Haier Casarte Leader AQUA

2023 Environmental, Social and Governance report

FISHER & PAYKEL GE APPLIANCES CANDY

ABOUT THIS REPORT

Background

This report aims to objectively and fairly present 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 2023. It is recommended that the content of enterprise governance should be read in conjunction with the section of Corporate Governance Report (H Share) or Corporate Governance (A Share) contained in the 2023 Annual Report of Haier Smart Home Co., Ltd. (hereinafter referred to as the "2023 Annual Report").

Reporting scope

This report covers the period from January 1 to December 31, 2023. Some contents exceed this period. We have defined the scope of the report in order to make report of all of the Company's principal businesses, including household food storage and cooking solutions (refrigeration and kitchen appliance industries), household laundry management solutions, air and energy solutions, and household water solutions, in alignment with the 2023 Annual Report and previous ESG reports. We will review the scope of the report regularly to ensure its coverage on the material impact of the Company's business portfolio.

Report compilation basis

This report is primarily prepared in accordance with Environmental, Social and Governance Reporting Guide in the Appendix C2 of Listing Rules of the Stock Exchange of Hong Kong Limited (hereinafter referred to as "Hong Kong Stock Exchange") (hereinafter referred to as ESG Reporting Guide), with reference to the GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative (GRI), the amendments of the Sustainability Accounting Standards (SASB Standards) issued by the International Sustainability Standards Board (ISSB), Standardized Operations - No. 1 Guideline on Self-Regulation of Listed Companies issued by the Shanghai Stock Exchange (hereinafter referred to as the SSE), the Guidelines on Preparation of Corporate Social Responsibility Reports of Chinese Enterprises 5.0 (CASS-ESG 5.0) 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 work 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 "Analysis of material topics" below.

Quantitative:

This report has followed ESG Reporting Guide with reference to applicable quantification standards and practices, adopted a quantitative approach in 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 sub-section headed "Our Goals" under the section of "Smart" Sustainability for Better "Home" Living.

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.

[1] The International Sustainability Standards Board (ISSB) merged with the Sustainability Accounting Standards Board (SASB) at its inception and completed the international applicability enhancement work for the SASB Standards at the end of 2023, published amendment of the SASB Standards.

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 accordingly.

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 2023 Annual Report. 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 electronic form, and is available on the Company's 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.

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CHAIRMAN'S LETTER TO SHAREHOLDERS

The pandemic might seem to be a thing of the past; however slowdown in the property sector took its toll on demand for appliances in China throughout last year. High interest rate and inflation weighed on sentiment as well as residential construction and remodelling activity in the US and Europe, resulting in more consumers postponing purchases of appliances. Haier Smart Home made resolute effort to implement premium brand strategy and accelerated digital transformation to deliver another year of unprecedented performance amid these challenges.

In 2023, Haier Smart Home achieved a global revenue of RMB261.428 billion, marking a year-on-year growth of 7.3%. Our net profit attributable to shareholders grew 12.8% to RMB16.597 billion; the net profit attributable to shareholders deducting non-recurring items under PRC GAAP amounted to RMB15.824 billion, a growth of 13.3% year-on-year.

Through the year, our entire management honoured their faith in the founding principle of "RenDanHeYi", as they went above and beyond to achieve quality growth with innovative product despite macro challenges. On the other hand, our organization has become leaner, more agile, and more efficient with growth in sales revenue and profitability. The management also became more aware of what paves ways towards profitable growth and greater return on investments is user-centric and profit-driven digitalization.

Haier Smart Home provides over 100 million units of home appliances in more than two hundred countries and regions in 2023 including major appliances, HVAC products, water heaters, and small appliances. Rather than chasing short-term gains, we prioritise sustainable growth through a relentless focus on stakeholder experiences — be it our distributors, suppliers, consumers, or employees.

In the domestic market, we nurture strong bonds with distribution partners, I also spend a great deal of time listening to our distributors who share our inspiration in building a more competitive ecosystem. We started to evaluate sales network using sell-through figures, to minimize inefficient short-term stock piling. In 2023, the Company generated a net cash flow of RMB25.262 billion from operating activities, a growth of 24.7% year-on-year, leveraging digital management system that improves turnovers and enhances transparency in rebate policies to enhance store performance.

This year, we have developed a logistics and inventory management system with suppliers, to make delivery schedules more predictable and our distributors' resource allocation more efficient. Leveraging on digital delivery and service dispatch systems, we minimised waiting time of logistics service providers, thus improving service and installation efficiency, all of which aim at elevating logistics and service experiences while reducing our selling and administrative expense ratios.

We are currently undertaking numerous initiatives on R&D, manufacturing and marketing integration and digitalised procurement management. We intend to replicate what we have learned from transforming domestic business to overseas operations soon. I believe our sustainable development will remain intact against macro downturn as long as we focus on improving experience and enhancing profitability, which should better position us in the competition when the market turns around.

Haier Smart Home continued to be named as the Most Admired Company by Fortune Magazine in 2023, and GE Appliances, our subsidiary in the US was once again recognised as the Great Place to Work. We strive to build a place that inspires young Gen Z to take pride in generating amazing value for our users without bureaucracy. At Haier Smart Home, employees are listened to, as we believe their satisfaction generates significant operational benefits.

Looking ahead to 2024, I have full confidence in Haier Smart Home's positioning and growth potential. Let's take a closer look at our businesses.

Strengthening leadership

We have over 40% domestic market share in refrigerators and washing machines. Future growth depends on product innovation. Our built-in refrigerators provide users with a whole new experience by seamlessly blending in with home décor, catalysing a surge in demand for product upgrades. Additionally, our washer-dryer combo disruptively solves users' pain points and leads the industry in the US. We have made some progress in

Europe and Southeast Asia, although we are yet to become one of the top three. Significant potential could be unlocked by leveraging on our global R&D platform with local supply chain.

Haier's dishwasher business is poised to accelerate with growing market penetration, which is only 4% in China. The complementary nature of dryers and washers has laid down solid foundation for the strong momentum to continue leveraging on our strengths in washing machines.

In the white goods category, Haier Smart Home has established a leading position with technological platform and innovative system. Starting from 2024, Haier will focus on breaking down organisational barriers and integrating our global planning platforms to introduce more competitive products and implement more efficient market strategy.

Gearing up

Another important pillar is HVAC and water heaters. Our residential and commercial air conditioning businesses currently rank among second-tier players in domestic market while water heaters have become domestic market leader with little overseas exposure. I believe substantial growth potential could be unlocked in these sectors.

In the home air conditioner business, in the past two years, we have been making efforts to address absence and shortage of components. By establishing a compressor joint venture and developing proprietary computer boards, we improved integration efficiency of R&D and manufacturing to increase profitability. We also accelerated MRV units and residential air conditioner business with expansions in distribution network.

In commercial air conditioners, we continue to draw inspirations from original technologies that are future-proof and pioneer the industry in high-efficiency magnetic levitation air conditioners. Moreover, we were the industry's first to adopt air suspension technology, which gives our systems a lifespan of 30 years with little maintenance required.

We run a highly profitable water appliance business with the largest share in both gas and electric water heater, and a steadily growing purifiers unit in China. Our next step is to expand into the global arena, particularly in emerging markets with investments committed in HVAC and water heater to grow market share and profitability.

Investing in Future

Our Company's strategic vision is to become the number one choice for smart home solutions. In the IoT era, Haier Smart Home is positioned to capitalise on the integration of smart home appliances and furnishing on one hand, and small appliances equipped with smart capabilities on the other hand. Our strategic approach entails providing integrated design solutions leveraging on San Yi Niao's platform, while promoting smart small appliances supported by brand, ecosystem, and technologies.

In 2023, we made the strategic decision to acquire the commercial refrigeration business of Carrier Global Corporation, who is also our joint venture partner in China. The food refrigeration and commercial cold chain sectors present opportunities that could be unlocked by technological advancement and digital transformation. Carrier's commercial refrigeration business has a strong customer base, established operational systems, leading engineering expertise, and experienced management team. Following the completion of the transaction, we will make further investment to grow cold chain business leveraging on supply chain advantages in China and Haier's 'RenDanHeYi' management approach.

Since Haier Smart Home's IPO, our dividend payout ratio has increased gradually as planned. In the financial year 2023, the cash dividend pay out ratio will reach 45.02%, and a total of RMB1.6 billion were used to buy back shares. Starting from financial year 2024, we will raise dividend payout continuously, and in for financial years 2025 and 2026, the cash dividend payout ratio will not be less than 50%.

What we achieved in 2023 was merely a beginning. Our board of directors is committed to enhancing consumer experience and improving profitability by consolidating existing advantages and unlocking new potentials while laying down foundations for long term development. The management and employees are confident that we could take the business to new heights.

STATEMENT OF THE BOARD

The Board of Directors is the highest responsible and decision-making body for ESG matters of Haier Smart Home, and it places great emphasis on the sustainable development of the company. The Board has a professional committee-Environmental, Social and Governance Committee, to assist the Board of Directors with ESG governance and information disclosure issues. Through regular meetings, special meetings, and other forms, it reports on significant ESG matters to the board periodically.

The Company regularly assesses, prioritizes and manages ESG issues (including risks and materiality to the Company's business), and the Board is responsible for reviewing the results of the assessment, identifying significant ESG risks to the company, clarifying ESG issues material to the Company's development, being aware of management actions taken and making recommendations. For details on the risk management and materiality assessment work, please refer to the section headed Corporate Governance Report (H Share) or Corporate Governance (A Share) of the 2023 Annual Report and the section headed "Stakeholder Communication" of this report.

The company has formulated an effective ESG strategy and continuously review and improve the company's ESG performance. The Board of Directors reviews the ESG strategy on a regular basis to verify and ensure its alignment with the Company's growth strategy. For more information on our ESG strategy, please refer to the section headed "ESG strategy framework". The ESG Executive Leadership Team, comprising senior executives from various departments, reports regularly to the ESG Committee on ESG issues within the Company. The Team is responsible for implementing the Company's ESG policy and reporting to and advising the ESG Committee.

The Company has established multi-dimensional ESG goals related to its business operations, ensuring a balance between ESG objectives and business targets. The Board has reviewed and discussed the establishment of these goals and regularly reviews the progress made towards achieving them. This year, we have made progress in stages for each ESG work target as planned.

