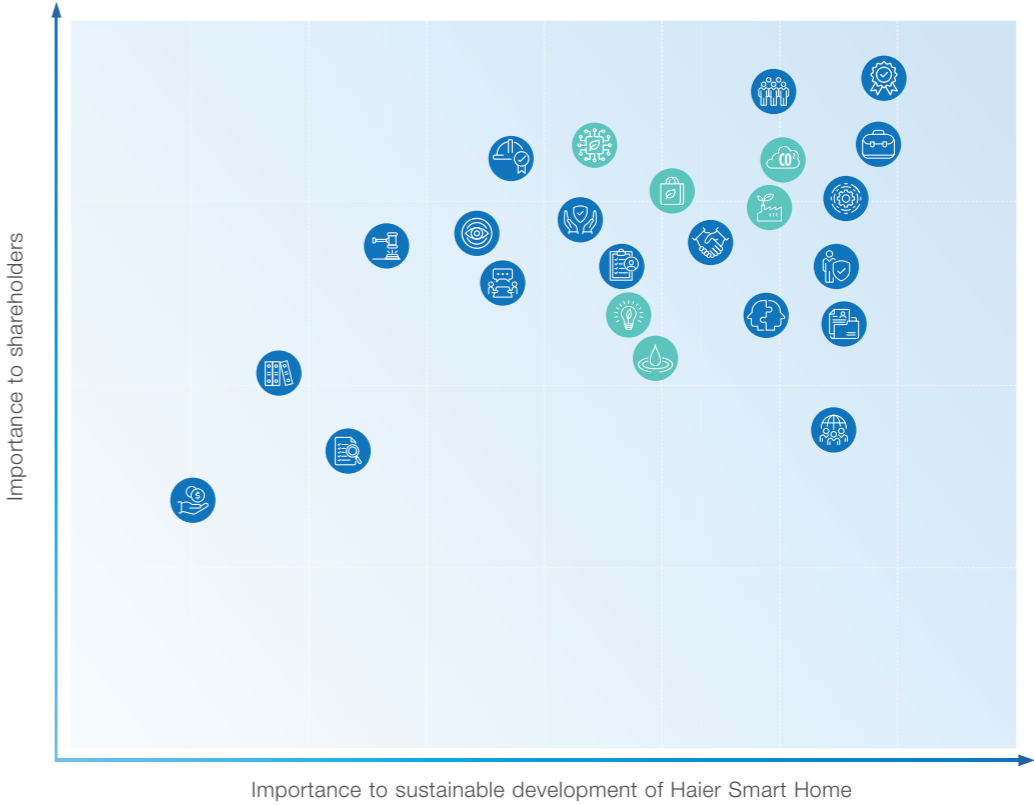
Environment

- Carbon emission
- Water resource utilization
- E-waste
- Climate changes
- Use of energy
- Green product

Society

- Employees' rights and interests
- Product quality and safety
- Health and safety of employees
- Customer complaint
- Diversity and equal opportunities
- Product innovation
- Social responsibility management of supply chain
- Anti-corruption
- Talent attraction
- Information security and privacy protection
- Labor standards
- Conflict minerals
- Employee training and development
- Intellectual property management
- high-quality service
- Community investment
- Corporate governance
- Advertising compliance

Combating Climate Change to a Zero-carbon Future

- Our goals
- Our actions
- Climate-related financial information disclosure
- Our future planning

Combating Climate Change to a Zero-carbon Future

Responding to climate change and accelerating the transformation to a low-carbon economy has become a common goal for the State and enterprises. In 2020, President Xi Jinping proposed national goal of contributing to emission reduction with "2030 peak carbon dioxide emissions and 2060 carbon neutrality". Meanwhile, the European Union has agreed on a higher "2030 emissions reduction target", which aims to achieve "carbon neutrality" by 2050. As a leading global home appliance company, Haier Smart Home has taken the lead in responding to the national "double carbon" strategy and formulated a carbon reduction strategy. We focused on the whole life cycle of product and strived to lead the industry towards a greener, win-win and sustainable "zero carbon" future.

Our goals

To support the achievement of the "double carbon" target, Haier Smart Home has established an internal carbon target management system covering the entire industry chain.

Environmental targets in domestic manufacturing process[1]

With 2021 as the base year, we will strive to reduce greenhouse gas emissions (Scope I and Scope II) per 10,000 yuan of output by **3%** in 2022, while maintaining an increase in output value;

With 2021 as the base year, we will strive to reduce energy consumption per 10,000 yuan of output by **3%** in 2022, while maintaining an increase in output value;

With 2021 as the base year, we will strive to reduce water consumption per 10,000 yuan of output by **3%** in 2022, while maintaining an increase in output value;

With 2021 as the base year, we will strive to reduce the amount of non-hazardous waste disposal per unit of product by **3%** in 2022;

With 2021 as the base year, we will strive to reduce hazardous waste disposal per 10,000 yuan of output by **3%** in 2022 while maintaining an increase in output value, and dispose of all hazardous waste in a **100%** compliant manner.

In 2021, FPA actively responded to the Company's carbon reduction strategy and promised that they would complete 2020 greenhouse gas emissions baseline review within Scope I, Scope II and Scope III, finish 14 product lifecycle carbon analyses, explore and disclose pathway to "zero" carbon goals based on science in 2022. At the same time, CANDY has set the following environmental targets to reduce the carbon emissions of its products:

- By 2023, 100% factories will pass ISO 50001 certification;
- By 2022, 100% factories will pass ISO 14001 certification;
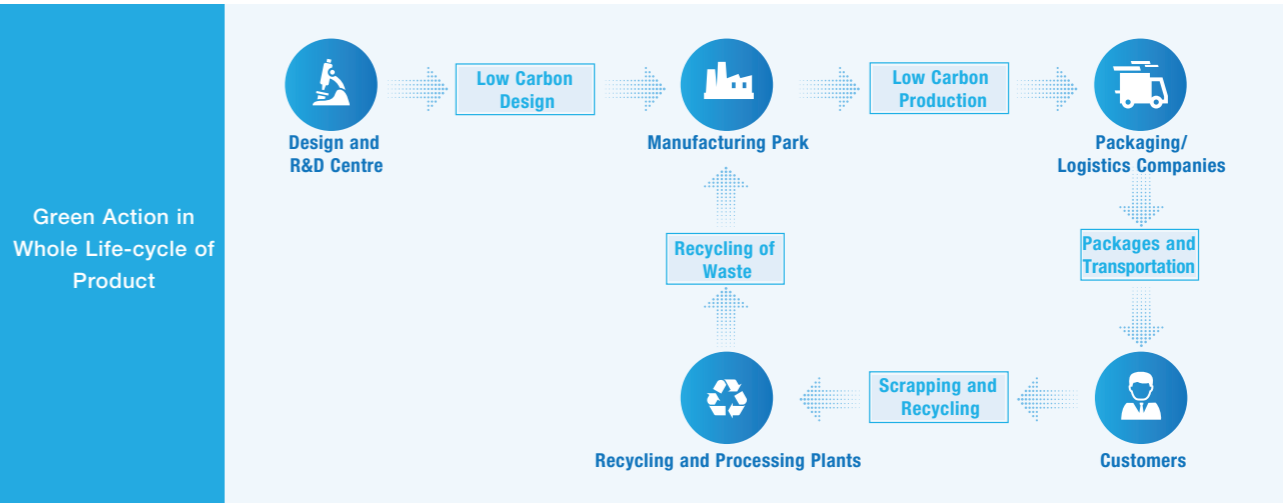- By 2025, waste recycling rate will reach 96%.

In 2021, CANDY has been making efforts in the kitchen appliance, washing machine, refrigerator and other product lines to achieve aforesaid goals, which has made great effect in relation to energy saving and emission reduction, with average electricity savings of 826 kWh, 88 kWh and 272.9 kWh per product respectively.

[1] In the future, we may make appropriate adjustments to the environmental targets of the domestic manufacturing segment in response to changes in output value.

Our actions

We actively cooperated with enterprises of upstream and downstream in industrial chain, from raw material manufacturers to logistics enterprises, from consumers to recycling and dismantling factories, to achieve carbon reduction throughout the product life cycle.

Carbon emission reduction in research and development
We estimate the carbon emission of product life cycle, improve product energy efficiency through process innovation and the application of low-carbon technologies, and design our products and manufacturing processes with the aim of reducing carbon emissions.

Carbon emission reduction in raw materials
We prioritise the use of low-carbon, renewable and recyclable materials in the manufacture of our products and components, and continuously increase the proportion and efficiency of use of eco-friendly raw materials.

Carbon emission reduction in production
We continuously improve our environmental management system and reduce emissions of waste water, waste gas, hazardous waste and non-hazardous waste by specifying pollutant control and treatment procedures and implementing technical transformation for waste reduction projects. At the same time, we have established a data analysis system for energy to reduce energy consumption and improve energy efficiency in our operations and supply chain by optimising resource allocation, implementing technology improvement projects and increasing the use of renewable energy.

Carbon emission reduction in packages and transportation
We pursue a strategy of local sourcing, production and sales to optimise and reduce packaging materials and reduce waste generation and carbon emission in the transportation of products.

Carbon emission reduction in product recycling
We actively develop the circular economy industry, focus on four major sectors including the recycling system of used and waste household appliances, dismantling factories, reuse system and data platform, to realize the recycling and utilization of waste products.

Other carbon emission reduction actions
We implement green office, promote the conservation of water, electricity, paper and other resources by our staff. We have actively built a service system for energy saving and carbon reduction, and explore integrated solutions for energy use.

Green Action in Whole Life-cycle of Product

Design and R&D Centre → Low Carbon Design → Manufacturing Park → Low Carbon Production → Packaging/Logistics Companies → Packages and Transportation → Customers → Scrapping and Recycling → Recycling and Processing Plants → Recycling of Waste

Carbon emission reduction in research and development

In 2021, we focused on improving the energy efficiency of products and carried out research and development work on low-carbon design around process innovation and the application of low-carbon technologies. The first seven models of Haier Smart Home refrigerators and eight models of freezers were certified as green low-carbon appliances.

- Inverter water heater with solar and air energy: It is equipped with frequency conversion control based on environmental factors, solar and air energy can work at the same time with saving over 80% of product energy efficiency;

- Dual-inverter refrigerator: It is equipped with flexible dual frequency conversion technology, which automatically adjusts the work efficiency and consumes only 0.82 kWh of electricity per day;

- Storage water heater that can measure voltage peaks and valleys for heating: It is able to detect and measure voltage peaks to heat quickly at high voltages and to reduce the load on the grid. This technology avoids energy wastage due to frequent and repetitive heating;

- DC fan control device: This type of gas heating water heater keeps the air-fuel ratio within a reasonable range when in use, avoiding excessive CO (carbon monoxide) emissions, improving efficiency for heat exchanging with combustion and reducing energy consumption;

- Solar water heater with integrated heat collection and heating technology: It enables heating and storage to be carried out at the same time, directly heating the water in the collector tube and eliminating the intermediate heat transfer, effectively increasing the efficiency of solar heating and reducing energy consumption.

Carbon emission reduction in raw materials

We have shifted towards low-carbon renewable materials and recyclable materials, and continue to increase the proportion and efficiency of these materials.

In areas such as the USA and New Zealand, we are progressively using fibres and biodegradable biomaterials instead of foam to reduce our environmental impact. In 2021, GEA reduced its CO_2 emissions by 700,000 metric tons though changing the refrigerant.

Case: FPA developed sustainable materials selection guidelines

In New Zealand, FPA has developed sustainable materials selection guidelines, with the aim of guiding designers to choose more sustainable materials for their products. We use Life Cycle Assessment (LCA) software to assess and reduce the impact of products and packaging materials on the environment.

Case: Haier Water Purifier is made from recyclable materials

In 2021, Haier Smart Home's water purifier machines are made of recyclable ABS (Acrylonitrile Butadiene Styrene plastic, which refers to terpolymer of acrylonitrile, butadiene and styrene monomers) for the machine casing and recyclable PP (Polypropylene) for the filter casing. The commercial RO (Reverse osmosis) membrane modules (e.g. specification 2540) are also made of recyclable materials. All components meet the requirements of RoHS certification standard requirements.

Carbon emission reduction in production

In the product manufacturing stage, we review best practices in environmental management in the Company's operating locations in China, Europe, Southeast Asia and the United States, and promote such practices globally to create a green manufacturing system. We build green factories and reduce carbon emissions during product production by strengthening waste emission and disposal control, improving resource use efficiency, and enhancing renewable energy use. In 2021, Haier Smart Home's all factories in China passed ISO14001 certification.

Enhanced Emissions Management

Haier Smart Home carry out emission management in strict accordance with the requirements of the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on Prevention and Control of Air pollution*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Waste*, and the relevant laws and regulations of other places of operation around the world, and conducted the supervision and inspection of such compliance.

We have formulated internal management practices and standards such as pollutant control procedures and hazardous waste management procedures, and set up an emission monitoring system and treatment facilities to reduce emissions and waste while ensuring that all pollutants discharged by the Company conform to the environmental standards of the places where the Company operates.

- **Sewage:** A standardized discharge sewage outlet has been established through which sewage collected and processed will be released after it complies with the discharge standards. In addition, we have installed an on-line sewage monitoring system whose data can be transferred to Haier Smart Home Energy Center, monitoring the 24-hour discharge of sewage released and giving real-time early warning.

- **Waste Gas:** VOC (Volatile organic compounds) waste gas treatment facilities have been installed. The Company strengthens the operation and management of the facilities to ensure the efficient operation of the pollution prevention and control facilities. It engages a third party every year to test the exhaust gas and carried out weekly air duct cleaning and patrol inspections to ensure the normal operation of the exhaust facilities, and an online monitoring project has been built and implemented.

- **Hazardous waste:** The entire process of hazardous waste generation, storage and transfer is managed. While the front-end control of hazardous waste generation is strengthened, a hazardous waste storage and transportation process is set up, and hazardous waste storage warehouses are built in each park. Hazardous waste is handed over to third-party companies qualified for hazardous disposal to ensure compliant disposal.

- **Non-hazardous waste:** The whole-process waste management operation model has been established to reduce resource procurement and increase waste recycling rate by quality assurance mechanism, technical transformation for waste reduction driven by the reverse, value added reuse and other projects.

In 2021, Haier Smart Home implemented a total of 318 technology improvement projects such as defective product improvement and packaging reuse, realising a value-added waste reduction of RMB130 million. In addition, we implemented 40 projects to reduce hazardous waste. GEA recycled 134 million pounds of materials, including metals, cardboard, wood and plastics.

- **Technical transformation project of pre-process for fixed-size material:** To address the problems of low cutting rate of some rolls, oversized trim and low material utilization rate, the purchasing department and other departments required the supply of fixed-size material according to the actual production requirements of the factory, so as to reduce material waste, improve material utilization rate and reduce waste production;

- **Internal supply packaging reuse project:** Recycle and sort easily damaged internal packaging (such as cartons, pallets, blisters, etc.), and recycle reusable packaging for reuse to achieve cost and waste reduction;

- **Shredding and reuse project for injection moulding scraps:** The already generated and unqualified injection moulding scraps are shredded and reused in the production of interior products.
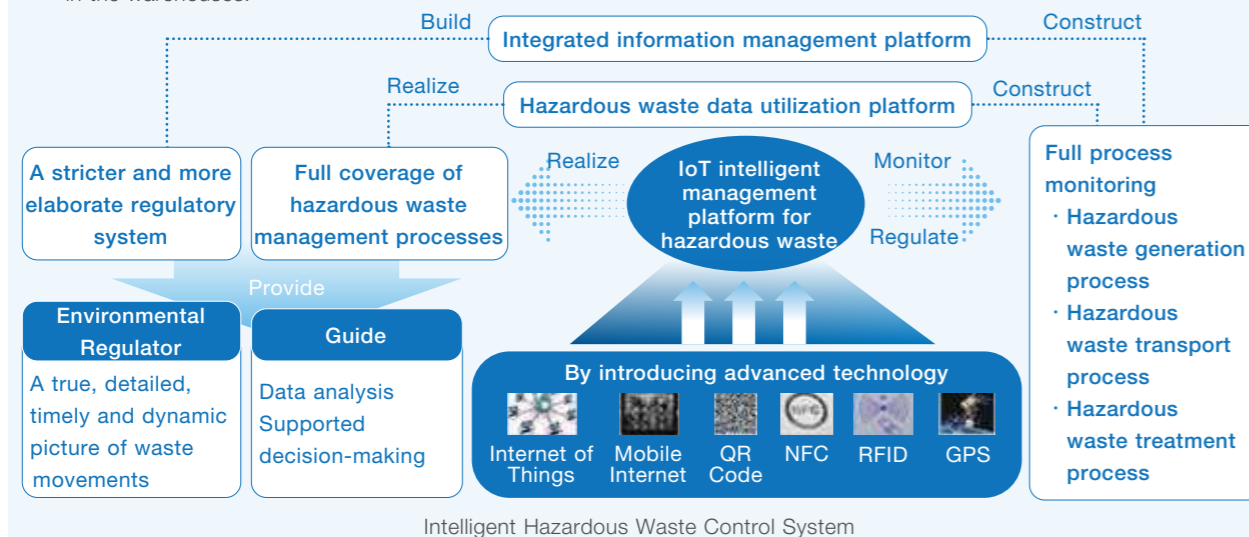
Injection moulding scraps shredding and reuse project

Case: A new green label for intelligent hazardous waste warehouse built by Haier Sino-German Refrigerator Interconnection Factory

In order to solve the issue of difficult monitoring, control and traceability of hazardous waste warehouses, the Haier Sino-German Refrigerator Interconnection Factory makes use of Internet of Things technology, wireless communication and other technologies to standardise the management of hazardous waste generation, entry and exit, and storage, and through dynamic data analysis to improve the management efficiency of the hazardous waste in the warehouses.

Build — Integrated information management platform — Construct

Realize — Hazardous waste data utilization platform — Construct

A stricter and more elaborate regulatory system

Full coverage of hazardous waste management processes

Realize — IoT intelligent management platform for hazardous waste — Monitor

Regulate

Full process monitoring
- Hazardous waste generation process
- Hazardous waste transport process
- Hazardous waste treatment process

Provide

Environmental Regulator
A true, detailed, timely and dynamic picture of waste movements

Guide
Data analysis Supported decision-making

By introducing advanced technology

Internet of Things | Mobile Internet | QR Code | NFC | RFID | GPS

Intelligent Hazardous Waste Control System

Haier Smart Home's emissions from manufacturing and operations in 2021 are as follows:

Indicator[1,2]	Data in 2021
Total wastewater discharge (ton)[3]	2,626,528.00
Total hazardous waste discharge (ton)	1,909.69
Hazardous waste emissions per 10,000 yuan output (kg/10,000 yuan)	0.087
Total non-hazardous waste treated (ton)	152,052.55
Non-hazardous waste treated by a single product (kg/product)	0.54
Total greenhouse gas emissions[4,5] (tons of carbon dioxide equivalent)	336,377.71
Scope I greenhouse gases[6] (tons of carbon dioxide equivalent)	50,766.18
Scope II greenhouse gases[6] (tons of carbon dioxide equivalent)	285,611.53
Greenhouse gas emissions per 10,000 yuan output (kg of carbon dioxide equivalent/10,000 yuan)	15.29

Notes:

1. The data includes Haier Smart Home's domestic plants put into operation in 2021, overseas plants in India, Pakistan and Europe put into operation in 2021 for the first time, and excludes plants not put into operation. In the future, we will continue to strengthen our statistical capacity and expand the scope of disclosure in due course;
2. In order to unify Haier Smart Home's environmental index density values, we have changed the density values of hazardous waste emissions and greenhouse gas emissions per unit in this report to the density values of output value of 10,000 yuan;
3. Wastewater mainly includes wastewater from all plants and domestic sewage;
4. Based on the business nature of Haier Smart Home, the principal gas emissions are greenhouse gas emissions from the utilization of fossil fuels and electricity and steam converted from fossil fuels;

5. The Company's greenhouse gas list includes carbon dioxide, methane and nitrous oxide, mainly from externally purchased electricity, steam and fuel. Greenhouse gases are presented as carbon dioxide equivalent and calculated according to the carbon accounting coefficient of the National Development and Reform Commission and The IFI Dataset of Default Grid Factors v.3.1 issued by International Financial Institutions;
6. Scope I greenhouse gases are greenhouse gas emissions directly generated from natural gas and liquefied petroleum gas consumed by the Company. Scope II greenhouse gases are greenhouse gas emissions from externally purchased electricity and steam consumption.