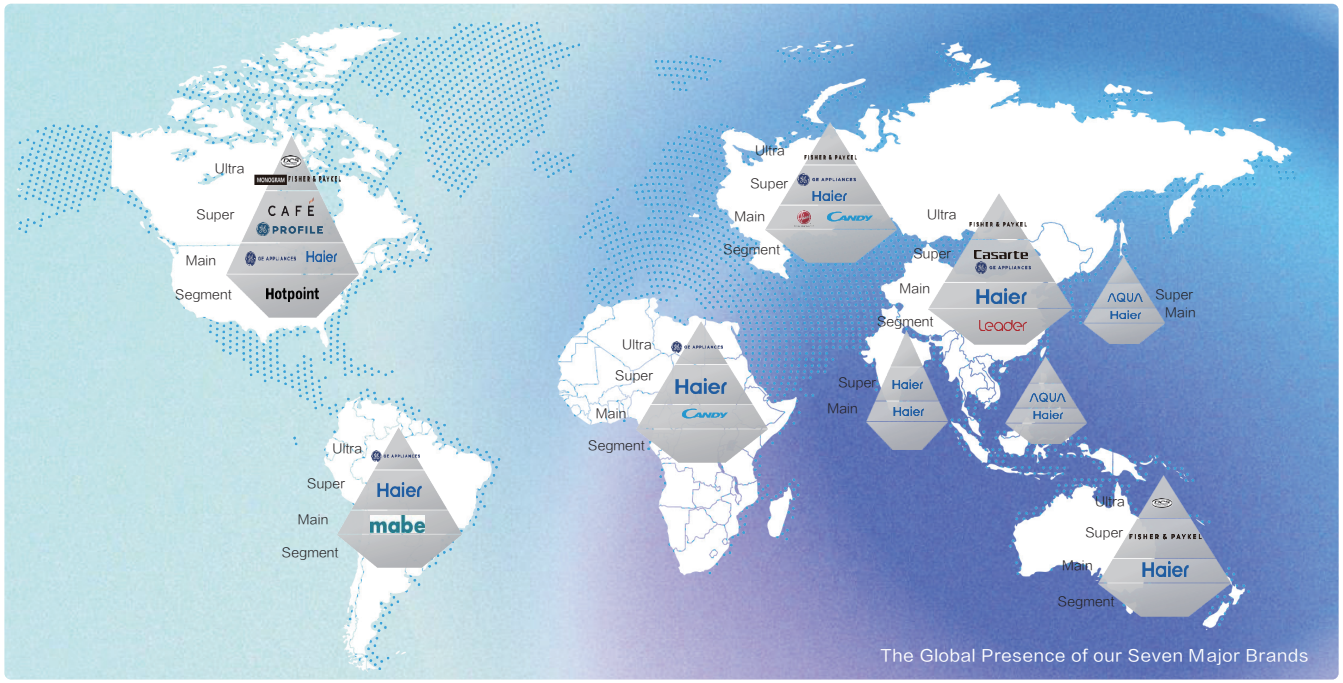
This year, the board of directors has continued to closely monitor the latest ESG regulatory requirements and trend changes both domestically and internationally. It has been noted that IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures officially came into effect on January 1, 2024. HKEX published a consultation on enhancing climate-related disclosures as part of its ESG framework, which is planned to be officially effective on January 1, 2025. The European Union's Corporate Sustainable Reporting Directive (“CSRD”) officially came into effect on January 5, 2023, and introduced 12 European Sustainability Reporting Standards (ESRS). In response to regulatory requirements and to enhance ESG performance, our company's board of directors has actively carried out preparatory work, including organizing relevant general training, conducting discussions and research, and formulating response work plans.

The above ESG matters have been fully disclosed in this report, which was reviewed and approved by the Board on March 27, 2024.

About Haier Smart Home

Our Company's predecessor, Qingdao Refrigerator Factory, was founded in 1984, with headquarters located in Qingdao, China. It was officially renamed as Haier Smart Home Co., Ltd in June 2019. As a global ecosystem brand, we specialize in providing smart home solutions to enhance the quality of life of users worldwide. Our main focus is on the R&D, production, and sales of smart home appliances and scenario-based solutions, including refrigerators, washing machines, air conditioners, water heaters, kitchen appliances, and small home appliances. With a diverse portfolio of products, brands, and solutions, we aim to create a comprehensive smart home experience tailored to the unique needs of our users.

Haier Smart Home was listed on the Shanghai Stock Exchange in 1993 (stock code: 600690.SH) as one of the earliest listed companies in China. The Company was subsequently listed on the Frankfurt Stock Exchange (stock code: 690D.DF) in 2018, and the Hong Kong Stock Exchange (stock code: 06690.HK) in 2020, thereby establishing an "A+D+H" global capital market presence.



The Company owns a global cluster of home appliance brands, including Haier, Casarte, Leader, GE Appliances, Candy, Fisher & Paykel (hereinafter referred to as "FPA") and AQUA. According to research data from Euromonitor International, a leading global market research firm, as of 2023, the retail sales volume of Haier brand refrigerators and washing machines have ranked No.1 among global major appliance brands for 16 and 15 consecutive years, respectively. Leveraging our expertise across all home appliance categories and product suite solutions, the Company utilizes interconnected smart home appliances, partner resources, the Haier Smart Home APP, SANYINIAO APP, and Haier Smart Home Experiential Cloud platform, along with offline experiential centers and specialty stores, to deliver smart home solutions for users in various living scenarios, with ongoing innovations and upgrades.

Corporate Strategy

"There are no inherently successful companies; only those that align with the spirit of the times." Haier Smart Home is embracing the wave of the Internet of Things (IoT) era, and aims to become a user-centric digitalized enterprise, pioneering as the world's first IoT smart home ecosystem brand. Since 2019, the Company has entered our sixth strategic phase - Ecosystem Branding, transitioning from being a leader in the global major appliance industry to becoming a global pioneer in high-end brands, scenario brands, and ecosystem brands in the IoT era.

As our premiumization and globalization strategy continue to advance, Haier Smart Home's brand influence has been steadily increasing. We have become a prominent household appliance brand and ranked among the top 500 brands in the world. From 2020 to 2023, Haier Smart Home has consistently been recognized as the "World's Most Admired Company" by Fortune, showcasing our ongoing leadership in the IoT ecosystem. In this era of "Internet of Everything", Haier's ecosystem brand will bring increasingly better living experiences to users worldwide.

From company philosophy to organizational structure, and from top-level design to implementation, Haier Smart Home regards ESG as a vital component of our corporate strategy. For over a decade, we have consistently published ESG Reports (previously known as "Social Responsibility Report" prior to 2021), remaining at the forefront of ESG practices by advancing sustainable governance, exploring a green and low-carbon future, fostering diversity and integration, pioneering smart experiences, and driving industry prosperity.

01

Stage of the famous brand strategy

1984-1991

Broke ground with the creation of China's very first refrigerator brand.

02

Stage of the diversification strategy

1991-1998

Emerged as China's leading home appliance brand, revitalized through Haier's corporate ethos.

03

Stage of the internationalization strategy

1998-2005

Transformed into a globally recognized brand, an epitome of Chinese brands venturing into the global stage.

04

Stage of the global brand strategy

2005-2012

Acquired Sanyo Appliances and Fisher & Paykel to form the world's largest cluster of home appliance brands.

05

Stage of the networking stratergy

2012-2019

Positioned as a key player in the digital sphere, fostering a transition from product manufacturing to cultivating innovators.

06

Stage of the ecosystem brand strategy

2019-

Evolved from traditional product branding to platform branding in the internet age, and now into ecosystem branding in the IoT era.

ESG Strategy Framework

Since joining the United Nations Global Compact (UNGC), we have closely integrated our ESG strategy with the practice of the United Nations 2030 Sustainable Development Goals (UN SDGs), committing to uphold the Ten Principles of the Global Compact grounded on United Nations Conventions, and continuously achieving ESG leadership.

For Haier Smart Home, ESG serves as an important guide in achieving high-quality and sustainable development. In 2023, the Company further enhanced our ESG strategy framework based on our business characteristics and industry context. We established five key pillars and future actions, using them as a roadmap to actively engage in sustainable development. Aligned with the core pillars of our ESG strategy, we have formulated ESG targets for 2022-2024 and are taking proactive steps to facilitate their achievement. Details of the targets and progress can be found in the introductory pages of subsequent sections.

ESG Strategy Action Directions

Fostering Integrity in Governance through Global Collaboration

Strengthening corporate governance capabilities, improving ESG management standards, and promoting sustainable development of enterprises.

- Corporate governance
- ESG Governance
- Anti-corruption, anti-money laundering, and anti-unfair competition
- Risk management
- Information disclosure
- Information security
- Stakeholder communications

Leading with Innovation for Delightful Smart Home Experiences

Centering on user experience, consistently improving product and service quality, leading the way in product innovation.

- Product quality and safety
- Intellectual property protection
- Customer service
- User privacy protection

Safeguarding Our Planet Towards a Green,Low-Carbon Future

Supporting the state's "dual carbon" strategy, advancing eco-friendly innovation across the entire lifecycle of products, and enhancing energy management.

- Climate change adaptation
- Emissions and electronic waste
- Raw materials and packaging
- Energy usage
- Water resources
- Circular Economy

Forging Partnerships to Advance Industries and Improve Society

Dedicated to creating social value, actively practicing social responsibility, refining supply chain risk management, and spearheading sustainable development of the industry chain.

- Supply chain and procurement responsibility
- Philanthropy and Charity Efforts

Empowering Collaborative Growth through 'RenDanHeYi'

Cultivating a diverse and inclusive workplace, collaborating with our employees to create shared value.

- Human resources management
- Employee development
- Occupational health and safety
- Diversity, Equality, and Inclusivity

ESG Performance Highlights

Fostering Integrity in Governance through Global Collaboration

Board Governance

Proportion of female directors on the Board: **22.2%**

Proportion of independent directors on the Board: **44.4%**

Business Ethics

Conducted **258** anti-corruption and anti-fraud training sessions

Issued **12** editions of compliance e-newsletters

Average anti-corruption training hours per employee exceeded **2** hours

100% coverage of anti-corruption and anti-fraud awareness training for employees

Distributed integrity reminders to **100%** of suppliers

Information Security and Privacy Protection

Total duration of information security training courses exceeded **30** hours

Achieved **ISO/IEC 27001**, **ISO/IEC 27701**, and **ISO/IEC 27018** certifications for information security

Safeguarding Our Planet Towards a Green, Low-Carbon Future

Responding to Climate Change

Conducted carbon audits at **43** complete machine factories in China's operating regions

7 lighthouse factories, with **1** factory recognized as a global "sustainable lighthouse factory"

100% of factories in China's operating regions have received ISO14001 environmental management system certification

Circular Economy

Recycled **6.74** million units of used home appliances

Recycling operations covered **25** provinces / autonomous regions / municipalities and **377** prefecture-level cities and counties across China.

Empowering Collaborative Growth through ‘RenDanHeYi’

Employees’ Rights

100% labor union coverage

100% signing rate of “Special Collective Contracts for Female Workers”

Zero incidents of illegal employment practices

Talent Attraction

Employees from **50** countries worldwide

Attracted a total of **1,104** external technology talents

Over **1,000** employee activities organized by the labor union

100% resolution rate for employee complaints

Employee Development

100% coverage of employee training

Average of **71** training hours per employee

Employee Health and Safety

Conducted **779** emergency drills at factories with a total of **13,500** participants

Conducted **725** emergency drills at industrial parks with a total of **7,991** participants

a total of **65,000** participants in Safety Production Month activities

Completed **14,000** medical examinations for workers engaged in hazardous occupations

Leading with Innovation for Delightful Smart Home Experiences

Product Quality and Safety

All factories in our domestic operating areas are certified with ISO 9001 quality management system

0% product recall rate

Quality Service

100% complaint resolution rate and 100% resolution satisfaction rate

Conducted online and offline training to enhance service quality, **3 million** service personnel participated

Intellectual Property Management

Filed over **100,000** patent applications, including over **68,000** invention patents and over **17,000** overseas invention patents

Received a total of **12** national patent gold awards

Granted a total of **8,607** patents during the reporting period, including **3,969** invention patents

Currently hold a total of **46,335** patents, including **20,180** invention patents

Forging Partnerships to Advance Industries and Improve Society

Supply Chain Management

1,266 suppliers obtained ISO 9000 certification, **787** received ISO 14000 certification, and **319** obtained QC 080000 certification.

100% signing rate of “Supplier Integrity Reminder Letter”

Conducted conflict minerals surveys with **1,317** suppliers

Conducted carbon peaking and carbon neutrality surveys with over **200** suppliers

Conducted social responsibility audits with **354** suppliers, representing **92%** of total procurement value over three years.

100% of supply chain factories achieved ISO 14001 environmental management system certification.

Community Investment

Cumulative investment of RMB **134** million in Project Hope

Assisted in building a total of **386** Hope Schools

Annual charity donations exceeded RMB **6.8** million

"Smart" Sustainability for Better "Home" Living

Haier Smart Home integrates green and sustainable environmental concepts into the Company's businesses, extending from individual products to scenario-based solutions and future industry positioning, thereby enhancing the sustainability of our business operations. We continue to drive technology and product innovation, and develop eco-friendly products to promote sustainable consumer habits. Emphasizing the development of green solutions, we focus on the R&D and application of smart building services. We also align with industry trends by venturing into the elderly care sector, introducing a new smart home care model, while spreading a green and quality lifestyle to consumers.

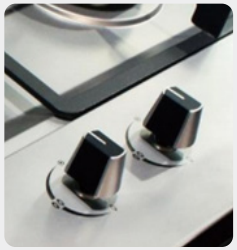
Advancing Innovation in Eco-friendly Products

Decarbonization and zero-carbon technology innovation have become the key driving force for sustainable development. In addition to ensuring product quality and enhancing user experience, Haier Smart Home follows the green consumption trend, and prioritizes low-carbon environmental protection as a key direction of product innovation. From product design and development to manufacturing and recycling, we pursue sustainability in the following four areas:

Common Modules

The utilization of common platforms enables core component compatibility, leading to resource savings on R&D as well as experimentation. By incorporating standardized modules, we reduce the number of components produced, hence avoiding waste and cutting down on environmental pollution from waste disposal.

Our European-style front-load washing machine platform now shares components with the rear panel



The number of kitchen appliance knob modules decreased from 19 to 17, leading to lower resource consumption

Efficiency Improvement

We drive technological innovation to boost product efficiency and achieve energy savings. For example, Casarte's Twin Tower Soft Air series air conditioners leverage patented jet air technology to accelerate cooling speed by 25% without increasing electricity consumption.

The patented jet air technology of air conditioners

The air conditioner's inner frame is made with recycled materials

Products Packaging

Our product packaging utilizes eco-friendly materials to reduce paper usage. For instance, the use of transparent packaging can cut down paper usage by 80% per packaging box.

Product packaging adopts a transparent design

Material Use

The use of biodegradable, safe and non-hazardous materials promote waste reuse and reduce the use of chemical raw materials. For example, our refrigerator's water kettle cap is made from recycled wheat straw material, and our air conditioner's inner frame is crafted using recyclable and reusable plastic materials. In 2023, our washing machine bases and the non-visible components of our air conditioner frames replaced the use of new materials with PCR (Post-Consumer Recycled Material)[2].

In 2023, we focused on developing smart, low-carbon scenario-based products. We launched innovative green products for refrigerators, water purifiers, washing machines, and water heaters to foster environmental sustainability.

[2] Refers to recycled material processed from used plastic.

Refrigerator Product Line: Haier Boguan 660 Series

The product applies original magnetic control chilling technology, extending the storage period of fresh meat from 1 day to more than 10 days. This reduces the reliance on freezing for household food storage, effectively improving refrigerator energy efficiency, and achieving energy savings and emission reduction.

Haier Boguan 660 Series extends the storage period of food ingredients

Washing Machine Product Line: Essence washing machine

The product features an innovative 3D shower feed system and incorporates variable speed distribution rinsing technology, resulting in a 38% reduction in water consumption and a 29% decrease in electricity usage. At the same time, the product effectively dissolves detergents, hence minimizing environmental impact through reduced wastewater discharge. The product’s "Essence Direct Spray" technology has won the industry's first "Green Laundry Certification".

Haier essence washing machine

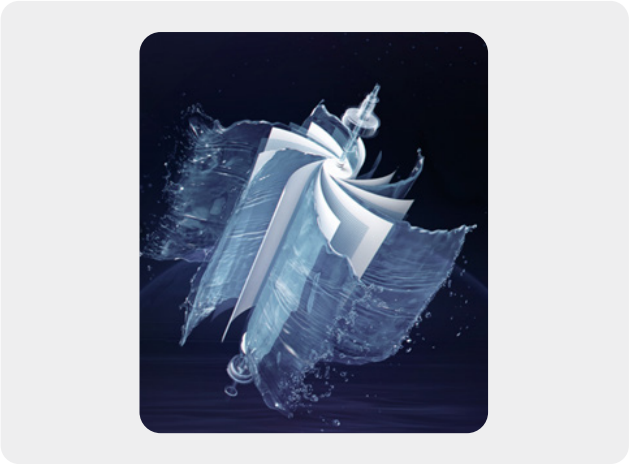
Water Heater Product Line: KLN product series

This product series utilizes waste heat recovery to recycle heat energy and prevent energy wastage. Equipped with an AI system, it intelligently calculates the most efficient combustion path, resulting in a yearly saving of 136 cubic meters of natural gas. Additionally, it incorporates a zero cold water preheating feature, conserving 500 liters of water annually.

KLN product series

Water Purification Product Line: Casarte mineral water purifier

The product uses Reverse Osmosis (RO) membranes to increase water purification efficiency, extend product lifespan, and minimize material wastage. It also features a smart display screen for real-time monitoring of water consumption, effectively enhancing water usage efficiency. The product's outer shell is made of recyclable plastic with a built-in filter cartridge, saving over 20% on packaging materials.



Casarte mineral water purifier with RO membrane design

Air Conditioner Product Line: Airwash product series

The innovative design of this product series features variable manifold technology. During cooling, the heat exchanger flow paths are reduced and refrigerant flow paths are lengthened, increasing up to 8% in cooling capacity. During heating, the heat exchanger flow paths are increased and refrigerant flow paths are shortened, thus reducing pressure loss, leading to a 20% increase in refrigerant flow rate, 16% more uniform heat exchange, and a potential 10% increase in heating capacity while saving up to 12% in energy consumption.

The Airwash product series

The Company's overseas subsidiaries, such as GE Appliances, FPA, and Candy, have strongly focused on the concept of low-carbon environmental protection and implemented energy-saving measures across all product categories. They have actively invested in personnel, tools, and processes to develop new energy-saving technologies, ensuring their products achieve industry-leading levels of eco-friendliness. In particular, GE Appliances has promoted the use of refrigerants with low Global Warming Potential (GWP) in its air conditioner product line to minimize environmental impact. FPA has introduced high-efficiency, low-carbon water heaters, refrigerators, washing machines, and dishwashers, enhancing product performance while saving energy. Candy's dishwashers, washing machines, and tumble dryers manufactured in Europe have all received the EU Ecolabel certification.

Advancing Green Solutions

In line with the national "dual-carbon" strategy and the mission of the era, Haier Smart Home aims to achieve low-carbon operation throughout the entire building lifecycle. We have developed and launched smart building solutions to accelerate the progress of building decarbonization and energy efficiency. Our smart building business is committed to providing users with smart, low-carbon solutions and services across all spaces, scenarios, and stages.

Leveraging the Haier Building Digital Intelligence Platform as the foundation and the Building Brain as the core, along with efficient HVAC equipment, smart building brains, and multi-energy solutions, we offer users smart control and low-carbon energy solutions that integrate multiple energy sources. This approach realizes the transition from smart buildings to green buildings, leading to energy efficiency and carbon reduction. Using artificial intelligence for smart control, our solutions enable linked operations of various building equipment and the free flow of data. For instance, at the Suzhou Sci-Tech Eco-Park, our solution reduced construction costs by 15%, decreased maintenance personnel by 15%, and cut energy consumption by 40%.