Resource conservation

We abode by the *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations of the places in the world where we operate, developed the *Energy Management Handbook* and centrally managed factory's main resource consumption using automation and information technology. In 2021, Haier Smart Home completed 109 energy saving and emission reduction projects.

In 2021, Haier Smart Home actively launched the construction of distributed renewable energy systems to increase the use of solar energy and other renewable energy sources. In particular, the newly installed photovoltaic capacity has reached 15.96 MW for Haier Park in Huangdao Development District, with an annual power generation of around 14 million kWh; the installed photovoltaic capacity of the Integrated Photovoltaic Storage Project has reached 0.60 MW in Sino-German Industrial Park, and the installed photovoltaic capacity of the Integrated Photovoltaic Storage Project reached 1.24 MW in Jiaozhou Industrial Park. The 16 million kWh of green electricity with green certificates has been bought from November 2021 to 2022. Overseas operating plants purchased green power amounting to 396,408.70 kWh.

The Company's use of resources in the manufacturing process in 2021 is as follows:

Indicator[1,2]	Data in 2021
Total comprehensive energy consumption[3] (mWh)	1,178,666.98
Direct energy consumption (mWh)	310,501.37
Indirect energy consumption[3] (mWh)	868,165.62
Comprehensive energy consumption per 10,000 yuan output (kWh/10,000 yuan)	53.58
Total water consumption (ton)	6,700,368.43
Water consumption per 10,000 yuan output (ton/10,000 yuan)	0.305
Total package consumption (ton)	686,946.70
Package consumption per 10,000 yuan output (ton/10,000 yuan)	0.03

Notes:

1. The data includes Haier Smart Home's domestic and overseas plants put into operation in 2021, overseas plants in India, Pakistan and Europe put into operation in 2021 for the first time, and excludes plants not put into operation. In the future, we will continue to strengthen our statistical capacity and expand the scope of disclosure;

2. In order to unify Haier Smart Home's environmental index density values, we have changed the density values per product of comprehensive energy consumption, water consumption and package consumption in this report to the density values of output of 10,000 yuan.

3. The comprehensive energy consumption is calculated according to the consumption of electricity, steam and natural gas and the conversion factor in China's national standard – the *General Rules for Calculation of Comprehensive Energy Consumption* (GB/T 2589-2020).

4. All the Company's water consumption comes from municipal water use, and there is no problem in finding water sources.

Carbon emission reduction in packages and transportation

During the product transportation, Haier Smart Home actively implemented a strategy of local sourcing, production and sales, giving priority to local suppliers. In overseas countries, we insist on a "three-in-one" local strategy of design, production and sales, reducing carbon emissions in the packaging and transportation process. In 2021, 87% products sourcing expenditure of Haier Smart Home were related to local suppliers.

At the same time, we continue to optimise environmentally friendly materials and packaging solutions, and actively promote the reuse of eligible packaging (such as paper packaging and trays) by external suppliers to reduce waste generation, covering four major product lines of domestic refrigerator, air-conditioning, laundry and electric kitchen.

- **Reduction of the use of non-environmentally friendly packaging materials:** In 2021, Haier Smart Home uses reusable film materials, which can reduce the use of EPS (Expanded Polystyrene) by 32% and carton material by 83%;

- **Packaging recycling:** By 2021, more than 80% of GEA's product packaging materials will be recyclable;

- **Reduction of carbon emissions during transportation:** The weight of the entire package of the Smart washing machine reduced by 369g and the weight of the entire package of the Casarte dryer reduced by 338g, effectively reducing the carbon emission during transportation.

Carbon emission reduction in product recycling

In July 2021, the National Development and Reform Commission (NDRC), in conjunction with the Ministry of Industry and Information Technology (MIIT) and the Ministry of Ecology and Environment (MEE), issued the *Circular on Encouraging Home Appliance Manufacturers to Carry out Actions for the Recycling Target under Accountability System*, encouraging home appliance manufacturers to carry out actions for the recycling target under accountability system.

In 2021, Haier Smart Home has carried out pilot recycling work in Shandong and Xuzhou, established a dismantling plant in Laixi City, and intended to build a leading recycling industry system in China within 1-3 years to achieve an annual dismantling scale of 20 million units and reduce carbon emissions by 170,000 tons.

Recycling system

Haier Smart Home built a recycling system through online and offline integration and used the identification analysis technology to ensure the traceability of the whole recycling process.

Reuse system

Haier Smart Home has built a recycling materials research institute, focusing on carbon detection, carbon certification and typical modular processing technology, and actively participated in the formulation of many standards such as the *Code for Identification and Coding of Waste Electrical and Electronic Products*, the *Code for Use of Recycled Plastics for Electrical and Electronic Products*.

Recycling interconnection factory

In May 2021, Haier Smart Home built the first "lighthouse factory" in the dismantling industry. After being put into operation, the factory could dismantle 2 million sets of waste home appliances every year, modify and granulate 30,000 tons and realize the green closed loop of product design, manufacturing, dismantling and reuse. In addition, the Oranke factory of FPA had established perfect product recycling facilities and had been in operation for more than 15 years.


Other carbon emission reduction actions

Green office

Haier Smart Home advocated and promoted green office initiatives and encouraged employees to actively implement resource conservation.

- The mode of remote communication and online meeting was advocated to further promote paperless office;

- Traditional lamps were replaced with energy-saving lamps in the office premises, manual faucets were replaced with inductive faucets;

- Paper was purchased centrally and waste paper recycling bins were set up to improve the use efficiency;

- Employees were advocated to use public transportation to reduce traffic carbon emissions.
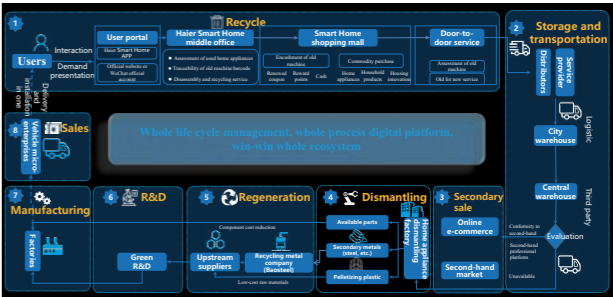
Carbon asset platform

Haier Smart Home planned to build a green low-carbon development system with energy saving and sustainable development as the core, and complete the transformation from energy flow management to carbon emission management. In 2021, the Company hatched a carbon asset management service scenario and iterated on integrated energy solutions such as smart energy, energy saving and emission reduction.

- Real dynamic monitoring and flat management for water, electricity, gas and other major energy consumption were implemented in domestic factories;

- Intelligent control of the whole process in energy conversion, transmission and distribution, and consumption;

- Energy data was automatically and accurately collected, prediction and analysis of energy consumption data were completed, and energy dispatching was optimized.

Climate-related financial information disclosure

Haier Smart Home always attached great importance to the impact of climate change on the Company's operation. The Company referred to the initiative framework of the Task Force on Climate-Related Financial Disclosures (TCFD), actively identified the risks and opportunities of climate change, and took effective countermeasures. At present, the Company has submitted an application to the TCFD organization and is interested in becoming a supporter of the initiative.

In 2021, the Company focused on the risk of geological disasters caused by extreme weather, purchased insurance for industries and factories, and carried out the investigation, early warning, emergency treatment and control of geological disasters in flood season. For example, the industries operated by the Company in Henan Province had no flood loss in the once-in-a-century flood.

Risk			Countermeasures
Physical risks	Acute risks: Typhoon, rainstorm and other extreme weathers	Plants, office buildings and equipment could be damaged, resulting in loss of assets; Stable production could be affected by equipment damage, staff being unable to work normally, transportation interruption, etc.	Emergency response plans for natural disasters were developed, and the emergency response mechanism for natural disasters was constantly improved; Likely asset damages were identified, and necessary insurances were purchased therefor.
	Chronic risks: Prolonged high temperature, drought, etc.	Rising temperature could result in the Company's need for more refrigerators, which would increase operating costs; Employees might not be able to work outdoors for a long time during hot seasons, affecting operational efficiency; Prolonged drought might lead to insufficient water supply and affect operational stability.	Refrigerators with higher energy efficiency were developed and applied; Production was planned scientifically and production organization was arranged carefully to improve operational efficiency; Plants were not built in areas with high risk of water supply, and water conservation was continued.
Transition risks	Policy and legal risks	The government could introduce stricter policies and regulations to mitigate climate change, which would increase business compliance activities and lead to an increase in related lawsuits or claims; Carbon pricing mechanism is implemented in China's emission trading market, which brings up operating costs.	The changes of environmental laws, regulations and policies were closely monitored and responded to in a timely manner; Active efforts were made in energy saving and emission reduction to increase the proportion of clean energy.
	Technology risks	The investment in low-carbon technology R&D could fail; There could be failure to identify and apply low-carbon technology in time, resulting in low-carbon transformation of products lagging behind the industry.	The Company's R&D capability was enhanced through measures such as talent training and retention; The application of low-carbon technology was continuously studied to actively carry out industry cooperation.

Risk		Countermeasures
Market risk	There could be failure to effectively meet consumers' demand for green and low-carbon products; Raw materials and energy costs could rise.	Green and low-carbon products were actively developed to satisfy the needs of consumers; Resource conservation was advanced; A smart energy cloud platform was built, and price forecasting and energy monitoring and analysis were performed to enhance the energy management capacity.
Reputation risks	The performance in climate change response and sustainability could be poor, which would lead to negative feedback from stakeholders.	The Company's sustainability was enhanced, and actively responses to climate change were made; The transparency of relevant management was enhanced, and the concerns of stakeholders were addressed.

Opportunities		Countermeasures
Resource efficiency	More energy-efficient equipment, buildings and technologies;	The Company actively explored the application of new technologies, new equipment and new processes to raise the efficiency of resource utilization and lower energy costs; Source cost; The Company identified and responded to government supportive policies and green projects; The Company strengthened R&D of low-carbon technologies and raised the proportion of green and low-carbon products; The Company identified and participated in emerging markets; The Company promoted the development and utilization of renewable energy.
	Supportive policy incentives.	
Product & Services	R&D of green and low-carbon products;	
	The industry's solutions to climate change.	
Market	The change of users' preferences to expand the green market demand;	
	Increasing demand for integrated energy services;	
	Emerging market access.	
Resilience	Energy substitution and diversified solutions;	
	Participation in renewable energy projects.	

Our future planning

Haier Smart Home will continue to take action to reduce carbon, carry out low-carbon research and exploration work while promoting carbon verification projects, develop short, medium and long term carbon reduction action road maps, improve the proportion of renewable energy use, accelerate the process improvement of each production and manufacturing process, effectively reduce waste generation, and further improve the construction of recycling system of recycling, dismantling, reuse.

Safeguarding the rights and interests of employees and creating shared value

- Our goals
- Our actions
- Our future planning

Safeguarding the rights and interests of employees and creating shared value

The Company always adheres "prioritizing people's value", and is committed to establishing a diverse, equal, harmonious and developmental work atmosphere, effectively protecting employees' legal rights and interests, paying attention to the training and development of employees, continuously improving employee satisfaction, in order to share development with employees and create a better future.

Our goals

Goals for the next 1-3 years

➤ Empower employees to develop rapidly by flexible and diversified incentive mechanisms;

➤ Give precise care to enhance employees' happiness and sense of accomplishment at work and be committed to achieving 100% response rate of employee complaints and 100% employee satisfaction;

➤ Make effort to achieve "zero" safety incident and ensure the health and safety of employees.
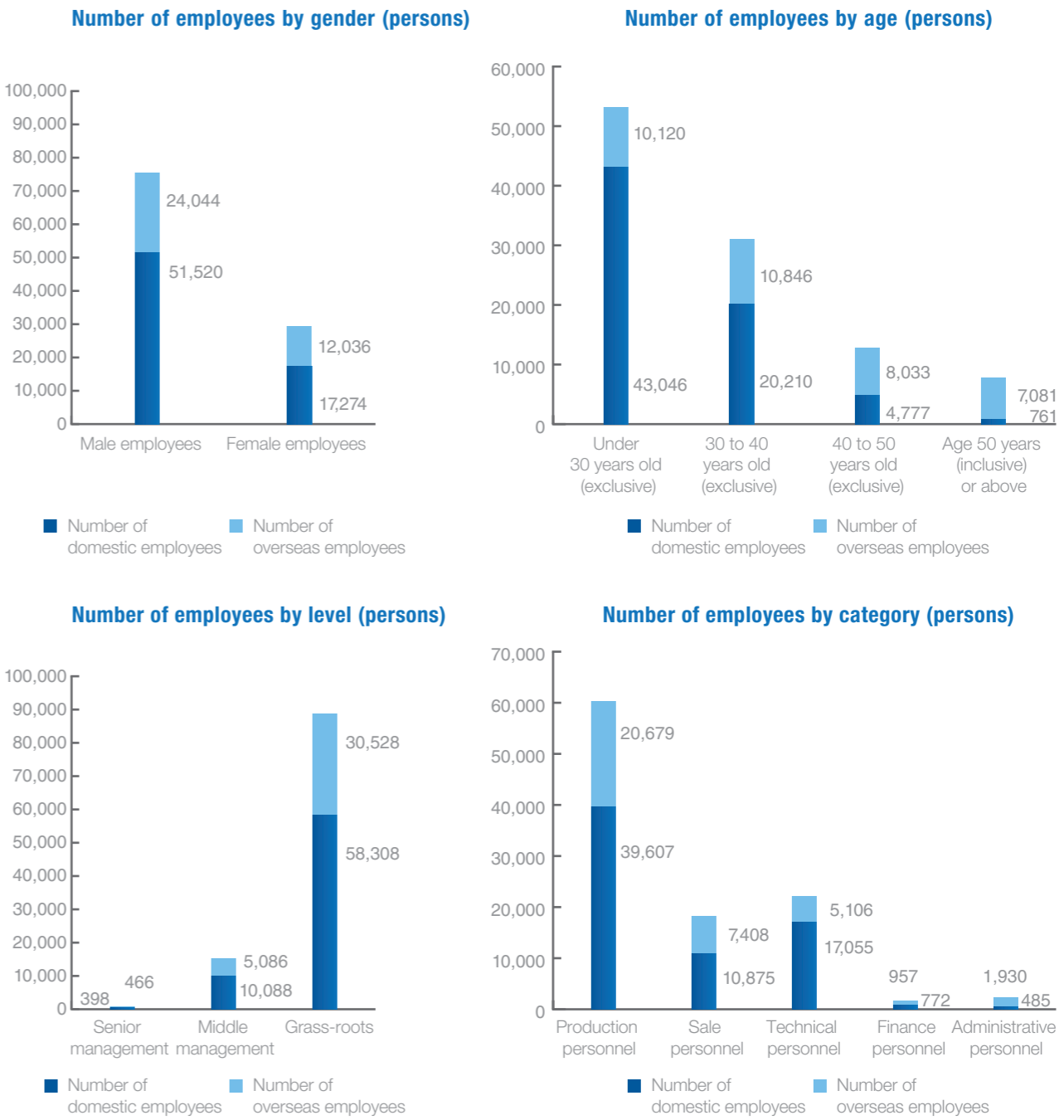
Our actions

Haier Smart Home had been adhering to the management model of "RenDanHeYi", establishing a global human resource management platform, and striving to provide more resources and opportunities for employees' growth. Focusing on five aspects, the Company actively carried out actions.

Created a diverse and inclusive workforce
The Company listed "team diversity" as one of the global strategies, recruited diverse talents through multiple channels, and actively helped the development of female employees.

Protected rights and interests of employees
The Company was committed to maintaining a fair, just, equal and harmonious employment relationship, creating a positive working environment for employees, implementing autonomous working hours policy, and effectively protecting legitimate rights and interests of employees by perfecting the management system and clarifying the implementation process.

Promoted employee development
The Company had created diversified talent incentive mechanism such as "RenDanHeYi", set up diversified development channels and a multi-level talent training system, and provided employees with open development opportunities.

Strengthened communication and care for employees
The Company had established trade union organizations at all levels, and carried out employee care and communication such as health care, difficult assistance, education assistance, dynamic outreach activities and democratic communication, to improve employee satisfaction.