Suzhou Sci-Tech Eco-Park Adopts Smart Building Solutions

Suzhou Sci-Tech Eco-Park has adopted Haier Smart Home's smart building solutions to reduce energy consumption by 32% and increase property management efficiency by 50%. This was accomplished through features such as environmental smart control management and efficient HVAC plant rooms, which effectively promoted the Park's green and low-carbon development.

Venturing into The Elderly Care Industry

Haier Smart Home is actively contributing to the national "Smart Elderly Care" initiative by prioritizing innovations in safety, health, personalization, and user-centric design. Our goal is to enhance user convenience and deliver a health-conscious product experience tailored to elderly users.

The Company has continued to pursue R&D in elderly-friendly home appliances and launched a range of flagship products that cater to the needs of elderly users. These include the Care Series washing machines with large fonts and oversized buttons, gas stoves with automatic flame-out protection to prevent overheating, and the Casarte Galaxy air conditioner that can analyze elderly's sleep patterns through smart pillows.

In the coming years, Haier will further advance digital transformation in the elderly care sector, enabling seniors to fully enjoy the convenience and comfort that advanced technology brings to their household living.

Fostering Integrity in Governance through Global Collaboration

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Haier Smart Home consistently upholds our core values of integrity, governance, and transparency. By adopting high standards of corporate governance, we strengthen internal controls, foster integrity within our ecosystem, safeguard network and information security, and ensure stable and sustainable operations of the company.

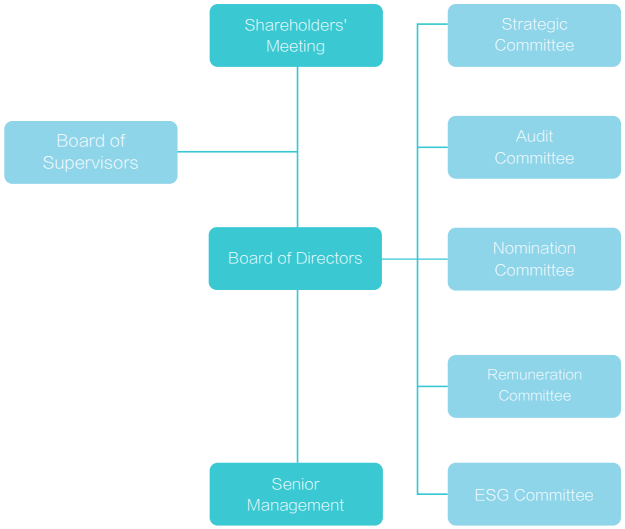
Our goals

- **Major issues responded to:** Board governance, ESG governance, risk management, information security and privacy protection, advertising compliance, business ethics.
- **HKEX's ESG Indicators responded to:** B6 Product Responsibility, B7 Anti-Corruption
- **UN SDGs addressed:**

1-3 Year Goals (2022-2024)	Progress in 2023
To continuously increase board independence and diversity	Proportion of Independent Directors 44%; Proportion of Female Directors 22.2%
Business Ethics	
To establish an internal control unit that combines professional and technical expertise, as well as an anti-fraud framework that integrates professionalism with audit capabilities.	Progress continued in building an 1+1 internal control unit that combines professional and technical expertise; developed a preventive monitoring system, clear red-line funnel mechanisms and investigation protocols; fostering a culture of anti-corruption where all staff are held accountable.
To implement a visualized anti-fraud complaint reporting system with regular review and analysis of complaints and reporting situations.	Upgraded the anti-fraud complaint reporting system to provide a comprehensive visualization of the reporting, investigation, accountability, and recovery processes, and integrated with risk management to develop a risk map.
To enhance anti-corruption training and expand online training courses and content.	Organized 258 sessions of offline training on anti-corruption and anti-fraud ethics, published 12 compliance e-newsletters, shared relevant regulations and cases through subscription channels. Average duration of anti-corruption training exceeded 2 hours per participant.
Network Information and Security	
To establish a vulnerability management platform, a security monitoring and incident management platform, and an industrial control information security management platform.	Implemented a vulnerability management platform to ensure timely resolution of security vulnerabilities; established a data security management platform for data classification and encryption of sensitive information; developed an industrial control platform and continued to set up industrial control systems in all factories.
To enhance IoT security management system and establish an IoT security testing center.	Continuously enhanced the IoT security management system, with cloud security management covering the R&D and operational processes of the IoT cloud platform.
To obtain more privacy management certifications including ISO 27001, ISO 27701, and ISO 27018.	The Company obtained ISO 27001, ISO 27701, and ISO 27018 certifications; our e-commerce platform received Level 3 information security certification; our subsidiary company Qingdao Haier Technology Co., Ltd. obtained the TÜV Rheinland privacy protection certification and the DSMC certification.

Enhancing Corporate Governance

The Company has established a well-ordered governance structure in accordance with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as well as other relevant regulations in the jurisdictions where the Company's stock is listed. This structure ensures clear delineation of rights and responsibilities, establishes a system of checks and balances, thereby ensuring effective and compliant corporate governance.

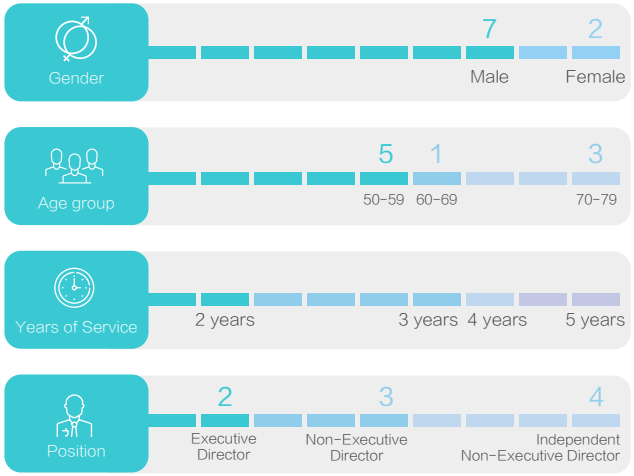


Governance structure

The Board of Directors

Diversity

Haier Smart Home established and strictly implemented Diversity Policy for Board Members to make sure that selection of candidates for the Company's Board of Directors is based on a variety of indicators, including but not limited to gender, age, culture, education background, industry experience, professional skills, knowledge, length of service and other relevant factors. The Nomination Committee is responsible for reviewing the effectiveness and implementation of the Board's diversity policy and conducting regular diversity assessments each year.



Board Composition and Diversity

The Company holds elections for the Board of Directors every three years. The current board comprises 9 members, including 2 executive directors, 3 non-executive directors, and 4 independent directors. Independent directors represent 44.4% of the Board, with 2 female directors accounting for 22.2%. Board members bring a wealth of knowledge and experience in sectors such as home appliances, IoT, corporate governance, global markets, financial management, and risk control. This diversified expertise allows for well-informed decision-making to drive the Company's sustainable growth. Further details on the specialized skills of the Board members can be found in the Corporate Governance Report (H-share) or Corporate Governance (A-share) section of the Company's 2023 Annual Report. The average tenure of Board members is 2.86 years.

Independence

The Company currently has 4 independent directors with professional expertise in industry, accounting, and risk management. The qualifications, independence requirements, nomination, election, and replacement procedures for independent directors, as well as their duties and ways of service, are specified in the Company's Articles of Association and our Independent Director Policy to enhance their independence. The chairs of the Company's Nomination Committee, Remuneration Committee and Audit Committee are held by independent directors. The number of independent directors in the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee accounts for more than 50%.

Salary Clawback Mechanisms

The Company has put in place compensation clawback mechanisms, bonus repayment policies, and long-term equity incentives in specific projects. Performance reviews and assessments are conducted on team members and management according to project progress, motivating them to enhance effectiveness in their respective roles.

Incentive Mechanisms

Haier Smart Home has established a comprehensive compensation and incentive system for senior management. Their compensation consists of a monthly salary and value-added sharing, subject to yearly performance evaluations which are crucial in determining performance bonuses and career development. These evaluations are based on performance metrics such as strategic commitment, market competitiveness, growth in micro enterprises, platform leadership, and ecosystem accomplishments. They are designed to assist senior management in proactively implementing the Company's strategy and attaining higher market objectives. Additionally, we have incorporated sustainable development performance into the assessment system for ESG task force members to promote the integration of ESG initiatives with company operations.

ESG Governance Structure

Having a robust ESG governance is crucial for ensuring stable business operations, handling unexpected crises, and seizing growth opportunities. The Company has established an ESG governance structure that spans across global operations, comprising governance, management and execution levels, with the Board of Directors serving as the highest decision-making body. Under the Board, an ESG Committee is tasked with overseeing all ESG matters and fulfilling related ESG governance responsibilities. Detailed information on the composition, roles, and meeting protocols of the committee can be found in the "Implementation Rules of the Environment, Social and Governance Committee of the Board of Directors of Haier Smart Home Co., Ltd.". The ESG Committee has set up the ESG Executive Office and Task Forces for the operational aspects of ESG efforts.

ESG Executive Office

Comprised of departments such as Securities, Strategy, R&D, Internal Control, HR, Legal, and Energy, responsible for managing ESG initiatives and providing regular updates to the ESG Committee.

ESG Executive Task Forces

ESG Executive Task Forces comprise top management across various ESG functions and business segments to drive effective ESG initiatives and provide regular progress updates. In particular, our overseas subsidiary companies, GE Appliances, FPA, Candy, and our Indian subsidiary, have established sustainable development management structures to advance ESG activities in accordance with applicable laws and regulations. This includes setting ESG working goals, directions, and plans, monitoring and reviewing ESG commitments and related matters, producing annual ESG reports, and promoting a culture of sustainable development and sharing best practices within the organization.

Stakeholder Communication

Haier Smart Home prioritizes communication and engagement with stakeholders. The Company has established channels for information disclosure and communication, including our official website, Weibo, WeChat Official Account, as well as announcements disclosed on the official websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange, Frankfurt Stock Exchange, and other media platforms.

Major stakeholders	Regulatory agencies and government departments	Shareholders and investors	Employees	Users	Suppliers and distributors	Media	Non-governmental organizations and the public
ESG Issues	• Product quality and safety • Business ethics • Community investment • Climate change adaptation • Circular economy • Carbon emissions • Energy usage • Water resource management	• Board governance • Risk management • ESG governance • Product quality and safety • Product and technology innovation • Business ethics	• Employees rights • Diversity, inclusion and equal opportunities • Talent attraction • Employee health and safety • Employee development	• Product quality and safety • Product and technology innovation • Green products • E-waste recycling and utilization • Circular economy • High-quality services • Information security and privacy protection • Advertising compliance	• Supply chain management • Product quality and safety • Business ethics • Circular economy • Conflict minerals • Intellectual property management	• Carbon Emissions / Employee rights • Supply chain management • Product quality and safety • Climate change adaptation • Green products	• Emissions • Community investment • Green products • E-waste recycling and utilization Conflict minerals
Key Communication Channels	• Policy consultation • Incident reporting • Information disclosure	• Shareholders' meetings • Investor meetings • Report disclosures • Official website	• Employee representative meetings • Face-to-face communication • Phone and email • Internal application software	• Real-time communication software • Social media • Customer service channels	• Meetings • On-site research • Trade shows • Real-time communication software	• Press conferences and networking events • Social media • Official website • Site visits • Interviews	• Site visits • Meetings • Charity events • Social media

Major stakeholders	Regulatory agencies and government departments	Shareholders and investors	Employees	Users	Suppliers and distributors	Media	Non-governmental organizations and the public
Examples of 2023 Initiatives	The Company proposed solutions to relevant government departments, including the Ministry of Commerce, regarding home appliance trade-ins and improvements to the appliance recycling system in the Chinese market.	In 2023, the Company organized roadshows, performance briefings, and online communication sessions to engage with investors on multiple levels and formats. We also responded promptly to investor inquiries through face-to-face meetings, emails, phone calls, and faxes. Throughout 2023, we conducted a total of 162 investor communication sessions.	In 2023, the Company initiated a "Company-wide Cultural Dialogue" campaign, with employees contributing over 23,400 posts and engaging in over 87,600 discussions. We proactively addressed employee feedback, resolving issues to enhance employee well-being and achieving a feedback closure rate of over 88%.	In 2023, the Company continued to deliver high-quality products and services to enhance user experience.	In 2023, the Company hosted a conference for suppliers and distributors to foster a collaborative ecosystem with our partners.	In 2023, the Company actively participated in the ESG Summit Forum to share the ESG strategy of the Company and green products, green manufacturing and green industry practices.	In 2023, the Company delivered questionare about material topics to non-governmental organizations, to get information about the ESG topics which they concerned most.

Analysis of Substantive Issues

In 2023, Haier Smart Home conducted an analysis of substantive issues to identify the most pressing concerns of stakeholders. These issues have been identified as key priorities for the Company's future sustainable development efforts in response to stakeholder demands.

Selection of Issues

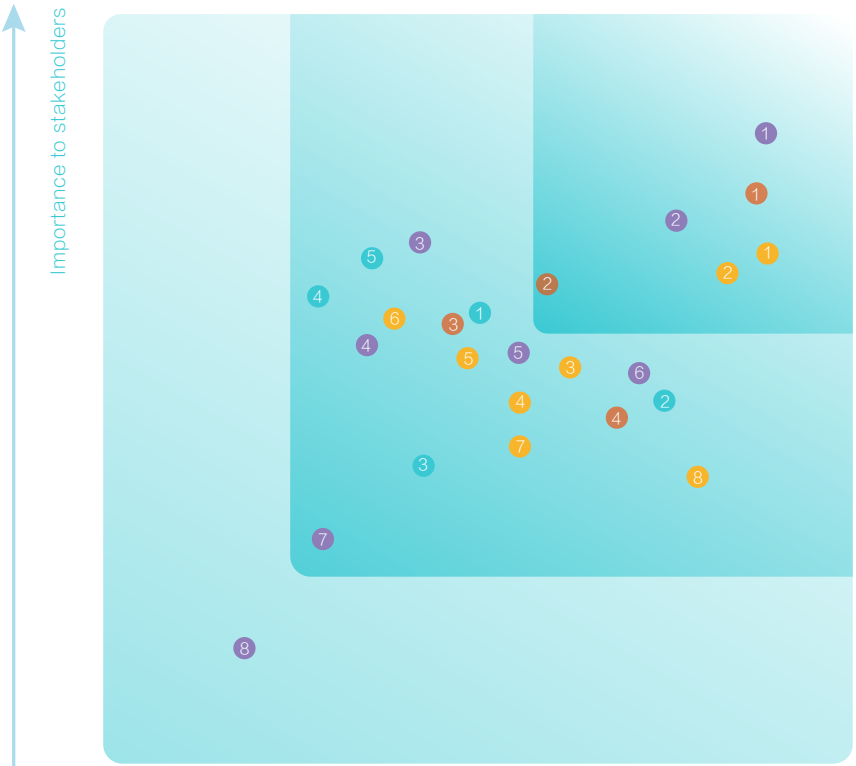
Based on criteria including regulatory policies at both domestic and international levels, the Company's growth strategy, potential risks and challenges, industry trends, as well as peer and social concerns, we have identified 25 material issues.

Survey on Issues

We developed a questionnaire on substantive issues and distributed it through online channels to engage both internal and external stakeholders, including customers, government departments, suppliers, employees, media, and non-governmental organizations, to gather insights through a survey.

Analysis of Issues

Based on the survey results, we have developed a matrix to analyze the substantive issues and ranked them according to the dimensions of "importance to Haier Smart Home" and "importance to stakeholders".



Haier Smart Home 2023 Material Topic Matrix

1 Product and technology innovation
2 Carbon emission
3 Business ethics
4 Conflicts minerals

1 Energy usage
2 Climate change adaptation
3 ESG governance
4 Risk management
5 High-quality service

1 E-waste recycling and utilization
2 Green products
3 Supply chain management
4 Employee development
5 Employee health and safety
6 Information security and privacy protection
7 Water resource usage
8 Diversity, inclusion and equal opportunities

1 Product quality and safety
2 Employee rights
3 Board governance
4 Board governance
5 Intellectual property management
6 Circular economy
7 Advertising compliance
8 Community investment

Strengthening Internal Risk Control Measures

To enhance risk management in business development, Haier Smart Home has established and continually improves our risk management and internal control system, with clearly defined roles and responsibilities for our Board of Directors, Audit Committee, Board of Supervisors, and management within the internal control mechanism. Our practice aligns with industry guidelines including the "Guidelines on Internal Control for Listed Companies" from the Shanghai Stock Exchange, the "Basic Standard on Internal Control for Enterprises and Supplementary Guidelines on Internal Control for Enterprises" jointly issued by five ministries including the Ministry of Finance, as well as the "Code on Corporate Governance" from the Hong Kong Stock Exchange. During the year, we conducted risk assessments on internal controls and risk responses across various business scenarios and established a risk map. With a focus on high-risk areas, we devised specific action plans and conducted special audits. Additionally, we have been progressively incorporating ESG risk management into our comprehensive risk management framework and formulating corresponding control measures.

For more information on internal controls and risk management, please refer to the Company's 2023 Annual Report.

Operating in Compliance and Integrity

Haier Smart Home is committed to conducting business operations in accordance with the highest standards of commercial ethics, strictly adhering to the laws and regulations of the People's Republic of China, including the Supervision Law, Anti-Unfair Competition Law, Anti-Money Laundering Law, and Anti-Monopoly Law, as well as complying with the legal requirements of each overseas operating jurisdiction. The Company has formulated and rigorously enforces a set of regulations globally, including the "Haier Code of Business Conduct", "Anti-Corruption Charter", "Antitrust Compliance Manual", "Code of Conduct for Haier Employees", and "Supplier Blacklist Management System". The Board of Directors is responsible for reviewing and overseeing the Company's policies and measures related to compliance with laws and regulations.

Haier Smart Home has established a framework for business ethics and compliance management. The Board of Directors is responsible for overseeing, managing, and providing guidance on all matters related to business ethics, including the implementation of relevant policies and measures. The Company has set up an Anti-Fraud Committee, comprising personnel from internal control, legal affairs, and various business lines, to actively promote the establishment and enforcement of systems related to business ethics, such as anti-corruption and anti-money laundering. Regular risk assessments on business ethics are conducted, with reports provided to the Board of Directors and Audit Committee for supervision.

In 2023, the Company continued to enhance risk management through a coordinated approach of internal control, audits, and anti-fraud measures. Leveraging digital tools such as big data cloud monitoring systems, we conducted proactive risk assessments to promptly identify, prevent, and address corruption, bribery, fraud, and money laundering risks across all levels of our factories, businesses, and platforms on a daily, weekly, monthly, and quarterly basis. We perform regular internal evaluations of all business lines annually and every three years, auditing key positions and management processes related to business ethics standards such as procurement, finance, and inventory management. This includes exit audits and special anti-corruption audits. Findings from investigations and recommendations are reported accordingly.

The Company has mandated personnel in key positions to sign the “Integrity Commitment Statement” quarterly, and entered into “Integrity Agreements” with our suppliers. We have established a channel for disclosing conflict of interest, allowing employees to voluntarily report any employment ties between their relatives and the Company or our business partners to mitigate potential corruption risks. In 2023, we advanced to having all employees sign the "Self-Declaration of Conflict of Interest", urging strict adherence to compliance standards.

In 2023, the Company concluded 1 litigation case related to anti-corruption and anti-fraud, resulting in 4 individuals receiving prison sentences ranging from 1 to 3 years along with fines.

Anti-Unfair Competition

Antitrust compliance is a key focus of Haier Smart Home's commitment to ethical business practices. We have developed the “Antitrust Compliance Manual” to clearly outline domestic and international antitrust legal requirements across all operational regions. Additionally, we have established a Global Antitrust Compliance Team to regularly review and enhance antitrust compliance systems in each of our operating regions, identify compliance risks through business practices, strengthen approval processes in risk scenarios, and share antitrust insights at global legal summits. We regularly conduct internal due diligence on business lines to review and standardize the use of various documents to avoid potential monopoly risks. In 2023, we conducted antitrust compliance training to share insights on the revised Anti-Monopoly Law, focusing on new provisions related to operator concentration declarations, case studies, and key compliance risks.