Protected employees' health and safety
The Company constantly improved and updated the safety management system, set up a safety management team to conduct safety information development and emergency management, and carried out all-round safety inspection on a regular basis to identify and eliminate potential safety hazards in time. The occupational health management of employees and third-party companies was strengthened, and employees were organized to learn safety culture knowledge and improve their safety defense capabilities.
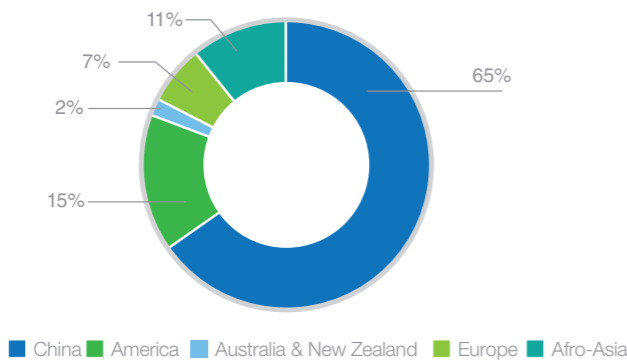
Inclusive pluralism

The Company was committed to creating an inclusive working environment and expected the outstanding innovation brought by the collision and integration of multiple cultures.
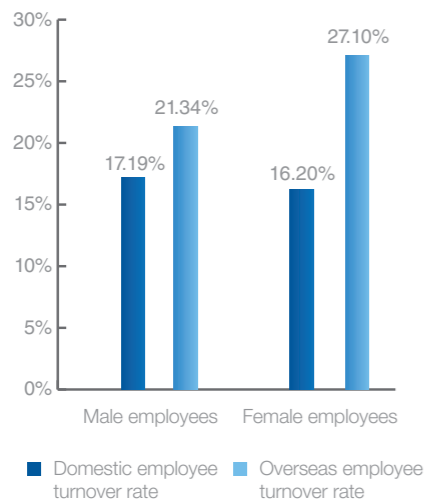
By the end of the reporting period, the Company had 104,874 employees from 50 countries around the world, including 36,080 overseas employees.
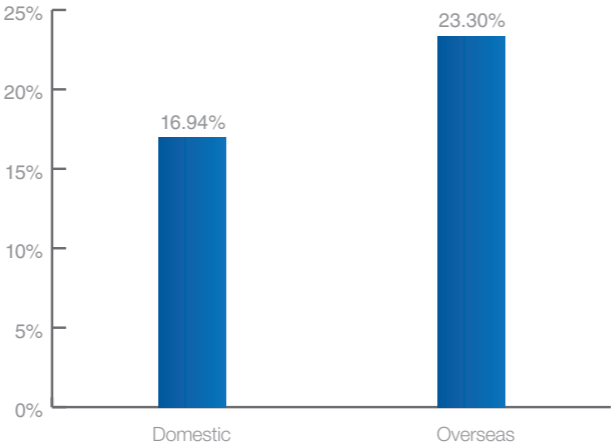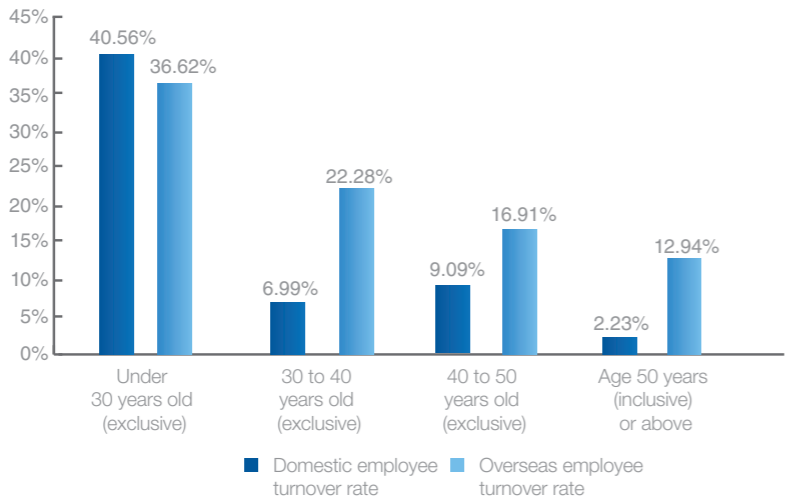
Number of employees by gender (persons)

- Male employees: 51,520 / 24,044
- Female employees: 17,274 / 12,036

■ Number of domestic employees ■ Number of overseas employees

Number of employees by age (persons)

- Under 30 years old (exclusive): 43,046 / 10,120
- 30 to 40 years old (exclusive): 20,210 / 10,846
- 40 to 50 years old (exclusive): 4,777 / 8,033
- Age 50 years (inclusive) or above: 761 / 7,081

■ Number of domestic employees ■ Number of overseas employees

Number of employees by level (persons)

- Senior management: 398 / 466
- Middle management: 10,088 / 5,086
- Grass-roots: 58,308 / 30,528

■ Number of domestic employees ■ Number of overseas employees

Number of employees by category (persons)

- Production personnel: 39,607 / 20,679
- Sale personnel: 10,875 / 7,408
- Technical personnel: 17,055 / 5,106
- Finance personnel: 772 / 957
- Administrative personnel: 485 / 1,930

■ Number of domestic employees ■ Number of overseas employees

Number of employees by region (persons)

- 65% China
- 15% America
- 2% Australia & New Zealand
- 7% Europe
- 11% Afro-Asia

Legend: ■ China ■ America ■ Australia & New Zealand ■ Europe ■ Afro-Asia

Employee turnover rate by gender[1] (%)

- Male employees: 17.19% (Domestic), 21.34% (Overseas)
- Female employees: 16.20% (Domestic), 27.10% (Overseas)

■ Domestic employee turnover rate ■ Overseas employee turnover rate

Employee turnover rate by region (%)

- Domestic: 16.94%
- Overseas: 23.30%

Employee turnover rate by age[1] (%)

- Under 30 years old (exclusive): 40.56% (Domestic), 36.62% (Overseas)
- 30 to 40 years old (exclusive): 6.99% (Domestic), 22.28% (Overseas)
- 40 to 50 years old (exclusive): 9.09% (Domestic), 16.91% (Overseas)
- Age 50 years (inclusive) or above: 2.23% (Domestic), 12.94% (Overseas)

■ Domestic employee turnover rate ■ Overseas employee turnover rate

Note:
[1]. The turnover rate in this report is calculated by the formula: turnover rate = annual turnover/annual average number of employees on board. Among them, 78% of domestic leavers are frontline workers and 74% of overseas leavers are frontline workers.

World-class Inclusiveness

In GEA, employees had spontaneously formed "Affinity Networks" to facilitate the communication and integration between employees from different backgrounds, and any employee could join as a member or ally. "Affinity Networks" provided a safe space for them to share interests, skills, and experience and provided them the opportunities to support key business plans. In 2021, GEA completed the unconscious bias training for all leaders, and increased the number of female employees and colored employees in the management to 31% and 23% respectively.

FPA had formulated the *Diversity, Fairness and Inclusiveness Policy* for all employees, contractors, directors and volunteers, and was committed to creating a fair, just, inclusive and sense of belonging working environment, attracting, retaining and cultivating potential diversified talents, so that all employees around the world could get opportunities for learning and development. Employees were encouraged to give regular feedback on the Company's leadership, culture and experience. At the same time, FPA advocated the participation of customers, suppliers and communities to jointly build diversified communities.

Female Employee Development

For each business project/region all over the world, the Company actively implemented the gender-equal working system and working environment, and improved the mechanism of attracting, developing and retaining female employees. The Company paid attention to the challenges or difficulties that female employees may face in the workplace, and tried its best to provide necessary support, including setting the salary structure of equal pay for equal work, strictly implementing marriage leave, maternity leave, breastfeeding leave, women's day and other holidays and paying corresponding remuneration according to law. In addition, in order to protect rights and interests of female employees, the Company signs *Special Collective Contract for Female Staff* with the Union every three years, and the signing rate of which reaches 100%, and provides special gynecological examination programs for female employees every year, which is well received by female employees.

The rights and interests of employees

Haier Smart Home strictly complied with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, *Provisions on the Prohibition of Using Child Labor* and relevant laws and regulations of the places where its business is present, formulated comprehensive human resources management regulations by reference to relevant conventions of the International Labour Organization, such as the *Forced Labour Convention*, to protect employees' legitimate rights and interests.

Case: Haier Smart Home built loving mothers' hut to care for female employees

In 2021, Haier Smart Home built eight loving mothers' huts to create comfortable, private, hygienic and convenient breastfeeding places for nursing female employees.

Employment management

The Company manages employment and has established employment, promotion and dismissal procedures. We strictly examine the information of recruits, sign the labor contract with employees in full compliance with laws in a voluntary and fair manner, and handle the employee dismissal procedures according to law. In 2021, the signing rate of collective contracts and special collective contracts for safety and health amounted to 100%.

We provide equal opportunity for every employee. In terms of recruitment employment, salary and benefits, career development, and reward and punishment based on objective facts, we do not discriminate or treat employees differently due to their nationality, ethnicity, region, gender, age, physical characteristics, hobbies, religious belief and other reasons, in order to promote equal employment and endeavor to create a fair and diversified working environment. The Company forbids forced labor and child labor and resolutely protects the human rights of workers. In case of similar incidents, we will deal with them in accordance with laws and regulations as well as the Company's regulations, and properly settle the forced workers and child labor. In 2021, no illegal employment incidents occurred in the Company.

In accordance with local laws, regulations and culture, Haier Smart Home provides employees with a fair and competitive compensation, benefits and incentive mechanism to attract and retain outstanding talents.

Positive working environment

We have built a positive working environment for our employees:

- Encourage the building of a diverse staff team and provide a workplace free of discrimination, retaliation, harassment and maltreatment of any kind; Do not tolerate any behavior that is humiliating, intimidating or hostile;

- Create a respectful, positive and healthy working environment free of prejudice and harassment, resolutely oppose sexual harassment or assault in any form and in all interpersonal interactions;

- Encourage employees to take the initiative to report improper behaviors or bad habits in daily work to relevant departments, and continue to provide necessary support and help to employees by the Company.

We establish a sound process system within the Company and also engage external auditors to conduct social responsibility audits covering labor management in all our factories to ensure effective implementation of the Code of Business Conduct.

Working hours management

We have constantly optimized our working hours management regulations and established the autonomous time management policies for chain groups and small and micro businesses[2]. Chain groups and small and micro businesses can independently decide working hours and work attendance checking methods according to international practices, industry characteristics and business scenarios, so as to make employees' working hours more flexible and provide convenience for employees to better balance between work and life.

- Flexible working hours: Four working hours options are available for employees to choose;

- Intelligent clocking in: Employees can clock in by three methods, including clocking in machine and iHaier mobile clocking in;

- Annual leave: Employees may plan their own annual leave, and the leave not taken in the current year could be carried over to the next.

Employee development and training

Adhering to the ideology of "everyone can develop, and everyone deserves attention", Haier pays attention to employees' growth and development. By means of establishing an incentive mechanism, expanding developing platforms and promotion channels, optimising diversified training system and implementing abundant training activities, the Company helps employees to realize their personal value.
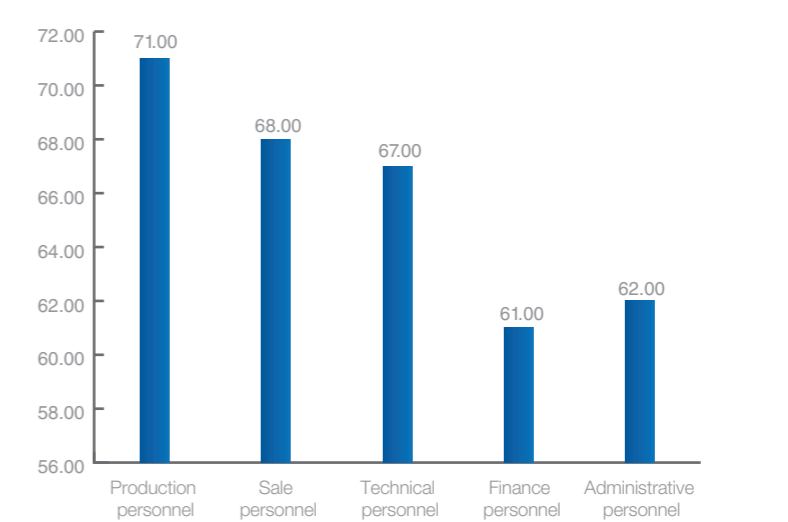
Training hours completed per domestic employee by gender (hours)
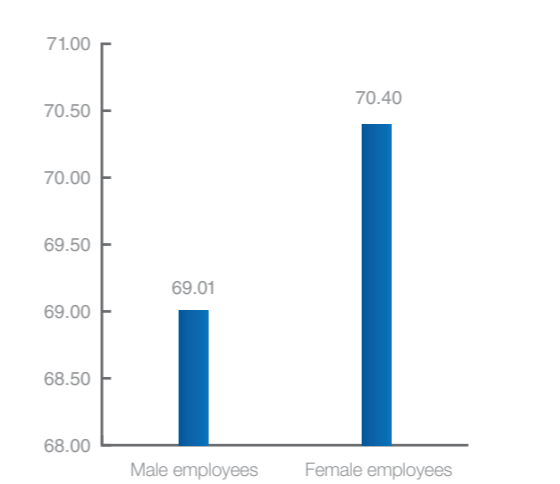
Training hours completed per domestic employee by level (hours)
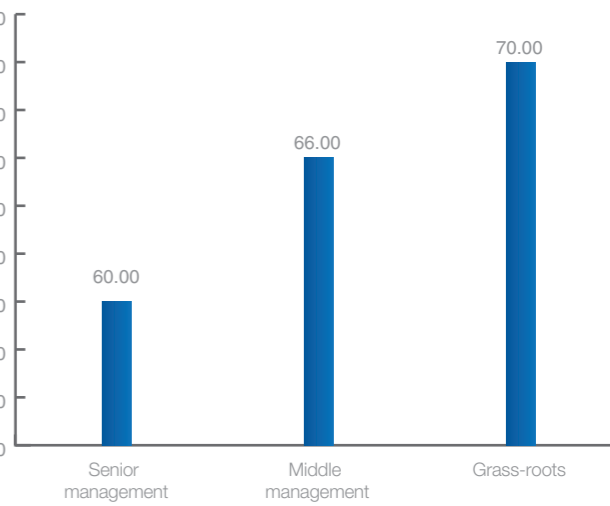
Training hours completed per domestic employee by category (hours)

[2] Both chain groups and small and micro businesses are unit names of the internal and organizational structure of Haier Smart Home.

Establishing talent incentive mechanisms

We create the management mode of "RenDanHeYi". "Ren" refers to employees with entrepreneurial and innovative spirit, and "Dan" refers to the creation of user value. The mode aims at guiding employees to proactively find the fields which can create user value so as to achieve their own business breakthrough and obtain better career development. The management mode of "RenDanHeYi" encourages employees to perform their duties with an entrepreneurial mindset and to realize the self-value that is consistent with the value of the Company and that of shareholders.

The maker partner incentive and constraint mechanism that we establish (hereinafter referred to as "the maker mechanism") is based on the principle of user pay, with a view to achieving risk and return sharing between employees and enterprises.

We continuously build a diversified, multi-dimensional and precise incentive structure. In 2021, we had initiated the "A+H" global Employee Stock Ownership Plan, the H Shares Restricted Share Unit Scheme and the A Shares Equity Incentive Plan for the first time, and firstly included overseas employees into the scope of schemes in order to attract, encourage and stabilize core talents of the Company, with the valid period of the incentive plan not less than five years. Since 2009, the Company had launched a total of five equity incentive plans and six employee stock ownership plans, with their incentive objects covering more than 5,200 middle and senior employees of the Company.

Expanding development channels

Haier Smart Home provided diversified developing channels for employees, taking intelligent manufacturing as an example, to create three types of development models, among which:

- Operation-orientation: career development channel to realize personal value by managing oneself, others, team and business, and continuously expanding business scope and market competitiveness; development channel to start from team leader and develop into small micro-business owner and leader of supply chains;

- Profession-orientation: through the application of professional knowledge and skills to solve professional problems, provide professional solutions, and continuously increase the value output and influence range, thus realizing the career development channel for individuals to develop in a professional depth or multiple and compound professions development; the development channel to start from assistant engineer and develop into senior engineer and expert;

- Professional iteration and leading competition: By grabbing the strategic sample/stubborn subjects, the employees take the professional project as the carrier, innovate and practice, solve the pain point, and overcome the stubborn problem, and through the project PK, the employees get the corresponding honor of the competition channel. The development channel of the competition is from the start of new employees' "Emerging Growth" to the honorary title of "Chief Engineer".

At the same time, we have built a brand strategy for talent development, namely the Wise People Program, and have launched more than 130 development empowerment projects, which includes the Explorer Program, the Climber Program, the Pathfinder Program, and the Leader Program, etc.

Haier Smart Home "Front-runner Programme" Kick-off Meeting

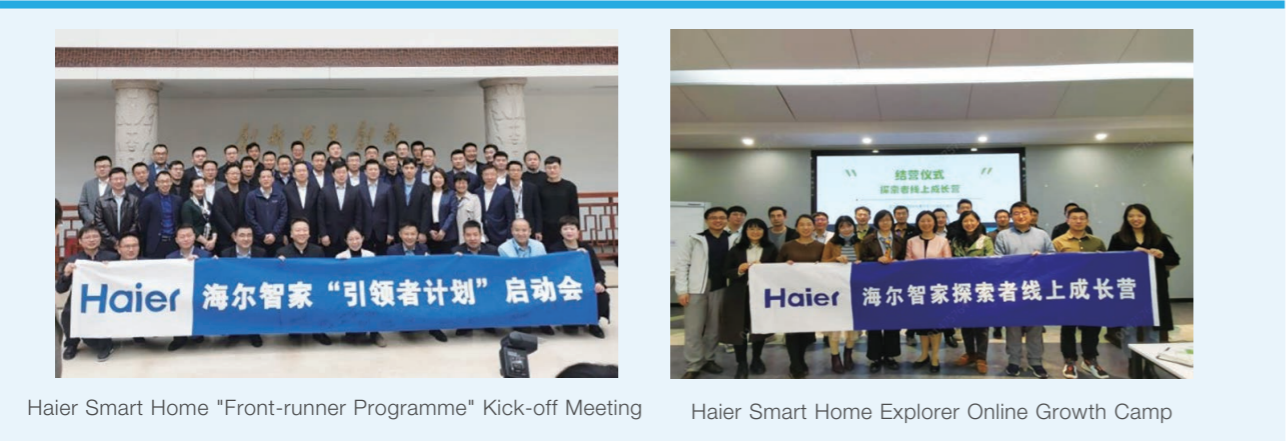Haier Smart Home Explorer Online Growth Camp
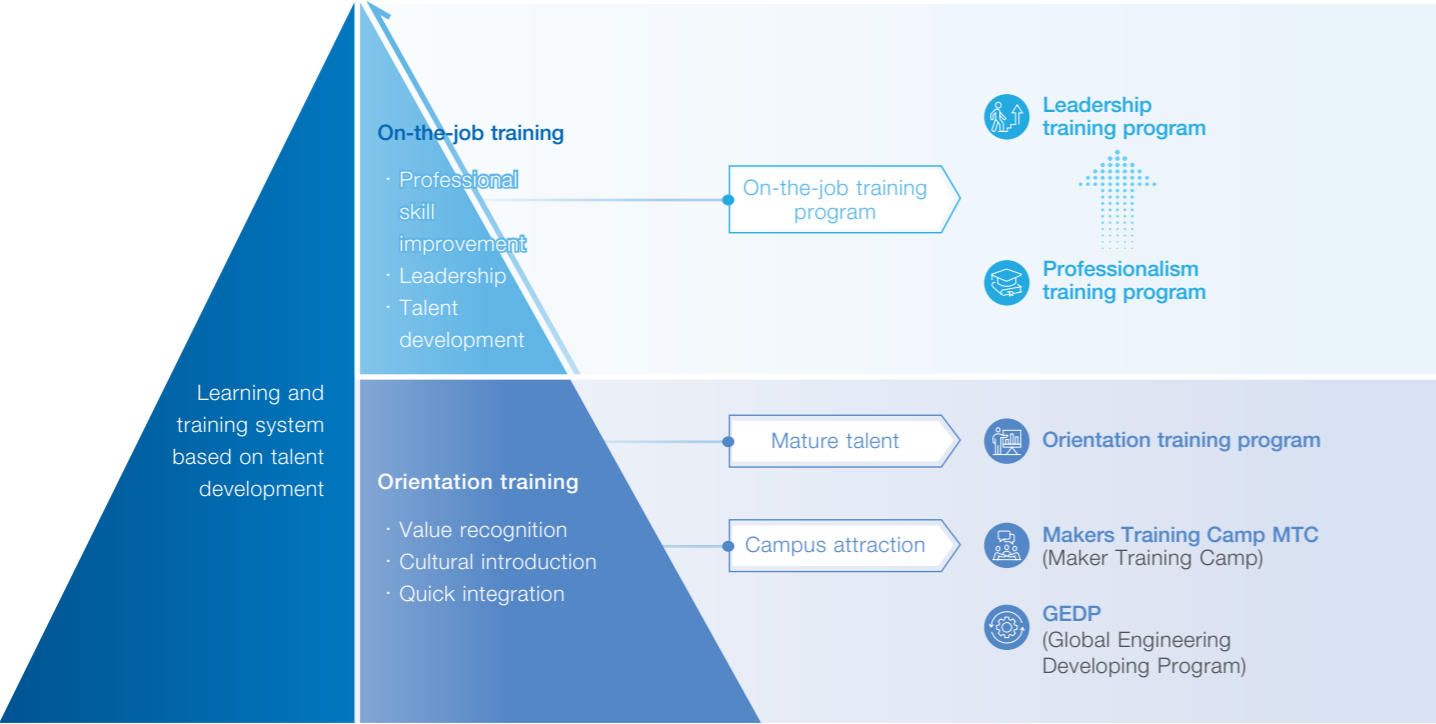
Improving training and development system

We have attached great importance to talent cultivation and set up a hierarchical system for talent training accordingly. An online and offline integrated training program has been formulated for employees with different needs for the purpose of providing abundant learning resources and diversified learning styles, as well as assisting in promoting their professional quality, professional competence and leadership. In 2021, the Company organized a number of trainings with courses covering corporate culture, office management, professional skills and other contents, and adopted live broadcast, offline customization, online learning, community forums and other learning methods to achieve 100% training coverage of all domestic employees and 69.36 hours of training per capita.