Compliant Advertising and Promotions

The Company strictly adheres to advertising laws and regulations in our global operations, ensuring compliant marketing practices, eliminating false advertising, and resisting any unethical practices that restrict market competition. In 2023, we continued to comply with the Advertising Law of the People's Republic of China, Measures for the Administration of Internet Advertisements and Guidelines for the Enforcement of Absolute Terms in Advertisements. We developed the "Advertising Compliance Manual" and "Online Marketing Material Review and Advertising Compliance Tool Guidelines" to promote compliance through established protocols. Additionally, we have integrated compliance reminders for business promotion, advertising, and logo usage into our daily operations. During this year, we conducted special training sessions on advertising compliance to promote and explain the scope and themes of the Advertising Law, potential risks in promotions, and the use of digital tools.

Whistleblower Protection

In order to foster a transparent and fair culture of integrity, the Company has established the "Haier Smart Home Ecosystem Whistleblower Management Code" and "Whistleblowing Reward Mechanism", with coverage in our overseas operating regions. Various channels including the iHaier platform, reporting mailbox, and compliance hotline (NAVEX Global) have been put in place to receive reports of violations of business ethics from internal and external personnel as well as partners (including all employees, suppliers, and contractors). Upon receiving a report, the Company's internal control and internal audit department will conduct initial screening and investigation, with any identified illegal or non-compliant activities promptly referred to the appropriate authorities for further action. In 2023, the Company promoted our complaint reporting channels at both headquarters and overseas regions, while actively extending the reach of these channels internationally.

To encourage whistleblowers and protect their privacy, the Company is committed to taking all reasonable measures to safeguard their identities. Whistleblowers will be treated fairly in accordance with relevant protocols to shield them from retaliatory actions. Our compliance hotline is independently operated by a third-party provider, ensuring confidential access for whistleblowers with secure passwords and no personal data retention. Whistleblower reports are promptly forwarded to our risk management and internal audit teams via email. The iHaier platform and reporting mailbox are managed by designated personnel who uphold strict confidentiality standards. In cases where disclosure of whistleblower identities is necessary for investigation or legal compliance, the Company will strictly limit the scope of disclosure. In 2023, we enhanced our complaint and whistleblower platform in compliance with the new Whistleblower Protection Directive in Europe.

Promotion and Training

We have established a diverse anti-corruption and compliance training system that combines on-site training, online courses, and electronic publications. Training includes professional development (internationally accredited or nationally certified) and business scenario-based training. Each quarter, we organize training sessions for all employees (including all permanent, part-time, and dispatched staff), featuring educational videos and other training activities. We conduct anti-corruption training through newsletters for directors and management, covering both domestic and international anti-corruption trends, Haier Smart Home anti-corruption identification, and compliance initiatives. Additionally, we provide training for investigators to enhance their ability to carry out anti-fraud work.

In 2023, the Company organized 258 offline training sessions on anti-corruption, anti-fraud, and other business ethics topics. We published 12 issues of compliance e-journals, covering topics such as antitrust and ChatGPT. Additionally, regulations and case studies were shared through the Haier Smart Home Legal Affairs subscription channel. Specialized anti-fraud training was offered in our overseas operations, and sharing sessions on anti-corruption were arranged in our Middle East and Africa operating regions, focusing on interpreting anti-corruption compliance systems, common risk scenarios, and third-party corruption risks.

In this year, Haier Smart Home achieved a 100% coverage for employee business ethics training, with an average anti-corruption training duration exceeding 2 hours per person.

coverage for employee business ethics training

100%

anti-corruption training duration exceeding

2 hours

channels for fraud-related leads and issues

iHaier Reporting Channel: Fraud 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

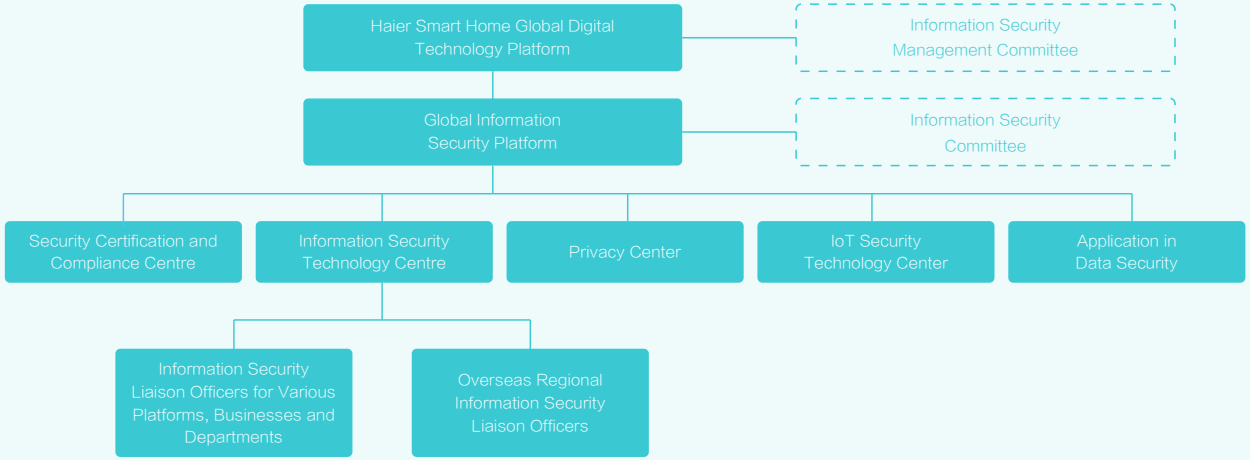
Prioritizing Cybersecurity and Information Security

We prioritize data and privacy security with a robust information security management system and organizational structure. We continuously enhance our information security technology to maintain security standards across all areas.

Enhancing Security Mechanisms

Haier Smart Home strictly adheres to China's Network Security Law, the European Union's General Data Protection Regulation (GDPR), and other information security laws and regulations applicable in the regions where we operate worldwide. This commitment is reflected in our establishment of various policies and procedures, such as the "Haier Smart Home Global Information Security Policy", "Data Security Management Protocol", and "Personal Information Protection and Management Regulations". These initiatives collectively form Haier Smart Home's robust information security management system, which is consistently implemented across all of our global operation sites.

Haier Smart Home has established a global organizational structure for information security management, which includes three levels: Information Security Management Committee, Information Security Management Department, and information security liaison officers across various platforms, businesses, and departments. The responsibilities of each level are clearly defined. The Information Security Management Committee, made up of general managers from Haier Smart Home's domestic operations, GE Appliances, FPA, and Candy, is responsible for reviewing information security strategies and resource allocation. Regular security meetings are held every two months by the domestic information security team and overseas information security liaison officers to discuss topics such as IoT security, phishing email drills and prevention, and regional information security planning.



Organizational Structure for Information Security Management

Information Security Certifications and Audits

The Company continues to strengthen our information security management system by establishing comprehensive privacy compliance and data security management systems and protocols. Haier Smart Home has obtained ISO27001 and ISO27701 certifications, while Qingdao Haier Technology Co., Ltd. has received the TÜV Rheinland Privacy Protection Certification and DSMC Certification, meeting the requirements of the European GDPR for privacy protection and data security. The Haier Smart Home e-commerce system has also achieved Level 3 certification for information security protection. Meanwhile, we have been improving our IoT cloud security management system and received ISO27018 certification, which covers the development and operation of Haier Smart Home's IoT cloud platform.

We conduct regular audits and assessments of information security to ensure comprehensive supervision of the Company's information security and data protection. In 2023, the Company conducted two information security audits on a half-yearly basis, focusing on areas such as application security and public cloud information security. Through interviews, evidence collection, and penetration testing, we evaluated data security, permissions, and other factors to identify issues and create corrective action plans. All issues identified in this year's information security audits have been successfully rectified as scheduled.

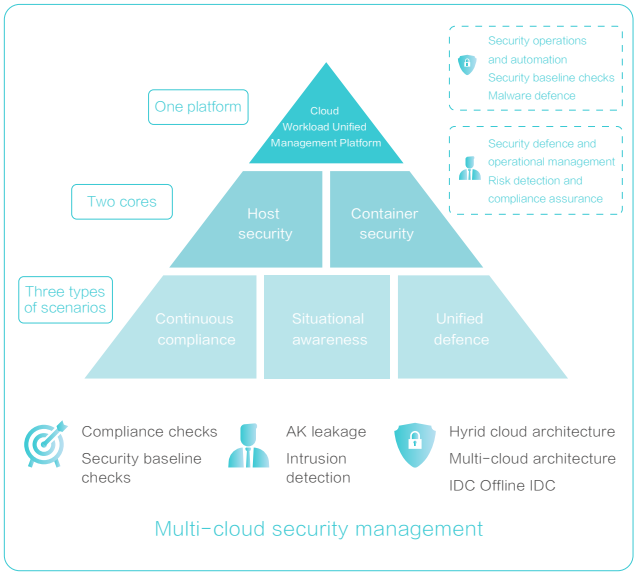
Multi-layered Information Security Protection System

We have established a comprehensive information security protection system, effectively identifying and managing information security risks. Haier Smart Home has had no negative incidents related to information security this year.

Multi-cloud Security Management

The Company has established a cloud security center that integrates continuous monitoring, advanced defense, comprehensive analysis, and rapid response capabilities. This center effectively detects and stops risks such as virus outbreaks, hacker attacks, and ransomware incidents, achieving an integrated and automated security operation cycle to safeguard network equipment in multi-cloud environments. It enables swift responses to hacker penetrations, cyberattacks, and phishing incidents, generating security threat intelligence to inform security decision-making.

In 2023, we continued to enhance our overseas public cloud security infrastructure capabilities, completing research, testing, and deployment of overseas regional firewalls, and strengthened the application and monitoring of risk identification systems to upgrade protective capabilities.



Awareness Building and Training Drills

Haier Smart Home continues to conduct training and awareness building on information security and privacy protection. Each quarter, we deliver information security-related online courses on Content Security and Data Security to all employees via the V-STUDY platform. Monthly, we publish educational infographics through our information security official account, along with

weekly awareness building articles covering topics such as internet security and office safety. In 2023, we provided specialized training on data security and privacy compliance to thousands of key personnel in information security roles. We also organized safety awareness online training sessions for overseas staff in information security positions to boost their awareness of information security.

This year, Haier Smart Home's information security training courses totaled over 30 hours.

We regularly administer company-wide security awareness drills using a phishing email simulation platform that we have established to simulate external attacks. This allows us to assess employees' defense capabilities against common attacks and enhance overall vigilance. Throughout the year, we conduct phishing email tests for all employees, organizing monthly training sessions and exams for those who do not pass. We work with external third parties to conduct attack-defense exercises on our entire network and business operations, and address any issues identified.

Information security training courses totaled over

30 hours

Vulnerability Management

The Company follows the "Haier Smart Home Vulnerability Management Standard" for managing vulnerabilities. We have established a security vulnerability response process and conduct routine penetration testing to assess the security of our network systems through simulating malicious attacks. Regular vulnerability scans are performed on all business operations and servers, with prompt resolution of any identified vulnerabilities. In 2023, we completed penetration testing and vulnerability scans on nearly a hundred application systems, covering all key online applications and new Haier Smart Home ventures. Immediate actions were taken to address any vulnerabilities discovered to prevent system damage and sensitive data breaches.

Our overseas subsidiary companies such as GE Appliances, FPA, and Candy also continue to advance their network and information security management. GE Appliances conducts regular vulnerability assessments, emergency drills, as well as monthly training and phishing drills for all employees. FPA enhances its network and information security management through measures such as vulnerability assessments, network intrusion detection and response, and network event simulations. Candy implements automated management of high-risk users and continues to facilitate network and information security meetings for business departments, resulting in a 40% reduction in malicious software clicks during this year.

Emergency Response Plan

To enhance our ability to respond to unexpected events, we have established emergency response plans and mechanisms, such as the "Haier Smart Home Ransomware Emergency Response Protocol". In the event of a cybersecurity risk or data breach, we will take immediate remedial action and follow up promptly to minimize losses and impacts. In 2023, we conducted a ransomware emergency drill to validate the effectiveness and appropriateness of our response procedures. Additionally, we strengthened our Virtual Private Cloud (VPC) security boundary and application-layer protection, resulting in zero emergency risk incidents throughout the year and achieving a threat response rate of over 95% within 1 hour, ensuring the secure and stable operation of our cloud-based businesses.

Our Future Plans

We will continue to enhance corporate governance, improve internal controls, foster a culture of integrity, uphold information and network security, and strengthen communication with stakeholders to continuously enhance corporate value and achieve sustainable governance.

Safeguarding Our Planet Towards a Green, Low-carbon Future

02

Low-carbon development and circular economy have become a global consensus. In order to better protect our shared home, Haier Smart Home actively responds to the national "dual-carbon" strategy, integrating low-carbon and green circulation concepts into every aspect of our business operations, exploring ways to reduce emissions across our entire value chain. We are actively building a circular economy ecosystem, addressing climate change, and fulfilling our corporate environmental responsibilities. We are committed to collaborating with our eco-partners, embarking on a greener, more mutually beneficial, and sustainable future.

Our goals

- **Material Topics addressed:** carbon emissions, energy usage, water resource management, e-waste recycling and utilization, green products, circular economy, climate change adaptation.
- **HKEX's ESG Indicators addressed:** A1 Emissions, A2 Use of Resources, A4 Climate Change, B6 Product Responsibility
- **UN SDGs addressed:**

1-3 Year Goals (2022-2024)	Progress in 2023
Domestic Manufacturing Environmental Goals	
To reduce greenhouse gas emissions (Scope 1 and Scope 2) per RMB 10,000 of output by 3% in 2023 compared to the baseline year of 2022, while maintaining growth in output value.	Completed
To reduce energy consumption per RMB 10,000 of output by 3% in 2023 compared to the baseline year of 2022, while maintaining growth in output value.	Completed
To reduce water consumption per RMB 10,000 of output by 3% in 2023 compared to the baseline year of 2022, while maintaining growth in output value.	Completed
To reduce the amount of non-hazardous waste disposal per unit of product by 3% in 2023 compared to the baseline year of 2022.	Completed
To reduce the amount of hazardous waste disposal per RMB 10,000 of output by 3% in 2023 compared to the baseline year of 2022, and ensure 100% compliant disposal practices, while maintaining growth in output value.	Completed
Recycling practices	
Our recycling practices to achieve a recycling volume of 6.6 million units and reuse 20,000 tons of plastic in 2023.	Our recycling practices achieved a recycling volume of 6.74 million units and reused 20,092 tons of plastic. New goal for 2024: our recycling practices to achieve a recycling volume of 7.6 million units.
Candy	
By 2025, 100% of factories will be certified with ISO 50001 and ISO 14001.	66% of factories are now certified.
By 2030, our waste recycling rate will reach 99%.	Our waste recycling rate has reached 96%.
By 2025, renewable energy will account for 60% of our total energy consumption.	Our solar power generation capacity has reached 8.5 megawatts.
By 2025, our water recycling rate will reach 70%.	Our water recycling rate has reached 40%.

Sustainable Practices Throughout the Product Lifecycle

To achieve green and low-carbon benefits, we actively collaborate with upstream and downstream partners across the industry chain, from raw material suppliers to logistics providers, from consumers to recycling facilities. Together, we explore carbon reduction practices throughout the entire product lifecycle, including R&D and raw materials, production, packaging and transportation, as well as recycling and reuse.

Reducing Carbon in R&D and Raw Materials

Our carbon inventory has revealed that the usage stage of our products is a significant source of the Company's overall carbon emissions[3]. In order to reduce carbon emissions across the product lifecycle, we are enhancing design for carbon reduction, expediting the development of low-carbon products, and continuously improving product energy efficiency, reducing resource consumption, and lowering emissions through innovative structural design, production processes, and material selection.

We prefer to use materials that are recyclable, renewable, lightweight, or have less impact on the environment as our product raw materials and continually increase the proportion of such materials. For instance, in regions like the United States and New Zealand, we are gradually replacing foam and plastic with fibers and biodegradable materials to reduce environmental impact. To optimize the use of raw materials, we regularly engage in discussions with suppliers on new designs, materials, and processes to jointly develop R&D solutions for energy saving and carbon reduction, including the use of alternative materials and lightweight design.

In 2023, leveraging our core technological capabilities in various production lines and driven by user needs, the Company has focused on upgrading product materials and spearheading innovation in eco-friendly home appliance technology.For more information on the applications of green and low-carbon technologies, please refer toSpecial feature: "Smart" Sustainability for Better "Home" Living.

Haier air conditioner has been awarded the SGS Carbon Neutrality Certificate

Haier air conditioners pioneer variable shunt technology to promote carbon reduction

Haier air conditioner introduces an innovative variable shunt technology, transforming the heat exchanger design to allow for flexible adjustment of cooling and heating flow paths. This advancement results in an annual reduction of over 458 kWh in electricity consumption and a decrease of 261 kg in carbon dioxide emissions per air conditioner unit, equivalent to planting approximately 20 trees. In 2023, Haier air conditioner was honored with the SGS[4] Carbon Neutrality Certification at the "Green Technology and Low-Carbon Living" Air Conditioner Industry Development Forum and Variable Shunt Technology Launch Event.

Decreased annual power consumption per air conditioner unit by **458** kWh

Reduced Carbon Dioxide emissions by **261** kg

[3] The carbon emissions encompass all greenhouse gas emissions included in the Greenhouse Gas Protocol.

[4] SGS is a global leader in inspection, verification, testing, and certification services.

Reducing Carbon in Production Processes

The Company has focused on reducing carbon emissions as a key initiative, forging a green manufacturing system across our global operations. Through ongoing efforts to optimize energy mix, enhance resource efficiency, strengthen emission management and disposal, we uphold environmental responsibility and reduce carbon emissions during product manufacturing. In 2023, all Haier Smart Home's supply chain factories within our domestic operation have achieved ISO 14001 environmental management system certification, a coverage of 100%. The Company owns seven lighthouse factories and one sustainable lighthouse factory, achieving an annual carbon emissions reduction of 70,600 tons.

Energy Management

We comply with the Energy Conservation Law of the People's Republic of China and all relevant laws and regulations in the regions where we operate worldwide. We have established an Energy Management Manual, continuously improving our energy management system, and leveraging automation and information technology to centrally manage resource consumption of our factories. Prioritizing clean production, clean energy utilization, and energy efficiency enhancements, we continue to upgrade energy-saving and emission-reduction technologies, optimize energy mix, and boost energy efficiency across product lines to foster green and clean production. In 2023, we carried forward 131 key energy-saving and emission-reduction projects in five main areas:

Photovoltaic Generation

We continued to increase the usage of renewable energy sources, such as photovoltaic, by purchasing 13.561 million kWh of green electricity annually; and installing photovoltaic generation units on the rooftops of our factories with a capacity of 75.56 megawatts, achieving an annual electricity generation of 55.05 million kWh.

Residual Heat Recovery

We implemented an electric curing oven residual heat recovery project, which recycled residual heat to preheat boilers, provide domestic hot water, and for heating purposes, effectively minimizing heat waste.

Equipment Upgrade

We replaced old, high-carbon emitting equipment with modern, high-efficiency alternatives that consume less energy, such as replacing cooling towers with chillers to improve energy conservation and efficiency.

Process Improvement

Our R&D efforts adopted a range of new technologies and processes, including upgrading our degreasing and powder coating exhaust treatment facility from the physical treatment methods of activated carbon adsorption, UV photolysis, and electrostatic oil removal to a RTO heat recovery oxidation process; and upgrading the air conditioning exhaust treatment facility from using the absorption method of filter materials, activated carbon, and UV photolysis, to a new process involving a cyclone tower, fume purifier, dry filter box, and catalytic combustion.

Reclaimed Water Recycling

The Company has improved the reuse of wastewater and recycled water to achieve water resource circulation, ultimately enhancing water resource efficiency.

Case Study: Jiaonan Washing Machine Cooling Tower Upgrade

In the production process of Jiaonan Washing Machine, cooling water was originally supplied by an external cooling tower that drove two water pumps, with each motor consuming 15 kilowatts of power, operating 24 hours a day resulted in significant energy wastage. In 2023, Jiaonan Washing Machine replaced the cooling tower with a chiller, enabling on-demand operation and saving electricity consumption of 207,400 kWh annually.

Case Study: Zhengzhou Air Conditioner Wastewater Treatment Plant Implemented Water Reuse System

In 2023, Zhengzhou Air Conditioner upgraded its on-site wastewater treatment plant by installing a reclaimed water reuse system. The treated wastewater is recycled through the system for purposes such as landscaping irrigation and toilet flushing, resulting in an annual water savings of 48,031 tons.