- **The Lime Program:** an advance training program designed for potential employees on campus;

- **Maker Training Camp (MTC)**: a program designed for new recruits. The Company adopts the training mode of combining online and offline training and offers such systematic curriculum learning modules as "face-to-face instruction by higher-ups", creative development, tutoring, and experience of the whole value chain to cultivate new recruits from theory to practice, gradually grow and understand themselves, and finally find their value in the Company;

- **Intelligent Manufacturing "Xing":** a program designed for core positions. "36 Model" is used to train staff in different tracks in a diversified manner and 3 main programs, namely "Xing Yao, Xing Can, Xing Huo", are launched. As of the end of 2021, "Xing" series program has trained a total of employees and motivated job rotation for 42 employees;

- **Global Engineering Developing Program (GEDP):** a program designed for excellent engineers who have a global vision and can lead global projects. The Company provides industrial job rotation, English-only professional training courses, and leading technology projects with GEA to its employees. GEDP is currently launched in China, the United States and Mexico simultaneously;

- **Leadership Program:** a series of development programs designed for middle and senior management, develop an O2O blended learning empowerment program.

To facilitate self-directed learning, we create overseas and domestic online learning platform with 24 languages to meet the language needs of employees in overseas regions. In 2021, we have launched tools and courses for basic quality, common ability, professional ability and leadership development of domestic employees.

Staff training scene

On-the-job training

· Professional skill improvement
· Leadership
· Talent development

On-the-job training program

- Leadership training program
- Professionalism training program

Learning and training system based on talent development

Orientation training

· Value recognition
· Cultural introduction
· Quick integration

Mature talent

Campus attraction

- Orientation training program
- Makers Training Camp MTC (Maker Training Camp)
- GEDP (Global Engineering Developing Program)

Case: Innovative new model of "Camp Friendship Club", a creative learning community that empowers employees' diversified development

With the goal of achieving the best experience for its employees, Haier Smart Home has organized creative training activities such as reading corner, interests club, creativity community, fun higher-up talks, English community and maker salon. Such model is conducive to the outstanding employees' retention as well as their career development.

In particular, English community is a meeting place for English enthusiasts of Smart Home and inspire staff to continue their English learning and compete to be international talents.

Case: Haier Smart Home held the third session of Employees Innovation Expert Competition

In November 2021, Haier Smart Home held the third session of Employees Innovation Expert Competition.

Employee caring and communication

Haier Smart Home has set up labour unions at all levels to understand employees' needs and listen to their voices, and make efforts to solve their various problems, so as to improve employees' satisfaction.

Employee benefits

In 2021, the workers congress of the Company discussed and approved the project of *Qingdao Staff Mutual Medical Security Scheme* and the updated project of *Haier Group Caring Support Fund Application Platform*, pursuant to which, we annually insure Qingdao employees who meet the policy requirements to supplement their medical insurance. Up to now, there are 21,882 employees insured with subsidies of RMB656,460 in aggregate provided by labour unions. We liaised with local Qilu Hospital to organize lectures for our employees to spread health knowledge. For employees and their family members with difficulties, we upgraded *Haier Group Caring Support Fund Application Platform* and increased the standard and proportion of assistance. In 2021, we aided four batches of employees with serious illness and in need, with a total of 16 persons and subsidies of RMB663,858.

During the summer and winter vacations, we provided nursery services for 367 employees' children, and 3-4 days off for employees with children in entrance examinations for high school or higher education. The Company sets up gyms and restrooms to provide places for employees to exercise and rest.

Cultural and sport activities

In addition, the Company has established multiple cultural and sports associations related to ball game, board game, dancing, Tai Chi and yoga, and carried out sorts of competitions and activities of photography, calligraphy, painting and others to satisfy employees' intellectual and cultural needs and enhance their vitality and happiness. In 2021, there were 4,450 employee activities organized by labour unions of Haier Smart Home with participation of 233,500 persons.
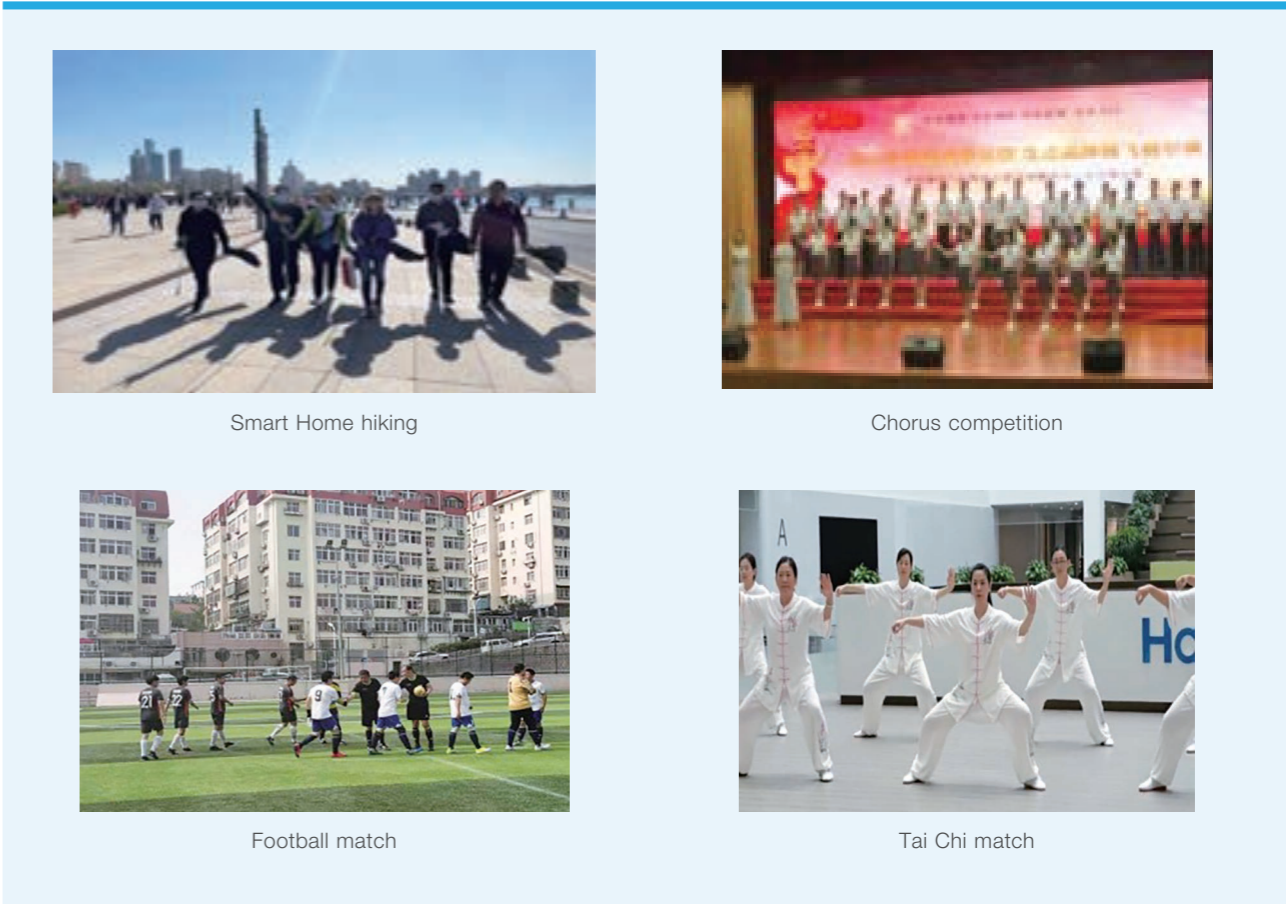
Case: Warmth delivery to remaining employees in the Spring Festival by Haier Smart Home

In the 2021 Spring Festival, Haier Smart Home prepared various condolences to outstanding makers who did not return home to spend the Spring Festival alone in Qingdao. During the period, Badminton Association and Basketball Association also organized various activities for ball enthusiasts, and everyone fully felt the warmth of the Company.

Case: The 11th fun sports games with the theme of "leading new ecosystem" held by the labour union of Haier Smart Home

On October 16, 2021, the labour union of Haier Smart Home organized the 11th fun sports games and set 7 projects at sport meeting, including group rope-jumping, super obstacle course and others, attracting many employees and their families to participate.

Case: Birthday party for refrigerator overseas makers

In May 2021, the overseas labour union of refrigerator division held birthday party for its employees, at which delicious food like cakes and fruits were shared to truly integrate them into the Company as a family.

Smart Home hiking

Chorus competition

Football match

Tai Chi match

Democratic communication

Through communication channels, such as face-to-face communication, WeChat groups, mailboxes, sincere talks, iHaier, "Inner Voice" online feedback system and activities for reasonable suggestions, we make sure what they concern would be responded to and resolved promptly. In terms of resolving labour disputes and handling employee complaints, the Company would communicate and coordinate at the earliest opportunity, with a 100% resolution rate of employee complaints.

At the same time, the Company gave full play to its role in democratic decision making, democratic administration and democratic supervision, organized employee representatives to attend the workers congress of Haier Group and Haier Smart Home. For material employee policies and suggestions on corporate development, we would discuss and approval at the Annual Workers Congress. Through "Yuntu", "Guanhai Media", "Information Sharing Platform" and "Strategy Express", we can deliver first-hand information of corporate strategies, industry trends and others to employees, so as to develop their understanding of our corporate culture.

Staff dedication satisfaction survey

Haier Smart Home conducts a survey on staff dedication satisfaction every two years. In 2021, the Company carried out a research on 16 dimensions, including remuneration, development and performance in the form of online survey + offline interviews. According to the results of such survey, we own a relatively stable team. All employees gave a greater appreciation of all works of the Company, especially the highest praise to corporate image and competitiveness, quality and competitiveness, and training.

Health and safety of employees

Haier Smart Home focuses on employee occupational health, practically protects employees' occupational health and safety. From 2019 to 2022, Haier Smart Home did not record any deaths of employees due to work injury. It has 2,951 lost workdays due to work injury in the current year.

Construction of safety management system

We strictly complied with the *Work Safety Law of the People's Republic of China*, the *Fire Prevention Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Treatment of Occupational Diseases* and laws and regulations of the places where its business is present, formulating and implementing the safety management regulations including the *Labor Safety and Health Management*, the *Equipment Safety Management* and the *Safety Accidents and Cases Evaluation and Accountability Management*, for implementation of comprehensive safety management, protection of employees' occupational health and safety and prevention of occupational diseases and hazards.

Haier Smart Home has established Safety Committee and performed safety responsibility gridding system based on the HSE&6S[3] cloud platform, the big data platform of firefighting Internet of Things, the IPM equipment intelligent management system and other platforms to implement a safety responsibility grid system to ensure that the implementation of safety responsibilities to achieve "horizontal plot area vertical business positions" full coverage. We would regularly arrange for the safety officers at all levels and employees of all factories to sign safety accountability documents and clarify safety responsibilities.

Safety information construction

In 2021, we developed Dayu-fire prevention IoT system, realizing the data collection, warning, analysis and intelligent control of the fire protection.

Safety production and inspection

The Company carries out safety supervision and inspection by layers and categories, ensures the implementation of safety management measures, and remedies all safety risks and hidden problems. Meanwhile, we give full play to the supervisory role of employees and society and take measures such as the mailbox of production safety supervision, three-level WeChat group network of park/factory/shift, the report telephone, and the report mailbox. Upon receiving safety improvement suggestions or hidden safety hazards reports, we timely organize the remediation to eliminate hidden safety hazards.

Third-parties safety management

We also pay close attention to the safety of stakeholders in the parks. We have formulated management system of "nine must-dos and 18 construction safety controls", in order to define the responsibilities of the construction units, factory's liaison departments and the safety departments. At the same time, we strictly implement the independent safety management of outsourcing entities and suppliers, arrange for domestic joint ventures/leasing entities/outsourcing entities/service providers to sign the *Contract for Independent Safety Management*, and ensure the supply chain staff to implement safety supervision.

Occupational health management

Haier Smart Home distributes *Notice on Workplace Occupational Disease Hazards* to each employee in a position exposed to occupational disease hazards, and implement "pre-job, on-the-job and departure" whole-process physical examinations with respect to occupational diseases. In this year, we conducted physical examinations for 13,000 workers in positions exposed to occupational disease hazards and transferred 215 employees who were not suitable for such positions to other positions.

In addition, we engage third-party institutions for examination on 1,672 positions in occupational hazard positions and on-site hazardous work environments, with all results in compliance with the national standards.

Construction of safety culture

- **Safety skills training:** With respect to special types of work, employees are required to complete corresponding training programs under our supervision before working. We regularly carry out special training regarding dangerous equipment/jobs, raise employees' safety awareness and safety operation skills by carrying out safety education activities and online safety tests such as "One Case Every Week" and "One Class Every Week".

- **Safety culture publicity:** In 2021, the Company takes advantage of the HSE&6S interactive platform and the "Safety Encyclopaedia" WeChat Official Account to accumulate 960,000 interactions through these platforms, and publish 150 issues and 600 articles with graphics and texts, through the "Safety Encyclopaedia" WeChat Official Account.

Emergency management

To strengthen safety and emergency management, Haier Smart Home has established an emergency management team consisting of executives, the emergency planning guidance office, the on-site command group and the emergency plan implementation and disposal working groups.

Park level

- comprehensive plans **14**
- emergency disposal plans **194**

Factory

- comprehensive plans **71**
- special emergency plans **921**
- site emergency disposal programs **1,015**
- partial emergency disposal cards **2,338**

In the year, the Company has constructed 75 micro fire stations with the establishment of electronic records and set up 69 volunteer fire brigades with 775 personnel in aggregate. We conducted 787 exercises in parks with 9,495 persons in participation. There were 606 exercises on the factory-level special emergency plan and 2,496 exercises on factory site emergency disposal program, with 130,000 participants and 23,000 participants, respectively.

Increase investment to protect employee health

In 2021, under the continuous state of the new epidemic, Haier Smart Home actively deploys and takes diversified measures to protect the health and safety of employees.

Haier Smart Home provides temperature monitoring for employees, regularly issues masks, disinfectant and other epidemic prevention materials for employees, and takes the initiative to introduce medical staff and the Covid-19 Vaccination Van into the park to organize free vaccinations for employees to help them strengthen their immune protection. In 2021, we saw a 100% vaccination rate for employees throughout the domestic region.

In order to create a healthy and safe office environment for our employees, we regularly disinfect the office area, and ventilate it regularly, etc. At the same time, we provide digital tools to create conditions for employees to work remotely from home and implement "no contact health services" of online service model to reduce employees' contact with the outside environment and people, and improve health protection. In addition, we focus on raising employees' awareness of disease prevention and control and widely disseminate knowledge of disease prevention through iHaier and other channels to improve employees' ability to protect themselves.

Our future planning

Centering around the target of "employees considering the Company as home", we will focus on their rights and physical and mental health and achieve "maximum value of people" by expanding the Staff promotion channel, motivating staff development and improving staff satisfaction.
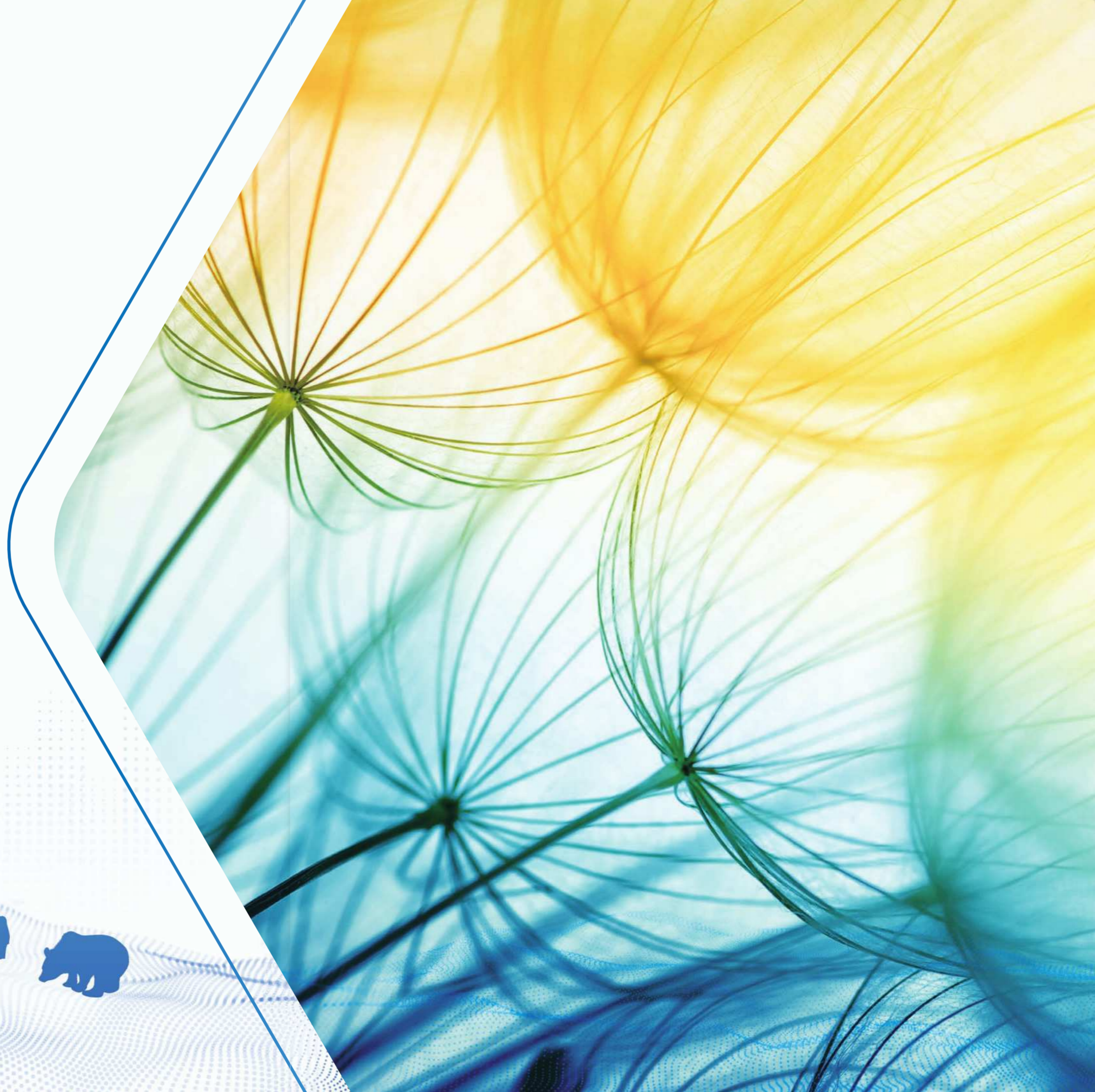

Exercises on safety emergency response

[3] "6S" refers to "Seiri, Seiton, Seiso, Seiketsu, Shitsuke, Security".

Practicing responsible procurements, leading industry development

- Our goals
- Our actions
- Our future planning

Practicing responsible procurements, leading industry development

Haier Smart Home builds the first global IoT eco-brand and realizes increasing value of the stakeholders.

Our goals

Goals for the next 1-3 years
❯ Increase the percentage of social responsibility audit for supplier to 90%;
❯ Strive for completion of the internal due diligence for all suppliers having conflict minerals;
❯ 100% reply of integrity reminder letters from suppliers, and for which the integrity trainings are conducted;
❯ For suppliers with 20% purchase amount, make effort to set environmental goals such as carbon emission reduction targets and energy consumption targets;
❯ ESG policies are promoted to overseas self-operated factories and optimized according to the local situations.

Our actions

Haier Smart Home actively promoted the coordinated development of the industrial chain and construction of sustainable supply chain to achieve industry leadership.
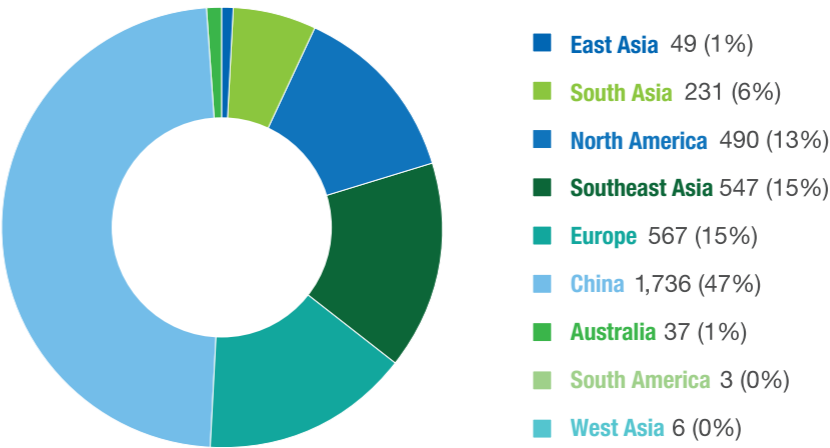
Sustainable Supply Chain
The Company integrated global supply chain resources and constantly improved the supply chain management system. Measures were taken for suppliers access, orders for purchase, suppliers' risk assessment and supplier empowerment to practice responsible procurement, and guide suppliers to fulfill their environmental and social responsibilities.

Sustainable supply chain

Haier Smart Home regards sustainable development as an important part of its procurement strategy, carries out full-process management from supplier access, procurement, evaluation, to empowerment, etc., and actively practices responsible procurement and continues to promote the sustainable development of the industrial chain.

Currently, Haier Smart Home has 3,666 suppliers worldwide, with suppliers located in the following regions:

- ■ **East Asia** 49 (1%)
- ■ **South Asia** 231 (6%)
- ■ **North America** 490 (13%)
- ■ **Southeast Asia** 547 (15%)
- ■ **Europe** 567 (15%)
- ■ **China** 1,736 (47%)
- ■ **Australia** 37 (1%)
- ■ **South America** 3 (0%)
- ■ **West Asia** 6 (0%)

Supplier access

Haier Smart Home has formulated policies such as the *Management Standards for Capability Self-Commitment of Module Suppliers*, the *Onsite Interconnection of Supplier and Financial Indicator Review of Suppliers* to regulate supplier review and management. In 2021, we have introduced 73 new qualified suppliers. In addition, we have integrated ESG controls into our master procurement process and have clearly specified the responsibilities of both parties in the contract with relevant terms and conditions.

Self-commitment review	We assess the qualification capacities of suppliers through self-commitment review. In particular, it is a key assessment for the suppliers to be in compliance with labour standards, commercial ethics, environmental protection and conflict minerals. In 2021, there were 11 new suppliers who didn't pass such assessment before admission to Haier's supplier pool.
On-site review	The new suppliers are required to pass quality system audits and social responsibility audits (including commercial ethics, labour, safety, occupational health, fire protection, environmental protection and hazardous waste management) to ensure that Haier's suppliers meet the relevant requirements in all aspects.
Creditability review	We evaluate suppliers in terms of establishment history, their customers and suppliers profiles and other financial indicators.

Environmental and social risk management for supply chain

Under UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises and ILO Declaration on Multinational Enterprises, we require global suppliers to comply with the *Code of Commercial Conduct of Haier Group*, the *GEA Integrity Guide for Suppliers, Contractors and Consulting Firms* and other management practices. We conduct risk ratings for suppliers to classify them into Grade I, II and III based on a comprehensive assessment on suppliers' quality, delivery and risk ratings of social responsibility.

We have established inter-departmental teams for assessing the implementation of code of conduct for suppliers as well as identifying the environmental and social risks. We have conducted regular supplier audits through on-site inspections, staff interviews, management interviews and file audits. The audits mainly cover areas such as prohibition of child labour, protection of minors, prohibition of modern slavery, prohibition of forced labour, anti-discrimination and discipline, working hours, wages and benefits, fire protection, safety and health, environmental protection and commercial ethics. We would report any issues arising from supplier audits and urge suppliers to rectify them promptly. We have a zero-tolerance policy for sustainability breaches and, if found, the cooperation with that supplier would be suspended. Moreover, child labour and forced labour are strictly prohibited.
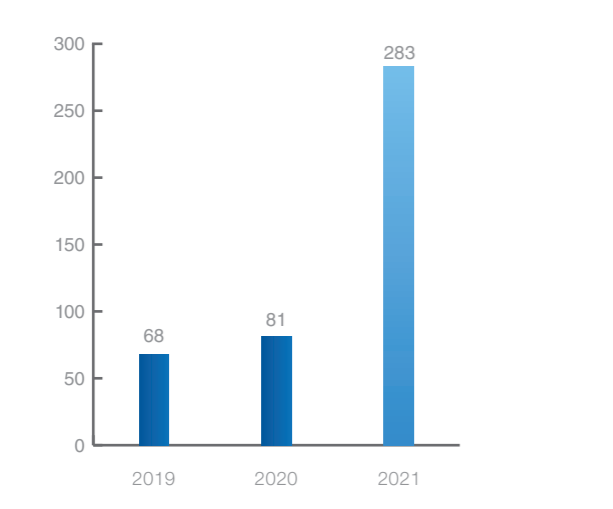
In 2021, we conducted risk ratings for 1,058 suppliers, carried out on-site audits for 283 suppliers within Grade I and II and new suppliers, which accounted for of the purchase amount. We aim to audit suppliers who account for 90% of the purchase amount by 2023.

In 2021, there were 30 suppliers audited by us with certain issues found but without major non-compliance. We guided suppliers to adopt a five-step approach of inspection, cause analysis, improvement, prevention and evaluation for identifying common problems and develop improvement measures.

In 2021, we audited 26 Tier II suppliers, of which 18 had some issues found but no major non-compliance. The main points of concern are as follows. At the same time, we urged Tier I suppliers to check and monitor Tier II suppliers.
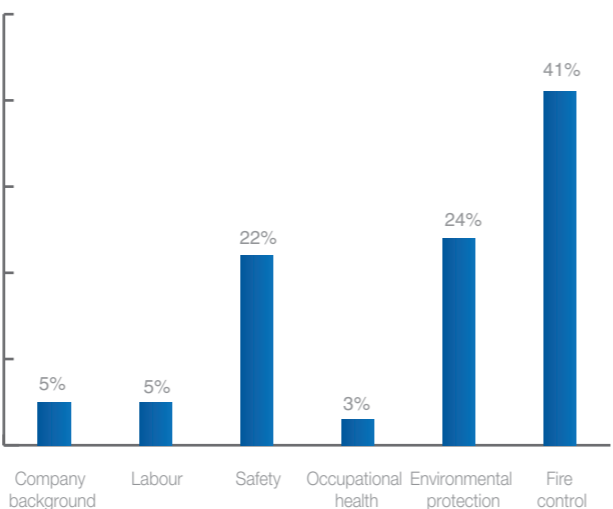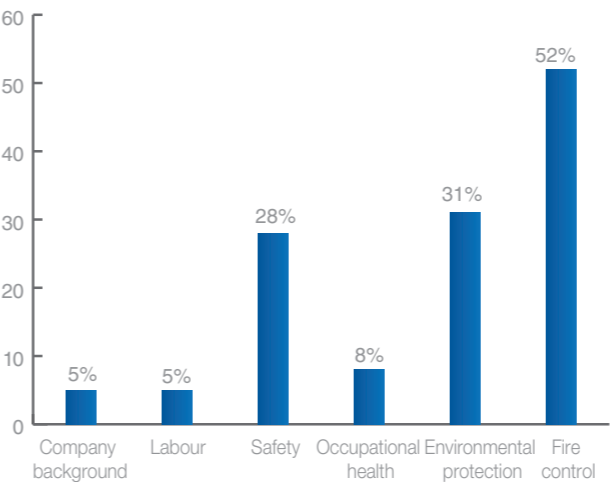
Requirements for suppliers under *Code of Commercial Conduct of Haier*:

- Provide equal and non-discriminatory work opportunities for employees;

- Prohibit infringement of human rights such as forced labour, use of prison labour, exploitation or coercion of labour;

- Prohibition of child labour;

- Provide a healthy and safe living environment for staff;

- Prohibit corrupt and bribery and abide by commercial ethics;

- Establish a policy or mechanism to ensure that the tantalum, tin, tungsten and gold are sourced from proven conflict-free regions, and suppliers are required to provide supporting documentation.

Digital management on suppliers

We have established a digital supplier management system. Through IoT big data analysis and calculation models, we constantly optimise the productivity of our suppliers to maximise production efficiency.

Supplier performance management

We conduct an annual supplier sustainability performance assessment, which can be categorized as compliant, basically compliant, low risk and high risk.

For suppliers with good performance, we will add weighted points in the tender process. For suppliers with poor performance, we may take following measures:

- Reduce scores for suppliers in performance evaluation

- Communicate with the suppliers by Senior management of Purchase Department

- Follow up on the audit issue until it is resolved and necessary evidence is required from the suppliers

- Immediately cease cooperation with serious non-compliant suppliers

In 2021, there were 120 suppliers who submitted packing improvement proposals to reduce or optimise packaging solutions, saving approximately RMB40 million, equivalent to saving 28,000 trees and 500 tonnes of CO_2 per year.

2019-2021 Numbers of Suppliers Risk Ratings

Supplier audit issues in 2021

Tier II supplier audit issues in 2021

Monitoring suppliers with high risks

We collect and monitor risk factors of suppliers through information means and manage financial risk (factoring defaults, default of workers wages, default of secondary suppliers accounts, private borrowings), business risks (high staff turnover, significant investment loss and negative news), legal risks, internal control risks and other aspects. We will take the following measures to reduce the risks of suppliers supplies:

- develop alternative suppliers

- reduce business share

- discontinue new business

- terminate cooperation

In 2021, we identified 20 suppliers with high risks. In particular, we reduced business share and discontinued new business with 12 suppliers, and terminate cooperation with 8 suppliers, with their risk factors mainly distributed as follows:
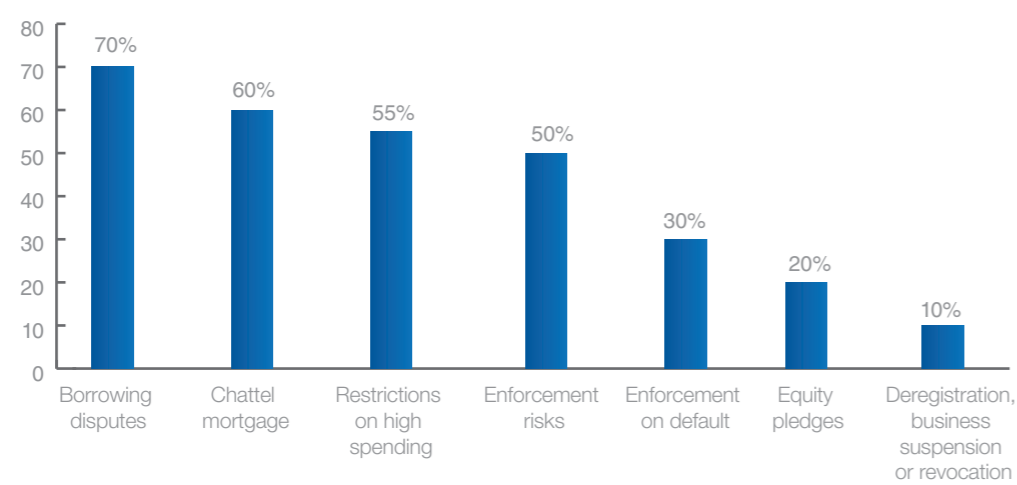
Conflict minerals

Haier Smart Home observes the requirements of the US *Dodd Frank Act* and the Europe *EU Conflict Minerals Regulations*, Organization for Economic Co-operation and Development (OECD) *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* and China's *Due Diligence Guidelines for Responsible Mineral Supply Chains*, and promises not to purchase and use conflict minerals that are directly or indirectly sourced from contentious mining in high risk countries, including but not limited to tin, tantalum, tungsten, cobalt, gold and other metals and raw materials.

We also require suppliers to jointly observe this promise, pursuant to which the suppliers need to provide written statements and establish a policy for raw material tracing so as to ensure that the materials procured do not contain minerals of unknown sources or conflict minerals. In 2021, Haier Smart Home investigated 620 suppliers for responsible mineral audit process and 102 suppliers who used tantalum, tin, tungsten, gold and cobalt in their supply products. At present, 78 suppliers have provided feedback so far. In 2022, we plan to complete a full survey for suppliers and complete due diligence on suppliers who use such minerals in their products.

The *Supplier Integrity Guide* developed by GEA has clarified the requirements for conflict minerals. Suppliers must establish relevant mechanisms to avoid procuring and using conflict minerals, and submit relevant supporting documents on procurement sources to GEA. Meanwhile, the supply chain review conducted by GEA includes conflict minerals suppliers so as to timely identify and guard against relevant risks.

Supply chain labor management

Under the *UN Guiding Principles on Business and Human Rights*, the *OECD Guidelines for Multinational Enterprises* and the *ILO Declaration on Multinational Enterprises*, for which we have formulated *Code of Commercial Conduct of Haier*, *Code of Conduct for Suppliers* and *GEA Integrity Guide for Suppliers*, *Contractors and Consulting Firms*, stipulating suppliers labour standards, safety, health and other aspects.

We have made the use of child labour or forced labour a red line as a threshold for supplier access. Haier has a zero-tolerance policy for sustainability violations and will suspend cooperation if found.

Take GEA as an example. GEA's suppliers must observe the requirements of the *Supplier Integrity Guide* developed by GEA, including fair employment, occupational health and security, and labor rights and interests, and in compliance with the laws and regulations of the operating site. GEA has actively reviewed the supply chain and the review team is responsible for identifying and assessing supplier risks and developing relevant mitigation measures. The scope of review covers the integrity, environment and labor management of suppliers.

Commercial ethics management of supply chain

Haier Smart Home requires supplier partners to sign the *Specific Deed of Integrity* and the *On-Site Interconnection Integrity Statement by Module Manufacturer*. Every year, we publish a *Supplier Integrity Reminder* pop-up and an Integrity Reminder letter on the Haiyuanda platform system. We have also published a special reporting mailbox and set up a "Notification of Illegal Violations" column, where the notifications of illegal violations against suppliers and Haier internal employees can be viewed. In 2021, the Company published 17 suppliers for violation and blacklisted 11 suppliers.

Our future planning

We will continue to promote supplier management, anti-corruption management for suppliers and internal management, and to promote responsible sourcing and auditing to create a higher standard of sustainable supply chain. We establish calibration standards for environment-related declarations to create a higher level of sustainable supply chains.

Enhancing the user experience, building a better life together

- Our goals
- Our actions
- Our future planning

Enhancing the user experience, Building a better life together

In the era of rapid development of "Internet of Everything", ensuring product quality is the cornerstone of Haier Smart Home. On the basis of product quality compliance, we are committed to continuous research and development of innovative technologies to constantly improve product quality. At the same time, we provide users with personalised and customised smart IoT interactive experiences and solutions, bringing them a more stylish, better and superior living experience through our digital platform, and becoming a leader in the industry.

Our goals

Targets for the next 1-3 years
Continuous reduction in defective rate of products;
Strive for "Zero recall" for products;
Building of a unified digital quality management platform;
Realise zero service delay and zero compliant from customers;
Building of core patents and increase the number of patent applications.

Our actions

With the philosophy of "quality-centered and customer-first", Haier Smart Home is committed to providing excellent products and service quality and lead product upgrades with innovation. We strive to gain recognition from community and our customers by focusing our actions on two major areas: high quality products and high quality services.

High quality products
We further improve the quality management system, leveraging on our quality platform to manage product compliance and quality in whole-process and closed-loop model, develop highlight products and technologies around each product line, actively promote the application of innovative research and development, and well protect intellectual property rights to achieve high product quality.

High quality services
We continue to improve our service system standards, leverage on and continuously upgrade our digital platform, constantly innovate our service model, organise training for employees to improve service quality, handle and dispose of customer complaints, and make use of emerging technologies such as artificial intelligence and 5G to build smart experience scenes so as to achieve high quality services.

High quality products

With a culture philosophy of "RenDanHeYi and quality for everyone", the Company has been deepening product quality management with four focuses enhancing quality assurance system, strengthening technological innovation and research and development, using environmentally friendly materials and protecting intellectual property rights, to strictly control the quality gate and continuously improve product quality.

Product Compliance and Quality Management

Under the goal of "zero defects" in quality, Haier Smart Home strictly complies with the requirements of relevant laws and regulations for quality in the places where it operates, including but not limited to the *Product Quality Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, and strictly manages the health and safety of product materials in accordance with international standards such as RoHS/REACH/POPs/FCM. In 2021, the Company has established a quality management system of "three certificates (permission to produce, production certificate and examination certificate)" for OEM ecological products, upgraded and optimised the measurement management system, and continued to strengthen the "two-way" management mechanism[4] and further improved quality management system. During the year, all factories in our domestic operations passed ISO 9001 Quality Management System certification, including 32 factories that passed QC080000 System certification (International Electro Technical Commission Certification of Electrical and Electronic Devices and Products as Hazardous Substance Free).

Leveraging on Haier's quality platform, the Company establishes an industrial quality platform to manage R&D quality, procurement quality, manufacturing quality, logistics quality, sales quality and service quality of every factory in the whole-process and closed-loop management model. In 2021, as the whole-process and closed-loop management model was further improved, the Company's product quality was further enhanced, and the defective rate of products witnessed a year-on-year decrease of 18% during the year. In the next 1-3 years, Haier Smart Home will continue to promote the quality system digital upgrade project to form a unified quality digitalization platform.

- R&D Stage: The Company fully identifies quality risks and conducts focused simulations and tests on design solutions.

- Production Stage: The Company identifies key quality characteristics, ensures process quality stability and conducts sampling and testing of product quality, and all products are required to meet full process quality control standards before they are released to the market and are reviewed annually after launching.

- Logistics Stage: The Company keeps track of the quality of transport and warehousing, focusing on external damage and strengthening logistics quality control.

- Sales Stage: The Company prohibits exaggerated publicity and misleading information to users, and regularly invites professional third-party organizations to evaluate user experience.

To ensure product quality and continuously improve the professional skills of our employees, Haier Smart Home regularly organises quality training for its employees, including ISO series standard learning and job competency enhancement, etc. In 2021, we adopted a combination of online and offline methods to integrate internal and external resources to organise quality empowerment training courses for different levels and needs, including quality management awareness training, QC basic quality tools training for front-line staff, and thematic interactive practical training, all of which achieved good results.

To encourage staff to continuously improve competency, we actively carry out inter-process, micro and inter-industry level competition activities, select the winning team, summarize the model and innovative practices and carry out dissemination, replication and promotion within the Company. In 2021, we organised the "Most Beautiful Quality People" and "Excellent Makers" activities, and published and promoted outstanding cases and innovative practices in Haier's internal news releases and public accounts, achieving a better benchmark effect.

In addition, we place emphasis on the quality management of suppliers. We implement management and control based on the requirements of the ISO9001 quality management system and adopted comparable quality system review and process review to assess the quality management capabilities of suppliers. In line with the evaluation results, we would increase the order shares of excellent suppliers and dispatch professional supplier quality engineers to suppliers with poor evaluation results to fuel improvement. In 2021, in terms of quality audit criteria, we focused more on promoting supplier process capability, increased the manufacturing capability evaluation program, improved the introduction criteria and continued to promote the interconnection of supplier process quality data for key modules to further strengthen product quality management.

During the year, Haier Smart Home actively participated in various quality projects, quality technology innovation projects, patent standards, academic papers and other competitions and exchange activities, achieving a series of quality honors and recognition, and enhancing external quality reputation and prestige.

4　The "two-way" quality management mechanism refers to the "positive-value-added sharing mechanism", which directly ties the value created by quality improvement with employee incentives, truly realize "user pay", and encourage employees to proactively discover and mitigate quality risks. With the "reverse-bottom-line mechanism and reverse reduction mechanism", we define the responsibility subject, treat seriously every quality issue, and adhere to the quality bottom line.

Haier Smart Home Product Quality Certification in 2021

Certification	Certification authority
Green Low-carbon Electrical Appliances and Components Certification	Zhongjiayuan (Beijing) Testing and Certification Co., Ltd.
Health and Hygiene Certification for Electrical Consumer Products	Weikai Testing Technology Co., Ltd.
China Energy/Water Saving and Other CQC Certification	China Quality Certification Center
Food Contact Product Safety Certification	China Quality Certification Center
China RoHS Certification	Weikai, Zhongjiayuan, CEPREI
Smart Home Appliance Interconnection CQC Certification	China Quality Certification Center/CEPREI
Smart Ageing Certification	Zhongjiayuan (Beijing) Testing and Certification Co., Ltd.
Healthy Home "Quick Cooling and Heating" Certification	Weikai/CHINA NATIONAL INSTITUTE OF STANDARDIZATION
Healthy Home Sound Quality+ Certification	Weikai/CHINA NATIONAL INSTITUTE OF STANDARDIZATION
China Compulsory Certification	China Quality Certification Center
UL V-Mark Class I Health Freshness Certification for Refrigerators	US UL
UL V-Mark Home One Right Angle Full Open Certification	US UL
VDE Hygienic 99% Sterilization Certification	Germany VDE
User Experience Ergonomics Certification	Germany TUV NORD
Washing Machine WRAS Water Circuit Certification	England WRAS
Smart-Home IECQ Certification	Germany Dekra
NSF Certification	US NSF

Haier Smart Home has 16 categories of products, 62 product certification categories worldwide, and a total of more than 7,500 certificates on product certification.

When a user purchases a product that breaks down, Haier Smart Home would respond in a timely manner to assist the user in solving the problem. For products that fail within the warranty period, we would give the user a return or exchange after identification by the service provider in the user's location. The returned faulty machine would have its quality checked by the quality team of the factory to find the cause of the fault and then the recycling industry would dispose of it by itself or hand it over to regular units for compliance. In 2021, we achieved an excellent performance of "zero recalls" on all products for the year, with no product recalls due to safety and health issues.

Product R&D and innovation

To bring smarter and better experience to users, Haier Smart Home built a "10 + N" open innovation ecosystem and an open innovation platform and actively promoted product R&D and innovation.

The Company set up innovation centers around the world, and used the ecological resources network to search for innovative technologies that could match the demand, so as to promote innovation transformation. In order to improve the efficiency of cooperation with ecological parties, the Company would conduct concept verification and docking management on innovative technologies, and organize and participate in innovative activities at home and abroad to keep the activity of overseas innovation. In 2021, Haier Smart Home developed key products and technologies around product lines such as kitchen appliances, water heaters, water networking, water purifiers and washing machines, and incorporated the concept of energy conservation and environmental protection into them, continuously promoted the formulation of industry-leading standards, actively participated in industry exchange activities, and promoted the implementation and application of innovation achievements.

Kitchen appliance product line

- The Company had technological innovation breakthroughs in products such as range hoods, gas stoves, embedded products and integrated stoves. Environmental protection considerations had been added in the research and development process, which had effectively promoted the development of recycling economy and obtained the star-rated product certification of relevant institutions.
- The Company took lead in the formulation of five leading standards in cleaning, reducing sheet metal scrap, temperature uniformity and disinfection, and the technical standards for performance of cooking appliances were standardized.
- The Company participated in academic exchange activities such as the 2021 China Gas Appliance Industry Annual Conference and the 2021 China Household Electrical Appliances Technology Conference, and participated in the related technology development trends forums. Many excellent thesis were published and many awards were obtained.

Water heater product line

- The Company successfully developed key products and technologies such as environmental protection crystal bladder, frequency conversion space energy water heater, and water quality mineralization technology applied to reverse osmosis water purifier, and won the "Golden Wisdom Award" of China Cooling & Heating Intelligent Manufacturing Awards for five consecutive years in China.
- The Company took lead in the formulation of one international standard, two national standards, three industry standards and four group standards, and participated in the formulation of one international standard, five national standards and two industry standards.

Water networking product line

- The Company became the first maker of international standards for smart bathrooms, and released the first smart bathroom scenario standard in China in combination with Chinese Household Electric Appliance Research Institute.
- The Company participated in the 2021 China Household Electrical Appliances Technology Conference and the annual academic conference of *Journal of Appliance Science & Technology*, and many excellent thesis were published.

Water purifier product line	• The Company had reformed the R&D system, and the self-made R&D rate had increased from 10% to 100% in 2020. Research had been carried out around recyclable shell materials, actively benchmarking advanced technologies at home and abroad. • The Company actively participated in exchange activities such as industry standard formulation and discussion meetings, and industry brand summits, and be recognized by China Association for Quality Inspection and other institutions.
Washing machine product line	• The Company actively carried out research on fresh air, consumables and washing, and developed key achievements such as deep breathing fresh air technology, up-drying and down-washing integrated technology, color box upgrade washing machine and silent heat pump drying technology, so as to continuously improve product technical advantages and optimize customer experience. • The Company took lead in the establishment of the international standard AhG52 wall-mounted washing machine safety research group, and took lead in and participated in the formulation of 14 national industry standards, of which two had been released. • The Company actively participated in academic exchange activities such as Household Electric Appliances, European Union Microplastics Research, Washing Machine Professional Committee Meeting of China Household Electrical Appliances Association, and won many technical research and development awards.

While ensuring the quality, health and safety of products, Haier Smart Home gradually took energy conservation and environmental protection as the key direction of research, and actively responded to the environment-friendly needs of society and users. In 2021, the Company developed and applied a number of key technologies and processes around recyclable environmental protection materials, energy saving and consumption reduction, and pollutant emission reduction, so as to continuously improve product quality and efficiency.

• The oil fume separation system of "integrated stove nano oil filter net + patent oil screen + high efficiency oil collecting ring" of kitchen appliance product line could make the oil fume filtering efficiency reach 98.8%, effectively reducing the emission of oil fume pollutants in the air. All newly developed range hoods met the national level 1 energy efficiency requirements and could effectively reduce energy consumption.

• The energy efficiency of space energy products in the water heater product line could reach COP5.3, (efficiency of the electricity used raised by 5.3 time), which can save more than 80% of electricity.

• The products of the water purifier product line and their casings were made of ABS material, and the casings of filter elements were made of PP material, all of which were recyclable and environmentally-friendly materials, which can be reused after regeneration. At the same time, the packaging materials of the machine were optimized, effectively reducing the weight and volume of the packaging materials.

• The popularization and application of air washing, no-cleaning washing machine and washing machine without outer tub in washing machine product line could effectively reduce and avoid environmental pollution and resource waste caused by dry cleaning and washing.

Patent and intellectual property protection

As one of the earliest enterprises in China to set up an intellectual property management department, Haier Smart Home has always adhered to the patent strategy of high-quality development as well as the patent principle of "non-infringement and infringement-free" and "Independent copyright for self-developed patents and joint copyright for co-developed patents". We strictly observed the applicable intellectual property laws and regulations in the operating sites across the world, such as *Patent Law of the People's Republic of China*, *Trademark Law of the People's Republic of China* and *Copyright Law of the People's Republic of China*. We have established a patent management system and operating mechanism with high-value patents as the core, and actively pushed forward the creation, management, protection and application of patents. Meanwhile, we have respected the intellectual property rights of third parties, and are willing to form cooperation with right holders by agreed means like cross-licensing and package authorization under the FRAND principle, observe the principle of mutual industry benefits, and pressed ahead with rational competition in the industry.

At the management level, the Company leveraged on the Global Innovation Committee and the Global Patent Management Committee to establish Haier Smart Home global patent management system (IPM) for unified global patent business management, global patent risk management and control, and close patent-R&D connection. In addition, the Company established ten R&D centers in China, Japan and other countries around the world, and held global R&D conferences twice a year on a regular basis. Leveraging on R&D centers and ecological parties, the Company promoted industry innovation, kept the activity of overseas innovation, and realized the sharing of global innovation R&D results.

Haier Smart Home global patent management system (IPM) integrates the patent information of overseas R&D centers, establishes the whole process control of "risk control of project establishment – application of technical proposal – patent", takes quality management as the core, embeds the inventor, IPR and agent as quality nodes in the whole process of patent creation, and evaluates and improves patent quality with patent quality model.

The system realizes global patent asset management, global patent risk management and control, close connection between patent process and R&D process, further improves patent business level, supports global patent information sharing, and leads the global innovation trend.

At the technical level, the Company centered around innovative technologies to strengthen patent protection, and formed over one hundred patent portfolios with high value in such fields as smart home, refrigerator preservation technology, separate washing of washing machines, self-cleaning air conditioners, smart Internet of Things, and scenario ecology. In recent years, Haier Smart Home has actively developed smart home scenario space, led the development direction of industry technology through patent navigation, expanded and improved the patent layout of smart ecology, continuously strengthened the advantages of patent technology, and consolidated its leading position in the field of smart Internet of Things.

By the end of 2021, Haier Smart Home had applied for more than 75,000 patents globally, including more than 47,000 invention patents, accounting for more than 63%, and more than 14,000 overseas invention patents, covering 30 countries. Haier Smart Home was the Chinese home appliance enterprise with the largest number of overseas patents.

To promote scientific and technological innovation and encourage R&D personnel to actively create and innovate, Haier Smart Home established an invention patent incentive platform, and set up awards such as patent authorization award, patent achievement award, patent application award to encourage high-quality inventions and creations. In 2021, in order to encourage the creation of smart home patents, the Company appropriately reduced the amount of awards for utility model and appearance design patents, encouraged R&D personnel to apply for high-quality invention patents, and ensured patent quality guidance.

High quality service

Haier Smart Home adhered to the concept of "customer first" and regarded "customer satisfaction" as the highest goal of service. Under this goal, the Company constantly improved the service system standards, built a digital platform to ensure worry-free after-sale services, built a smart Internet of Things to enhance the interactive experience, and strove to achieve "zero complaints and zero delays" for users. Through the services, impressions were created, user satisfaction was continuously improved, and recognition and attention were gained from the public.

Digital platform, worry-free after sale services

In order to realize the whole-process and integrated smart service upgrading, Haier Smart Home continuously improved the digital service system characterized by "three-end connection with the mobile platform as the carrier", built an information service platform, redefined the new service management system in the Internet of Things era through digital transformation and platform operation, and continuously created the best service experience. In 2021, Haier Smart Home served a total of 79.46 million users, with 89.70% overall satisfaction, 95.40% overall service speed and 61% one-time success rate.

Digital platform upgrading

Starting from the whole process service experience of users, Haier Smart Home built a service provider and service professional workbench system, so that users and their needs could be better understood. In 2021, the Company upgraded version 2.0 of the service professional workbench, employee workbench and newly-built service provider workbench to realize data exchange. Leveraging on the support of efficient digital service platform, Haier Smart Home ensured that users could report service requirements through multiple channels and portals, and realized second-level response, limited contact and on-site service according to the appointment. Differentiated solutions were provided for users' needs, and the whole service process information was visible.

Service model innovation

Haier Smart Home created a new model of quantum store, focusing on the service of users' home life scenarios, and established a new service model that takes community users as the center and integrates after-sales service outlets with sales service, which could enable users to enjoy the whole process, convenient and fast service and get the best experience from single home appliance service to home life service. Quantum store not only excavated the needs of users, but also could tailor solutions for users, and effectively improved Haier's service reputation and gained user recognition. In 2021, 500 quantum stores had been built. The Company planned to build 3,000 in 2022, expand the service operation scope of quantum stores, build a service ecosystem of experience upgrading of stores, and constantly improve the service support capability of stores. 10,000 service professionals with standardized and networked services covering 2,600 networks nationwide would be formed, and the competitiveness of enterprises' ecological services would be enhanced.

Service quality improvement training

Haier Smart Home had managed over 100,000 service professionals across the world, which was the fundamental guarantee of its after-sales service. In order to continuously improve the service level and capability of service professionals, the Company organized training for service professionals on a regular basis, and had trained more than 40,000 senior service professionals. In 2021, the Company continued to carry out the empowerment of service professionals through online and offline diversified channels, with a total of 7,687 live online trainings and 37,946 service professionals participating. 1,939 offline trainings were conducted, including 77 for new products, 429 for complete sets and 905 for delivery and installation.

Improvement of customer complaint handling

In order to fully understand users' demands and improve service quality, Haier Smart Home established and gradually improved the closed-loop management mechanism for improvement of customer complaint handling, defined the complaint handling process and responsibilities of each post, and set up a service quality control ledger. After receiving the complaint, the Company would communicate and appease the users in time within 15 minutes, understand the special problems and customer demands, and provide solutions, time and specific person in charge, and ensure that it would be handled within 12 hours. The whole process of user complaint information processing would be visible, and overtime would be upgraded to higher-level personnel processing. Typical problems in the complaint would be summarized and reported by each industry, trade and platform, and the responsible nodes and accountable persons would be defined by the special person of each factory within 48 hours. Those accountable persons for each problem must analyze and rectify within 20 days, and the quality minister and commodity inspection would timely review the improvement measures and the implementation, and conduct test checks in due course. By the end of the reporting period, the Company had received a total of 214,438 complaints about products and services from users, with a complaint rate of 0.27%, a complaint settlement rate and a satisfaction rate of 100%.
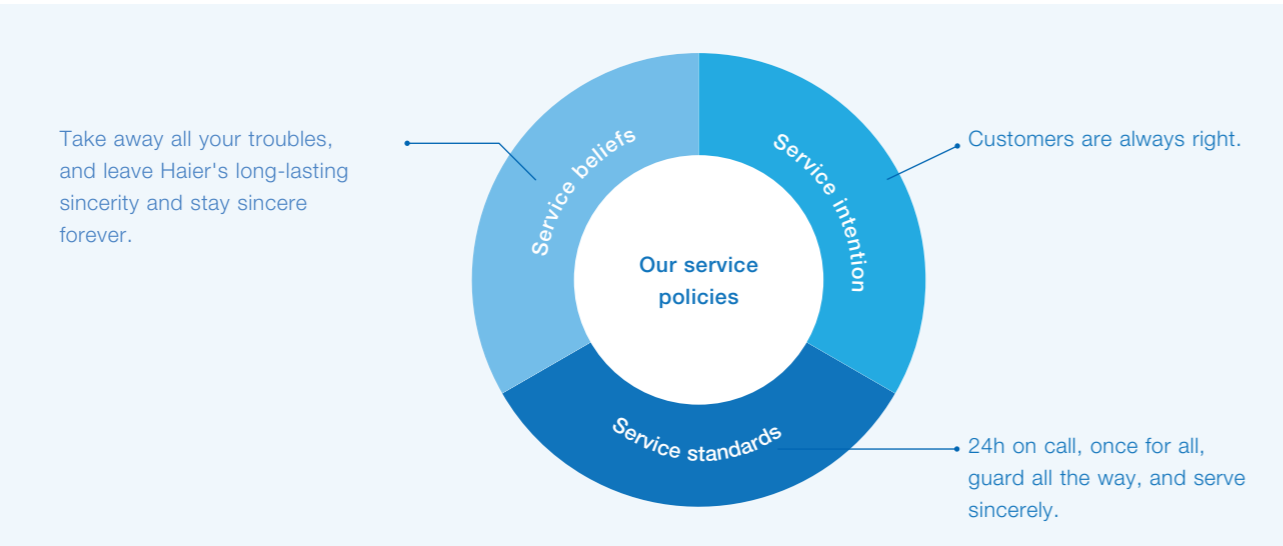
Smart Internet of Things, interactive experience

Haier Smart Home focused on the user experience, took the scenario application as the traction, and was committed to realizing the transformation from high-quality products and services to experiential services in the whole scenario of smart family life. After the launch of the scenario brand Tri-winged Bird in 2020, the Company upgraded the online Tri-winged Bird platform in 2021, officially opened a new era of customized smart homes, and made every effort to provide users with one-stop, whole-scenario, customized smart home service solutions. The Company actively used the advantages of Internet of Things to create different smart usage scenarios and provide consumers with better intelligent interactive experience. In 2021, there were more than 1,000 kinds of Tri-winged Bird iterative smart scenarios, more than 3,600 families serviced, and 1,317 Haier Smart Home No. 001 experience centers at home and abroad are set up.

At the same time, Haier Smart Home had built the Smart Home experience cloud platform leveraged on the Internet of Things, artificial intelligence (AI), big data, cloud computing and 5G technology, with more than 95 million users' home appliance usage data. Smart Home experience cloud had built an ecological network centered on the best user experience. Through sub-platforms, such as clothes networking, food networking, air networking and water networking, and in combination with resources such as detergent, food and decoration services, a win-win and co-created ecosystem was created to jointly provide customized services.

Our future planning

Haier Smart Home will take quality as the bottom line, upgrade quality management system, enhance capabilities of ex-ante prevention and ex-post closed-loop disposal, leveraging on platform and big data analysis, and provide intelligent diagnosis and prediction capabilities for service personnel so as to improve the product and service quality.

Take away all your troubles, and leave Haier's long-lasting sincerity and stay sincere forever.

Service beliefs

Service intention

Service standards

Our service policies

Customers are always right.

24h on call, once for all, guard all the way, and serve sincerely.

Paying attention to data security and protecting users' privacy

- Our goals
- Our actions
- Our future planning

Paying attention to data security and protecting users' privacy

Haier Smart Home attaches great importance to data security, adheres to the baseline of data security, establishes a sound internal information security management system and organizational structure, and constantly improves its technical capabilities in the field of information security, so as to ensure the network and data privacy in all aspects.

Our goals

Goals for the next 1-3 years

> To establish a data privacy protection center; and to set up a vulnerability management platform, a security monitoring and event management platform and an industrial control information security management platform;

> To improve Internet of Things (IoT) safety management system and establish a IoT safety detection platform;

> To pass more privacy protection management certifications such as ISO29151, ISO27017 and ISO27018;

Our actions

With increasing attention to data privacy and security, Haier Smart Home was committed to comprehensively protecting user information and network security, implementing data security and safeguarding customers' rights and interests by enhancing management, protection, and authentication and audit.

Enhanced management
The Company established and improved the information security management system, set up the global information security management organizational structure, and held regular security meetings to discuss and review issues such as information security drills, prevention, penetration and building management, regional information security planning and information security reports.

Multiple protection
The Company formulated and improved the contingency plan and response mechanism, continuously carried out consciousness consolidation training and publicity, strengthened the protection of personal privacy and network application security, and premises network isolation to strengthen the security of data interaction.

Information security authentication and audit
The Company performed regular audit and assessment of information security, supervised the rectification, and focused on the compliance of overseas security control and the monitoring of performance of partners' private information management.

Enhanced management

Haier Smart Home strictly complied with the *People's Republic of China Network Security Law* issued by Chinese, the *General Data Protection Regulation* (GDPR) issued by European Union and other relevant laws and regulations applicable to our business around the world, and we internally set up many rules and regulations such as the *Haier Smart Home Global Information Security Policy (Chinese and English Versions)*, the *Haier Smart Home Data Security Management Procedure (Chinese and English versions)* and the *Confidential Data Destruction Record Form*, which had formed its information security management system. This year, the Company revised and optimized all the system documents of information security, and added a series of documents such as the *Haier Smart Home Phishing Email Drill Plan*, the *Haier Smart Home Personal Information Protection Management Manual*, the *Personal Information Protection Management Objectives and Follow-up Form*, and the *Smart Home Appliances Communication Security Technical Requirements and Testing Methods*. Information security management documents were implemented within the Company covering all operating places around the world.

Haier Smart Home had built a global information security management organizational structure, which consists of three levels including the Information Security Management Committee, the Information Security Committee and the heads of information security of all departments, and cleared responsibilities to ensure network security. The domestic information security team and overseas regional information security liaison officers held a security meeting every two months. The topics discussed included IoT security, phishing email simulation and prevention, Bitsight[5] information security report analysis, penetration test and vulnerability management, overseas Tenable[6] vulnerability and asset management, regional information security planning and other information security issues.
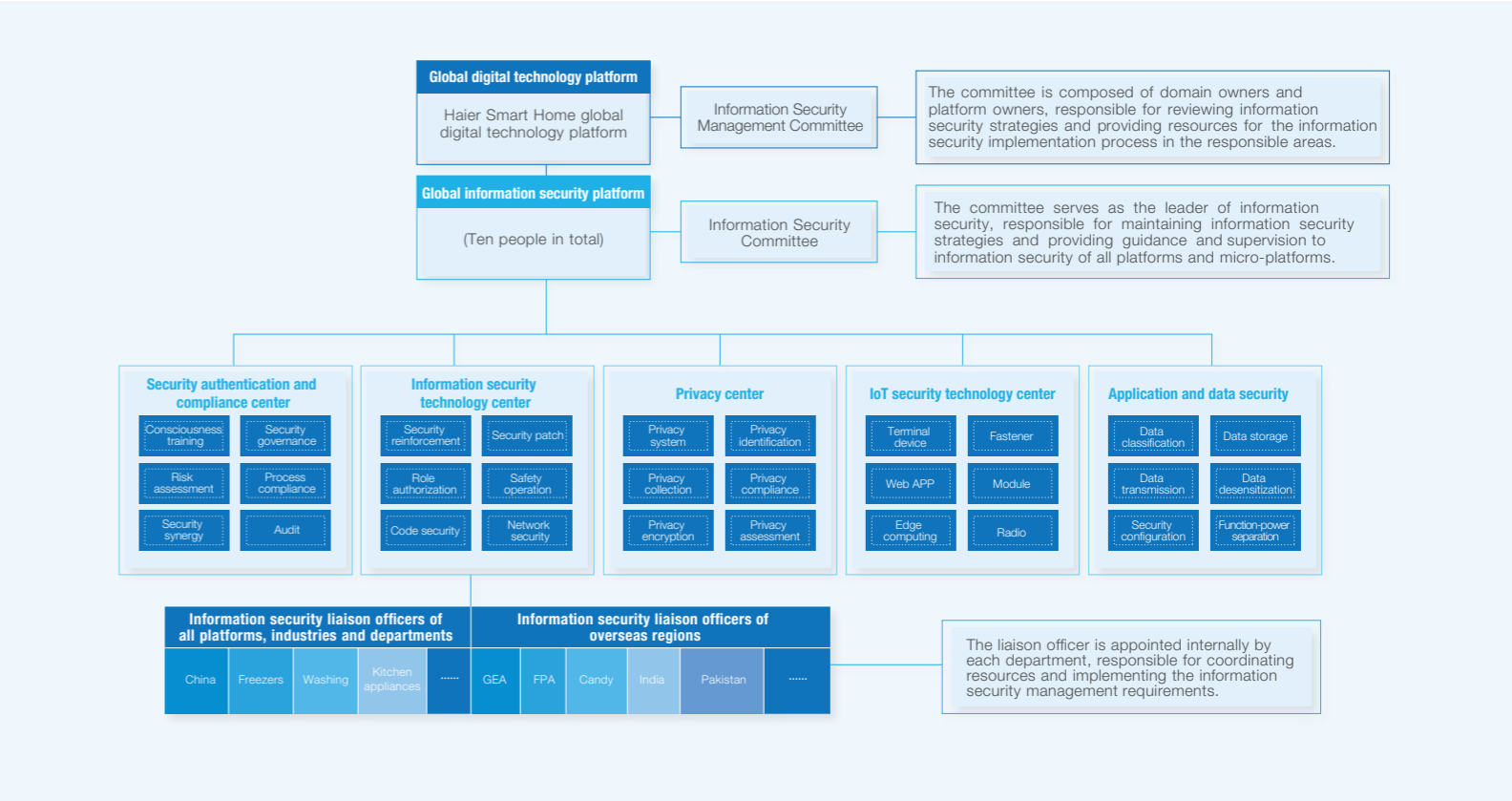
5 It refers to a network security coefficient assessment service provider.
6 It refers to Shenzhen SECXPEN Information Technology Co., Ltd.

Multiple protection

Consciousness consolidation

This year, Haier Smart Home continued to carry out training on information security and privacy protection. With the official implementation of the *Personal Information Protection Law of the People's Republic of China*, the Company conducted a number of privacy compliance trainings for personnel engaged in information security, such as APP developers and industrial receipt security liaison officers. At the same time, the Company conducted information security popularization trainings for all employees to enhance their consciousness of information protection.

The Company organized regular network attack and defense drilling related to security consciousness for all employees. We built a phishing platform and tested employees' capability to resist attacks by simulating external attacks, to enhance the consciousness of prevention. This year, the Company conducted "phishing email" drills for employees.

Contingency plan

To improve the emergency response capability, the Company developed a sound emergency plan and response mechanism, we would immediately take remedial measures and timely handle in case of personal information leakage incidents or security risks to minimize the losses and impacts.

Privacy protection

In November 2021, the *Personal Information Protection Law of the People's Republic of China* was officially implemented. As a special piece of legislation for personal information protection, it not only stipulated the principles of personal information protection, but also defined the rights, responsibilities and boundaries of APP developers, putting forward higher requirements for enterprises in personal information processing. To deeply meet the national regulatory requirements, the Data Compliance Committee of Haier Smart Home interpreted the *Personal Information Protection Law*, identified compliance risks and revised internal system. In order to quickly align with the internal and external standards in terms of user privacy policy, collection and use of personal information and user rights protection of the APP, the Company conducted privacy impact assessment and APP privacy compliance testing (Haier Smart Home APP, Tri-winged Bird APP, etc.) for 15 business scenarios in accordance with internal policies, and made timely rectification.

Haier Smart Home fully respected and protected users' right to know, choose and control personal information. All Apps and applets of Haier Smart Home stated the policies and measures for the acquisition, management, and protection of users' personal information, and sought users' consent in advance for the collection and use of their information. Meanwhile, the Company adopted such technologies as strict control over data access authority, multi-identity authentication, data anonymization and encrypted transmission to protect personal information.

This year, there was no event that the related Apps of Haier Smart Home were publicly notified or prohibited by the national regulatory authorities.

Application security

Haier Smart Home managed vulnerabilities in accordance with *Haier Group Vulnerability Management Standard*, purchased tenable vulnerability management SaaS service, deployed agents on all overseas terminal servers, and communicated with SaaS service. Through the management end, the vulnerabilities of overseas information assets and scanned assets could be managed in a unified way, and the repair of overseas asset vulnerabilities could be promoted, so as to fully guarantee network security.

- Vulnerability identification: Vulnerabilities could be identified through multiple approaches such as scanning with vulnerability scanning tools, notification of vulnerabilities by regulatory authorities and threat intelligence agencies, and penetration testing. According to comprehensive factors such as the harm degree of vulnerabilities and the difficulty of utilization, vulnerabilities could be classified into four levels: serious, high-risk, medium-risk and low-risk.

- Vulnerability repair: Once the vulnerability was found, it could be uploaded to the obvious difference platform to handle, and the processing results would be updated on this platform. Serious vulnerabilities, high-risk vulnerabilities, medium-risk vulnerabilities, and low-risk vulnerabilities could be repaired in 3, 5, 15, and 60 working days respectively.

- Vulnerability clearance: After the vulnerability processing is completed, it would be handed over to the security team. After verification, the vulnerability clearance would be completed.

This year, Haier Smart Home conducted the sixth round of penetration tests on the core business systems for enterprise customers and consumers to identify and repair high-risk vulnerabilities. Six Apps were secured to prevent risks such as decompilation, cracking and calling. The network and mail data leakage prevention (DLP) was deployed to monitor and audit the data sent by employees. Haier Smart Home improved the application and system security through the comprehensive security protection mechanism.

Network isolation

Haier Smart Home attached importance to improving the security of the network boundary. The Company implemented SD-WAN around the world based on the access control idea and physical isolation. The Company isolated the network traffic between overseas regions by running ACL policies in access points in each country. After the implementation of this technology, each region could only access the network of its own country and headquarters. This technology could isolate faults, avoid horizontal infection, and protect the security and confidentiality of all regions. In the future, the Company will also carry out network isolation among domestic factories to strengthen the security of data and information interaction.

Information security authentication and audit

Haier Smart Home conducted routine audit and assessment of information security, promoting supervision of its information security and data protection. In 2021, the Company conducted information security audits in all overseas regions, focusing on compliance of terminal security, network security and application security control. We assessed its risks, and followed up the rectification.

At present, Haier Smart Home APP, IoT platform, artificial intelligence, voice, big data, after-sales and shopping malls have passed the ISO27001 information security management system certification. IoT platform has obtained EAL3+ level encryption certification. Haier Smart Home APP, IoT platform, voice and artificial intelligence have passed the third-level assessment of network security level protection. The embedded operating system Haier Embedded OS has passed the security certification of ARM PSA L1 level Internet of Things. Haier IOT module SDK has passed the ELA4+ certification.

Meanwhile, Haier Smart Home also attached great importance to partners' performance on privacy information management. The Company required partners to protect strictly users' privacy by signing confidentiality promise and conducting security audit of partners.

Our future planning

For the purpose of establishing the information security management system, the Company will focus on building a management platform, continuously build the information security policies, processes and standards, evaluation of information security systems and technologies, and upgrade technology and capabilities and for maintain data and privacy security.

Returning to society with continuous kindness

- Our goals
- Our actions
- Our future planning

Returning to society with continuous kindness

Public charity is an important way for Haier to practice social responsibility and create social value. Whether as "an important supplement to social security" or "playing the third distribution role", Haier has always attached importance to charity. Entrusted with the new mission in the new era, Haier Smart Home always takes active actions to repay society by turning its energy into social warmth, future hope, and revitalization thrust.

Our goals

Goals for the next 1-3 years

- Empowerment with regard to education development to upgrade the aid model of Hope Project and build 20+ Hope Primary Schools nationwide;

- Response to the call of "common prosperity" to help rural revitalization and construction;

- Insist on helping those in poor and in distress to show responsibility.

Our actions

Haier Smart Home genuinely gave back to society, actively participated in public welfare, took actions around four aspects below, and continuously give full play to corporate philanthropy. During the year, we made a total of RMB37.79 million in charitable donations, demonstrating our social contribution.

The Hope Project
The Company paid attention to the growth and education of the young, built Hope Primary School and Hope Middle School in mountainous areas, continuously provided material support such as books, clothes, computers and pandemic prevention kits, and actively paid visits by accompanying them to play games and learn knowledge, thus contributing to the construction of the Hope Project.

Rural revitalization
The Company actively responded to national policies by supporting rural construction in pairs. We provided technical and intellectual expertise to promote rural development, and regularly sent condolences to the needy, thus providing the best possible support to rural revitalization.

Disaster relief
The Company participated extensively in disaster relief. To cope with natural disasters such as the "COVID-19" pandemic and floods, the Company demonstrated corporate responsibilities by donating materials and providing door-to-door services.

Volunteer
The Company encouraged employees to actively participate in volunteer activities such as condolences for empty nesters and veterans, and traffic guidance. We returned to society with our professional capabilities and spare time.

The Hope Project

"Shouldering responsibilities to pass the warm power; Supporting mountain areas to ignite the endless hope". Over the years, Haier Smart Home had devoted itself to education with sincerity. By improving the education level and the labour skills of of the poor, it aimed to block the intergenerational transmission of poverty especially against the weakest fields of education. Haier Smart Home has donated a total of RMB122 million to build 345 Hope Primary Schools and 1 Hope Middle School in 26 provinces, cities and autonomous regions in China, and is "the top enterprise building the most Hope Primary Schools in the Hope Project of the Central Committee of the Communist Youth League". In 2021, the Company continued to provide materials and other support with a total investment amounting to RMB7.86 million to effectively enhance the basic education capability of poor areas and improve the quality of education.

- In May 2021, Haier Smart Home held a charity donation activity of "hand in hand, light hope" in Jiyang District, Jinan City, and tried its best to help children get an education opportunity.

- On June 1, 2021, Children's Day, Haier Smart Home launched the activity "Future Home for Young Dreamers", visited the poor left-behind children in "Haier Hope Primary School", donated books and clothes, and taught children to play basketball and played games with them. The Company gave warmth and hope to children, and let "Young Dreamers" shine brightly.

- On October 14, 2021, Haier Hope Primary School in Lintao County, Dingxi City, Gansu Province, which was aided by Haier Smart Home, was officially completed. The Company built a love computer room for the school and donated love education materials to help improve the hardware and software infrastructure of Hope Primary School.

- On December 23, 2021, Haier Smart Home visited the poor students in Hexiguo Primary School, sent them love learning packages, and bought dairy products, pandemic prevention packages and other items for the poor students. This condolence activity made visiting students not only get material care, but also get spiritual comfort and encouragement.

Rural revitalization

Changing the old to help urban construction, and showing sympathy to warm people's hearts. Haier Smart Home had always adhered to the practice of social responsibility. We supported rural construction by providing partner assistance in poverty alleviation of agricultural development and farmers' health. We extended help to rural reconstruction by building smart community with our technology and knowledge. We spread Haier's warmth by care and encouragement.

- In the first half of 2021, Haier Smart Home provided financial support to Xianfeng Village, Taolin Town, Xishui County, Guizhou Province;

- In February 2021, Haier specialty stores around the country launched the activity of *Hug Daddy* as in previous years, and with the help of cloud internet technology, helped parents who stayed at their current residing localities to spend the Lunar New Year due to the pandemic to reunite with children who stayed at home. The children felt the help and concern from Haier, and experienced the long-lost warmth and love.

Disaster relief

The outbreak of the COVID-19 pandemic had brought great challenges to global economic development and people's life safety. Sudden floods had also washed away many people's peaceful lives. In this special period, global Haier people stepped forward, took the fastest actions and spared no efforts. During the year, we invested RMB20 million in flood relief. Practicing social responsibility and being an industry example bravely, Haier Smart Home has been making efforts.

- On December 14, in order to fight the pandemic, the pandemic prevention working group in Shaoxing City, Zhejiang Province, decided to build two medical isolation points in Keqiao District. Haier service professionals helped to install more than 3,000 water heaters, and completed the "warming task" with good quality and quantity.

Overseas, when pandemics broke out in Thailand, India and other countries, Haier Smart Home actively launched assistance actions by donating medical equipment and full sets of smart home appliances. Haier's actions had been recognized by society. In January 2021, Haier won the most beautiful chain node of pandemic prevention and control in Haier Smart Home in 2020.

Caring volunteer

Members of Haier Smart Home always insist on giving back to the society with their professional ability and spare time, actively participate in voluntary activities, and practice corporate social responsibility. In 2021, GEA organized 30 volunteer projects, and donated materials and money with total estimated over $300 million to more than 100 nonprofit organizations.

- In January 2022, volunteers of Haier Smart Home visited the empty nesters, provided consolation to the elderly, and gave full play to their expertise in checking and improving the hidden dangers of water and electricity in their homes, cleaning and maintaining household appliances, and transforming bathroom design so as to add a healthy life security for the elderly living alone;

- In 2021, Haier Smart Home set up the first Haier volunteer service chain group team. During the peak period of each morning and evening, volunteers patiently guide the citizens to consciously abide by traffic laws and regulations and maintain traffic order. They contribute their own efforts to the society and serve the society in their spare time;

- On August 1, 2021, Chongqing Haier Refrigerator visited and expressed condolences to the four makers of veterans working in Chongqing Refrigerator, sent festive wishes and greetings, deepening the relationship between the army and the people.

Our future planning

Love gathering to make a mickle, we will never stop to return to society. Haier Smart Home will continue donating to the Hope Project, participating in rural revitalization, promoting the cultural construction of rural youth, deeply supporting public education, we move forward on the way of public welfare.

█ Board Statement

The Board is ultimately responsible for the environmental, social and governance (ESG) of Haier Smart Home, with the help of its special committee – ESG Committee. The Board has participated in the assessment, prioritization and management of ESG matters (including the risks and materiality to the Company's business). For details of which, please refer to the *Corporate Governance Report* of the *2021 Annual Report* and Important concerns assessment above. The key ESG risks have been incorporated into the Company's risk management system: key business leaders as well as senior management of the Company would consider the possibility, impact and trends of key ESG risks, and formulate response measures, the Board has reviewed these key risks and actions, and gave advice.

ESG Committee is responsible for formulating effective strategies to keep the goals of environmental and social aspects with the goals of its business. For details of the ESG strategy, please refer to the ESG Strategy above. The ESG Committee will review these strategies regularly to check and ensure that they are in line with the Company's development strategy. The ESG executive steering group, composed of leaders from different departments, regularly reports to the ESG Committee on ESG matters, and is responsible for implementing the Company's ESG policy, reporting and making recommendations to the ESG Committee.

During the reporting year, the Board of Directors has set environmental goals related to business operations, and reviewed and discussed the establishment and progress of the objectives.

This report has disclosed ESG-related matters in detail, which have been reviewed and approved by the Board on 30 March, 2022.

Appendix I: The Stock Exchange of Hong Kong Ltd. *ESG Reporting Guide Index*

Category	Issue	Disclosure requirement	Index
Governance Structure	–	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	P75
Reporting Principles	–	The following Reporting Principles underpin the preparation of an ESG report, informing the content of the report and how information is presented. An issuer should follow these Reporting Principles in the preparation of an ESG report: (1) Materiality: The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported. (2) Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. (3) Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	P1
Reporting Boundary	–	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	P1

Category	Issue	Disclosure requirement	Index
Environment	A1 Emissions	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P23
		A1.1 The types of emissions and respective emissions data	P24
		A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity	P24
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P24
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P24
		A1.5 Description of emission target(s) set and steps taken to achieve them	P20-27
		A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	P20,23
	A2 Use of Resources	General disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	P25
		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)	P25
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)	P25
		A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them	P20,25
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	P20,25,27
		A2.5 Total packaging material used for finished products (in tonnes), if applicable, with reference to per unit produced	P25

Category	Issue	Disclosure requirement	Index
	A3 The Environment and Natural Resources	General disclosure: Policies on minimising the issuer's significant impact on the environment and natural resources.	P22,23
		A3.1 Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	P21-27
	A4 Climate Change	General disclosure: Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P28
		A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them.	P28-29
Social	B1 Employment	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P35
		B1.1 Total workforce by gender, employment type, age group and geographical region.	P33-34
		B1.2 Employee turnover rate by gender, age group and geographical region	P34
	B2 Health and Safety	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P44
		B2.1 Number and rate of work-related fatalities	P43
		B2.2 Lost days due to work injury	P43
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored	P44-45
	B3 Development and Training	General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P38-40
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management and middle management)	P37,39
		B3.2 The average training hours completed per employee by gender and employee category	P37

Category	Issue	Disclosure requirement	Index
	B4 Labour Standards	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P35
		B4.1 Description of measures to review employment practices to avoid child and forced labour	P36
		B4.2 Description of steps taken to eliminate such practices when discovered	P36
	B5 Supply Chain Management	General disclosure: Policies on managing environmental and social risks of the supply chain.	P49-50
		B5.1 Number of suppliers by geographical region	P49
		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	P49-50
		B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	P50-53
		B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	P51
	B6 Product Responsibility	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	P57,61,67
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P58
		B6.2 Number of products and services related complaints received and how they are dealt with	P62-63
		B6.3 Description of practices related to observing and protecting intellectual property rights	P61
		B6.4 Description of quality assurance process and recall procedures	P57-58
		B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored	P66-69

Category	Issue	Disclosure requirement	Index
	B7 Anti-corruption	General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P13
		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	P13
		B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	P13
		B7.3 Description of anti-corruption training provided to directors and staff	P13
	B8 Community Investment	General disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests.	P72
		B8.1 Focus areas of contribution (e.g. education, environmental affairs, needs of labour, health, culture and sports)	P72-74
		B8.2 Resources contributed (e.g. money and time) to the focus area	P72-74

Appendix II: GRI Content Index

Item Description Disclosures				Index
GRI102: General Disclosure	1. Organization Profile		102-1 Name of the organisation	P10
			102-2 Activities, brands, products, and services	P10
			102-3 Location of headquarters	P10
			102-4 Location of operations	P10
			102-5 Ownership and legal form	P10
			102-6 Markets Served	P10
			102-7 Scale of the organisation	P10
			102-8 Information on employees and other workers	P33-34
			102-9 Supply chain	P49
			102-12 External Initiatives	P5
			102-13 Membership of the associations	P5
	2. Strategy		102-14 Statement from senior decision-maker	P75
			102-15 Key impacts, risks, and opportunities	P12,16-17,28-29
	3. Ethics and Integrity		102-16 Values, principles, standards and norms of behaviour	P11
			102-17 Mechanisms for advice and concerns about ethics	P12-13
	4. Governance		102-18 Governance structure	P11-14
			102-19 Delegating authority	P14
			102-20 Executive-level responsibility for economic, environmental and social topics	P14
			102-21 Consulting stakeholders on economic, environmental, and social topics	P15-16
			102-22 Composition of the highest governance body and its committees	P11
			102-26 Role of highest governance body in setting purpose, values, and strategy	P11
			102-27 Collective knowledge of highest governance body	P12
			102-29 Identifying and managing economic, environmental and social impacts	P11-12,14-15
			102-31 Review of economic, environmental, and social topics	P15-17
			102-32 Highest governance body's role in sustainability reporting	P14
			102-33 Communicating critical concerns	P15-16
			102-34 Nature and total number of critical concerns	P17-18
			102-35 Remuneration policies	P12,36
	5. Stakeholder Engagement		102-40 List of stakeholder groups	P15-16
			102-41 Collective Bargaining Agreement	P36
			102-42 Identifying and selecting stakeholders	P15-17
			102-43 Approach to stakeholder engagement	P15-17
			102-44 Key topics and concerns raised	P15-16
	6. Reporting Practice		102-45 Entities included in the consolidated financial statements	P1
			102-46 Defining report content and topic Boundaries	P1
			102-47 List of material topics	P1
			102-49 Changes in reporting	P1
			102-50 Reporting period	P1
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			102-53 Contact point for questions regarding the report	P1
			102-54 Claims of reporting in accordance with the GRI Standards	P1
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Item Description Disclosures			Index
GRI 201: Economic Performance	Topic-specific disclosures	201-1 Direct economic value generated and distributed 201-2 Financial implications and other risks and opportunities due to climate change	P28-29
GRI 202: Market Presence	Management approach disclosures	Management approach for market presence	P56,62
GRI 204: Procurement Practices	Management approach disclosures	Management approach for procurement practices	P49-53
	Topic-specific disclosures	204-1 Proportion of spending on local suppliers	P26,49
GRI 205: Anti-corruption	Management approach disclosures	Management approach for anti-corruption	P13
	Topic-specific disclosures	205-2 Communication and training about anti-corruption policies and procedures	P13
		205-3 Confirmed incidents of corruption and actions taken	P13
GRI 302: Energy	Management approach disclosures	Management approach for energy	P25
	Topic-specific disclosures	302-1 Energy consumption within the organization	P25
		302-3 Energy intensity	P25
		302-4 Reduction of energy consumption	P4,25,27
		302-5 Reduction in energy requirements of products and services	P25
GRI 303: Water and Effluents	Management approach disclosures	Water Resources Management Approach	P25
	Topic-specific disclosures	303-3 Water consumption	P27
GRI 305: Emissions	Management approach disclosures	Management approach for emissions	P23
	Topic-specific disclosures	305-1 Direct (Scope 1) GHG emissions	P24
		305-2 Energy indirect (Scope 2) GHG emissions	P24
		305-4 GHG emissions intensity	P24
		305-5 Reduction of GHG emissions	P4,25-26
GRI 306: Effluents and waste	Management approach disclosures	Management approach for effluents and waste	P23
	Topic-specific disclosures	306-2 Waste by type and disposal method	P23
GRI 307: Environmental Compliance	Management approach disclosures	Management approach for environmental compliance	P23
	Topic-specific disclosures	307-1 Non-compliance with environmental laws and regulations	P4
GRI 308: Supplier Environmental Assessment	Management approach disclosures	Management approach for supplier environmental assessment	P49
	Topic-specific disclosures	308-1 New suppliers that were screened using environmental criteria	P50
GRI 401: Employment	Management approach disclosures	Management approach for employment	P36
	Topic-specific disclosures	401-1 New employee hires and employee turnover	P34
		401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	P35, 41-43

Item Description Disclosures			Index
GRI 402: Labour/ Management relations	Management approach disclosures	Management approach for labor/management relations	P36
GRI 403: Occupational Health and Safety	Management approach disclosures	Occupation health safety management system	P43-45
	Topic-specific disclosures	403-2 Category of work injury, ratio of work injury, occupational disease, lost working days, absence, etc.	P43
		403-3 Workers engaged in occupations with a high incidence of occupational diseases or occupations with a high risk of occupational diseases	P44
GRI 404: Training and Education	Management approach disclosures	Management approach for training and education	P38-40
	Topic-specific disclosures	404-1 Average hours of training per year per employee	P37
		404-2 Programmes for upgrading employee skills and transition assistance programmes	P38
GRI 405: Diversity and Equal Opportunity	Management approach disclosures	Management approach for diversity and equal opportunity	P33,35
	Topic-specific disclosures	405-1 Diversity of governance bodies and employees	P33,35
GRI 406: Non-discrimination	Management approach disclosures	Management approach for non-discrimination	P36
GRI 408: Child Labour	Management approach disclosures	Management approach for child labor	P36
GRI 409: Forced or Compulsory Labour	Management approach disclosures	Management approach for forced or compulsory labor	P36
GRI 412: Human Right Assessment	Topic-specific disclosures	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	P36
GRI 413: Local Communities	Management approach disclosures	Management approach for local communities	P72-74
GRI 414: Supplier Social Assessment	Management approach disclosures	Management approach for supplier social assessment	P49-53
	Topic-specific disclosures	414-1 New suppliers that were screened using social criteria	P49
		414-2 Negative social impacts in the supply chain and actions taken	P49-53
GRI 416: Customer Health and Safety	Management approach disclosures	Management Approach for Customer Health and Safety	P57,62
	Topic-specific disclosures	416-1 Assessment of the health and safety impacts of product and service categories	P57
		416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	P58
GRI 418: Customer Privacy	Management approach disclosures	Management approach for customer privacy	P67

Appendix III: SASB Content Index

Table 1: Sustainability disclosure topics and accounting metrics

Topic	Accounting metric	Category	Unit of measure	Index
Product Safety	Number of recalls issued and total units recalled	Quantitative	Number of cases or units	P58
	Discussion of process to identify and manage safety risks associated with the use of its products	Discussion and Analysis	Not Applicable	P57
	Total amount of monetary losses as a result of legal proceedings associated with product safety	Quantitative	Reporting currency	P58
Product Lifecycle Environmental Impacts	Percentage of eligible products by revenue certified to the ENERGY STAR	Quantitative	Percentage of revenue	N/A
	Percentage of eligible products certified to an Association of Home Appliance Manufacturers (AHAM) sustainability standard	Quantitative	Percentage of revenue	N/A
	Description of efforts to manage products end-of-life impacts	Discussion and Analysis	Not Applicable	P26

Table 2: Activity metrics

Activity metric	Category	Unit of measure	Index
Annual productions	Quantitative	Number of units	N/A

Appendix IV: ESG Awards

Social responsibility honor/ESG honor

The Fifth Golden Hong Kong Stock Award: Best Large Consumer and Service Company: On 6 January, 2021, Haier Smart Home (06690) were awarded as "Best Large Consumer and Service Company" of the "The Fifth Golden Hong Kong Stock Award", co-organized by China's leading Hong Kong and US stock information platforms, Zhitong Finance and RoyalFlush Finance, with full support from professional live financial roadshow platform of "Roadshowing".

"Theme Award" from BDO ESG Awards 2021: On 26 February 2021, Haier Electronics won the "Theme Award" of the BDO ESG Awards 2021 granted by BDO Limited.

Leadership Honor

The World's 50 Most Influential Management Thinkers: On November 17, 2021, Zhang Ruimin, the founder and honorary chairman of Board of Haier Group, won the top 50 most influential management thinkers in the world once again.

2021 China's 50 Most Influential Business Leaders: On March 17, 2021, the Chinese version of *FORTUNE* released the ranking of "2021 China's 50 Most Influential Business Leaders" and Zhang Ruimin, the chairman of Board and CEO of Haier Group, was also on the list.

Brand Honor

2021 World's Most Admired Company: On February 1, 2022, *FORTUNE*, an American magazine, released its list of "2021 World's Most Admired Company", and Haier Smart Home was listed for the fourth time for its leadership, forward-looking, innovative and outstanding performance in ESG.

Euromonitor International Global First: According to Euromonitor International, the world's leading research firm, Haier has been the No. 1 global retailer of large home appliances for the 13th time in 2021, Haier is the No.1 Chinese household air conditioner brand in overseas market (outside mainland China) in 2021, which is also the 2nd time Haier air conditioner has been the No.1 in overseas sales. Haier is the world's No. 1 connected air conditioner (including intelligent air conditioners) brand, which is also Haier air conditioners for the 6th time in the global connected sales NO. 1. Haier is the world's No. 1 brand of healthy self-cleaning air conditioners, and this is the fourth time Haier air conditioners have been ranked No. 1 in global sales of healthy self-cleaning air conditioners.

2021 BrandZ™ Top 50 Globalised Chinese Brands: On May 10, 2021, Google, together with Kantar, released the "2020 BrandZ™ Top 50 Globalised Chinese Brands" online, of which Haier ranked eighth, steadily in the forefront of the industry.

Germany Red Dot Design Award: On March 30, 2021, the Germany Red Dot Design Award, known as the "Oscar Award for Global Industrial Design", officially released the winner list, and 5 products of Haier Smart Home were awarded, reflecting the continuous industry recognition of design innovation ability of Haier Smart Home and supporting the global leadership of Haier Smart Home.

Germany iF Design Award: On April 14, 2021, the Germany IF Design Award, known as the "Oscar Award for Product Design", officially released the list of winners, and Haier Smart Home's 7 refrigerator products were awarded, becoming a major winner of domestic home appliance brands and ranking first in the global industry.

The 22nd China Appearance Patent Gold Award: On May 10, 2021, the official website of the State Intellectual Property Office announced the review results of the 22nd China Patent Award, and Haier Smart Home won a gold medal for Chinese appearance design with "air conditioner cabinets".

The Science and Technology Improvement Award (Second Class): On July 18, 2021, the 2020 Science and Technology Award Ceremony of China's Federation of Light Industry held by the China's Federation of Light Industry was convened in Beijing, and the two leading technologies declared by Haier Refrigerator Industry won the "First Prize of Science and Technology Improvement Award" and the "Second Prize of Science and Technology Improvement Award" respectively.

Top 100 Science and Technology Enterprises of Light Industry in China: On July 20, 2021, the results of four lists, including the 2020 " Top 200 Enterprises of Light Industry in China" and "Top 100 Science and Technology Enterprises of Light Industry in China", were released. Among them, Haier Smart Home won the first place in the "Top 100 Science and Technology Enterprises of Light Industry in China", showing the advantages of the Company's ecological brand of lane changing scene.

Fortune 500 company: On August 2, 2021, Fortune announced its list of the world's top 500 companies for 2021. Haier Smart Home was again on the list, moving up another 30 places in the rankings.

China Household Electrical Appliance Industry Brand: On September 16, 2021, the "17th China Household Appliances Innovation Achievements Release Ceremony and the 2020-2021 China Household Appliances Industry Brand Evaluation Results Release" was successfully held in Beijing, and a number of technologies and products of Haier AI Intelligent Full Space were awarded, among which Haier AI Intelligent All Space Fresh Preservation Refrigerator became the only award-winning product in the industry.

Scientific and Technological Advancement Award from the Federation of Light Industry: On September 24, 2021, two technologies of Qingdao Haier Washing Machine Co., Ltd., a subsidiary of Haier Smart Home, won the first and third prizes of "Scientific and Technological Advancement of China Light Industry" issued by the Federation of China Light Industry. Two technologies of Qingdao Haier Air Conditioner Co., Ltd. won the second and third prizes of " Scientific and Technological Advancement of China Light Industry " issued by the Federation of China Light Industry.

Advanced Group of Light Industry for "Thirteenth Five-Year Plan" Science and Technology Innovation: On September 25, 2021, the National Light Industry Science and Technology Innovation and Industrial Development Conference was held in Beijing, at which advanced collective and advanced individuals of the "Thirteenth Five-Year Plan" Light Industry Science and Technology Innovation were commended, and Haier Smart Home Co., Ltd. won the Advanced Collective Award for "Thirteenth Five-Year Plan" Light Industry Science and Technology Innovation, which once again verified the scientific and technological strength of Haier Smart Home leading the industry.

First Class Achievement Award for Modernization and Innovation of China Light Industry Enterprise Management: On October 20, 2021, Haier Smart Home internet of food won the "2021 First Class Achievement Award for Modernization and Innovation of Light Industry Enterprise Management" issued by the China Light Industry Enterprise Management Association.

The Second Prize for "Quality and Technology Innovation": On November 15, 2021, Haier Smart Home's home appliance technology won the second prize of the Quality Technology Award of China Association for Quality.

Top 500 World Brands: On December 7, 2021, the 2021 (18th) annual ranking list of *Top 500 World Brands*, exclusively compiled by the World Brand Lab, was announced. Haier moved up to 37th, which is the 18th consecutive year that Haier has been selected as one of the world's top 500 brands, and it is also the fifth consecutive year that it has ranked among the top three brands in China.

2021 "GOLDEN CHOICE AWARDS": On December 22, 2021, Haier Smart Home won the special award for "Haier New Media Full-link User Operation" at the 7th China Smart Home Conference themed by "Technology Transition". Whole space freshness preservation and refrigerator technology, Haier refrigerator, Casarte refrigerator and Leader refrigerator were awarded the "GOLDEN CHOICE AWARDS", becoming the only brand with the most awards in the refrigerator industry. Casarte Conductor Series Air Conditioner, Thor II Sleep Air Conditioner, and Leader Rotor Earphone Air Conditioner were awarded the "GOLDEN CHOICE AWARDS".

Great Place to Work® Certification™: GEA received this certification in 2021 and was named to Achievers' list of the 50 Most Dynamic Workplaces for 2021.
Annual Smart Appliance Company: On January 13, 2022, GEA was named "Smart Appliance Company of the Year" by IoT Breakthrough. This is the fourth year that GEA Rianu has been awarded this prize.
WayUp Top 100 Internship Program List: For the third year in a row, GEA was named to the WayUp Top 100 Internship Program list.

Appendix V: ESG Evaluation

MSCI	BB	In 2021, Haier Smart Home was upgraded from B to BB in MSCI's ESG rating, ranking at a high level in China's home appliance industry
CDP DISCLOSURE INSIGHT ACTION	B	In 2021, Haier Smart Home officially responded to the Carbon Disclosure Project (CDP) for the first time, replying to climate change and water questionnaires, with a high rating in China's home appliance industry
SUSTAINALYTICS	Medium risk	In 2021, Haier Smart Home received a Medium rating in the Morningstar's Sustainalytics rating, which is at a high level in China's home appliance industry
Win.d	AA	In 2021, Haier Smart Home was listed on the Wind ESG rating A-share list and received an AA rating, ranking at a high level in China's home appliance industry

Appendix VI: Third-party evaluation of the China Household Electrical Appliances Association

Looking back in 2021, China's home appliance industry has demonstrated strong resilience under the complex external environment, the product structure has continued to upgrade, the highlights of emerging home appliances have frequently appeared, and the scale of the export market has hit a new high. Entering the "14th Five-Year Plan" period, a new round of scientific and technological revolution and industrial transformation have developed in depth, and new technologies have continuously promoted profound changes in the home appliance industry. At this time, the national strategy of "striving to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060" has also prompted home appliance companies to carry out green and low-carbon transformation in an all-round way, which has brought great challenges and opportunities to the industrial layout, service methods, technological innovation and other aspects of home appliance enterprises.

The epidemic and the complex and changing global trade environment have brought many uncertainties to economic development and impacted on the global industrial chain. As a leading enterprise in the home appliance industry, under the time of transformation, Haier Smart Home has always continued to improve its global competitiveness, innovation and influence, actively promoted brand expansion, created brand value, and driven development with innovation. From the industrial era to the Internet era, and then to the era of IoT, Haier Smart Home has also transformed from a traditional manufacturing enterprise to a win-win IoT community ecology, actively released an ecological brand strategy, and created an IoT ecosystem including the Internet of clothing and Internet of food, from providing users with competitive home appliances, iterating to providing users with smart home solutions or lifestyles, which is always keeping pace with the times.

In line with China's "dual carbon" strategy, on the premise of satisfying consumers' demand, on the one hand, home appliance industry would improve the green manufacturing system to achieve the whole process of energy conservation and carbon reduction; on the other, continuing innovating and expand the effective supply of green and low-carbon products to help the society reduce emissions. Haier Smart Home responded to national policies actively and carried out carbon reduction of product lifecycle which has played a leading role in green and low-carbon transformation of the industry. At the same time, Haier Smart Home practiced the national strategy, attached importance to the research and development and expansion of recyclable materials, and actively laid out the recycling industry, which strongly supported national "dual carbon" strategy.

In the future, the consumption of the home appliance industry will tend to be fashionable, intelligent, comfortable and healthy, and deeply integrated with new technologies such as 5G, AI, and big data. Achieving the overall improvement of management, efficiency and quality is the direction of the home appliance industry as well as one of the development goals of the "14th Five-Year Plan". We believe that Haier Smart Home, as a leading enterprise, will give full play to its corporate responsibility, build a global innovation system by combining its global resource advantages, invigorate the industrial development by enhancing the collaborative innovation of the industrial chain.

Haier has embarked on a new journey to forge ahead across obstacles day and night，and start again with high spirits. We look forward to seeing Haier Smart Home actively practice social responsibility, create sharing mechanism in synergy with the industrial chain, build a better life, achieve ecological leadership, and move towards to a "zero" carbon future.

Executive Chairman of China Household Electrical Appliances Association