The resource consumption in the Company's manufacturing processes in 2023 is outlined below:

Indicators[1]	Data in 2023
Total Comprehensive Energy Consumption[2] (MWh)	1,419,593.68
Direct Energy Consumption (MWh)	107,097.98
Indirect Energy Consumption (MWh)	1,312,495.70
Comprehensive Energy Consumption per RMB10,000 of Output (kWh/RMB 10,000)	54.30
Total Water Consumption[3] (tons)	5,822,924.96
Water Consumption per RMB10,000 of Output (tons/RMB 10,000)	0.22
Total Packaging Material Consumption (tons)	513,068.95
Packaging Material Consumption per RMB10,000 of Output (tons/RMB 10,000)	0.02

Notes:

1. The data includes factories in Haier Smart Home's operating regions in China that commenced production in 2023, as well as selected factories in overseas operating regions. Overseas operating region factories include some of the facilities in North America, Europe, South Asia, and Southeast Asia.
2. The comprehensive energy consumption is calculated based on the consumption of purchased electricity, purchased steam, natural gas, liquefied petroleum gas, and diesel, using China's national standard conversion factors in the General Rules for Calculation of Comprehensive Energy Consumption (GB/T 2589-2020), and the conversion factors in the national electricity industry statistics published by China's National Energy Administration.
3. The Company's water consumption is entirely sourced from municipal water supply.

Emissions Management

Haier Smart Home is committed to strict adherence to China's Environmental Protection Law, Law on Prevention and Control of Water Pollution, Law on Prevention and Control of Air pollution, Law on Prevention and Control of Environmental Pollution Caused by Solid Waste, as well as other relevant laws and regulations in regions where we operate globally. We continuously enhance our environmental management system by clarifying pollutant control and treatment procedures, promoting waste reduction and technology upgrades, thereby reducing the emissions of wastewater, exhaust gases, hazardous waste, and non-hazardous waste. The Company ensures that all pollutant emissions meet local environmental standards, while pursuing waste and emission reduction and undertaking regular supervisory inspections. In 2023, we introduced patrol robots and evaluated 657 environmental risk points of the Company to identify and address potential issues, and monitor corrective actions.

evaluated
657
environmental risk points

Wastewater Management

We separate production and domestic wastewater, upgrade our wastewater discharge facilities, and establish standardized discharge outlets to ensure proper treatment and compliant discharge of wastewater. Our wastewater is monitored in real-time by our online automatic monitoring system, with data integrated into the Haier Smart Energy System for 24/7 alerts. In 2023, we enhanced the processes in our wastewater treatment facilities to improve treatment efficiency and reduce discharge. We also implemented a reclaimed water reuse system at the wastewater treatment plant for recycling treated wastewater.

Waste Gas Management

We have implemented an online monitoring system for waste gas emissions and installed VOC (Volatile Organic Compounds) waste gas treatment facilities to prevent direct discharge of untreated waste gas. Weekly maintenance and inspections of exhaust ducts are carried out to ensure proper operation of emission facilities, along with annual waste gas testing by third parties to ensure compliance with safety standards. In 2023, we upgraded our waste gas treatment facilities to enhance treatment efficiency and reduce pollutant emissions. Furthermore, we have installed a smart vehicle exhaust monitoring access control system to monitor emissions from vehicles and mobile machinery entering and exiting the plants, allowing for effective monitoring of pollutant emissions and appropriate control measures.

Non-hazardous Waste Management

Utilizing a digital platform with full data traceability and visibility to manage waste resources, we reuse non-hazardous waste with potential value to boost waste recycling rates. Any remaining non-hazardous waste is handled by third-party companies, such as municipal agencies, to ensure compliant disposal and value-added recycling. In 2023, the Company established an internal control alert platform and continuously optimized systems for enhancing the cost-effectiveness and value creation of non-hazardous waste management.

Hazardous Waste Management

We have developed a hazardous waste management protocol to oversee the entire process of hazardous waste generation, storage, and transfer, ensuring standardized handling procedures. Hazardous waste storage warehouses have been established in each facility, with disposal managed by third-party companies specializing in safe disposal. In 2023, we implemented a smart hazardous waste management system and smart terminals to enable comprehensive smart monitoring of processes such as inventory, transfer, and weighing of hazardous waste, thereby improving overall traceability and control efficiency. We have also upgraded our soldering techniques with the introduction of nitrogen protection to reduce hazardous waste generation.

The emissions generated by the Company's productions and operations in 2023 are outlined below:

Indicators[1]	Data in 2023
Total Wastewater Discharge[2] (tons)	2,807,073.95
Total Hazardous Waste Discharge (tons)	6,674.54
Hazardous Waste Discharge per RMB10,000 of Output (kg/RMB10,000)	0.26
Total Non-hazardous Waste Treated (tons)	108,457.06
Non-hazardous Waste Discharge per Unit Product (kg/unit)	0.36
Total Greenhouse Gas Emissions[3,4] (tons of CO2 equivalent)	650,677.13
Scope 1 Greenhouse Gas Emissions[5] (tons of CO2 equivalent)	139,931.21
Scope 2 Greenhouse Gas Emissions[5] (tons of CO2 equivalent)	510,745.92
Greenhouse Gas Emissions per RMB10,000 of Output (kg of CO2 equivalent/RMB10,000)	24.89

Notes:

1.The data includes factories in Haier Smart Home's operating regions in China that commenced production in 2023, as well as selected factories in overseas operating regions. Overseas operating region factories include some of the facilities in North America, Europe, South Asia, and Southeast Asia.

2.Wastewater primarily consists of production wastewater from various industrial parks.

3.Based on the business nature of Haier Smart Home, our main source of gas emissions is greenhouse gases, generated by the use of fossil fuels and fossil fuel-based power and steam.

4.The Company's greenhouse gas includes carbon dioxide, methane, and nitrous oxide primarily from purchased electricity, purchased steam, and fossil fuels. Greenhouse gas accounting is reported in carbon dioxide equivalents, following the carbon accounting coefficients set by the National Development and Reform Commission of the People's Republic of China, the 2019 Refinement to the United Nations IPCC Guidelines for National Greenhouse Gas Inventories, and the International Financial Institutions (IFI) Dataset of Default Grid Factors v.3.1.

5.Scope 1 greenhouse gases are greenhouse gas emissions directly generated from natural gas, liquefied petroleum gas and diesel consumed by the Company. Scope 2 greenhouse gases are greenhouse gas emissions from the consumption of purchased electricity and purchased steam.

Reducing Carbon in Packaging and Transportation

We prioritize the use of biodegradable or recyclable green packaging materials, minimizing the amount of packaging, while exploring eco-friendly packaging technologies through material and technological innovation.

Transparent Packaging Technology

We manufacture eco-friendly recycled pellets by blending them with new materials in a specific ratio, and produce eco-friendly heat shrinkable film to achieve eco-friendly packaging.

Recycled EPS (Expanded Polystyrene) Pellets

In response to the issue of plastic pollution, we have developed recycled EPS pellets containing 30% or more regenerated material. This material offers high flexibility and a wide range of applications, making it suitable for packaging home appliances such as washing machines.

Candy

Candy has adopted the use of eco-friendly Eco-brown boxes for the packaging of Hoover's electronic products, thereby reducing the use of plastic packaging.

FPA

FPA has developed and implemented the Sustainable Packaging Design Guidelines to promote the design of low-carbon, sustainable packaging.

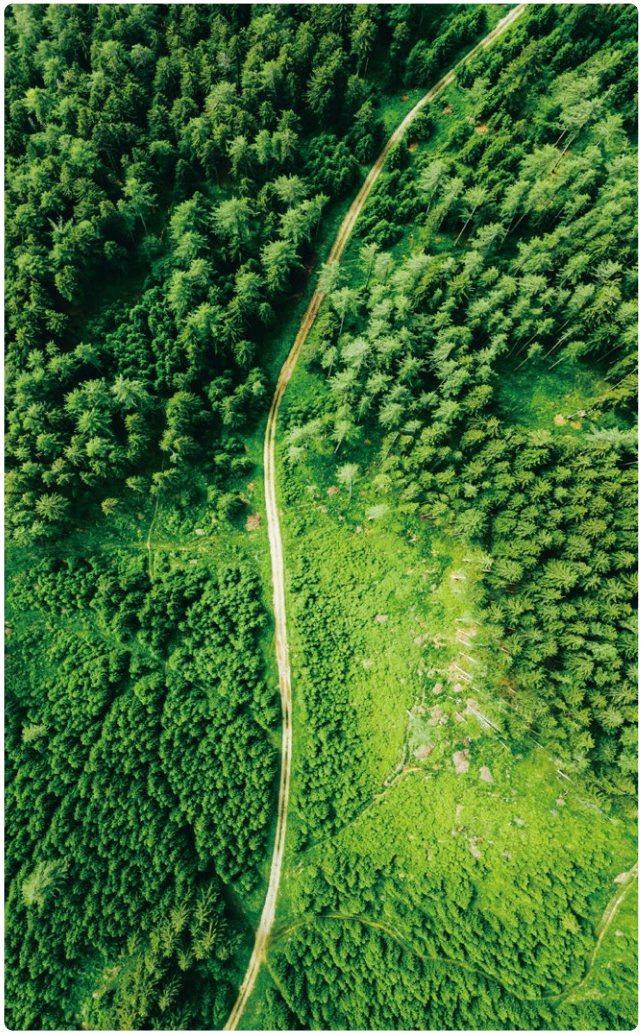
In terms of transportation, we have shifted to a Vendor-Managed Inventory (VMI) supply model, reducing supplier delivery frequency from daily to weekly. We have optimized transportation routes and enhanced collaboration with local suppliers to minimize greenhouse gas emissions in upstream transportation processes. FPA is strongly committed to reducing carbon emissions in transportation by improving route planning and investing in multiple clean energy vehicles, effectively lowering carbon emissions during product distribution.

Reducing Carbon through Recycling and Reuse

Haier Smart Home has introduced the Electronic Waste Disposal Policy, explicitly stating our commitment to complying with the requirements of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, as well as our goal of maximizing the utilization of electronic waste to reduce environmental pollution and resource waste. Our policy pledges not to export electronic waste directly or indirectly from OECD countries or the EU to non-OECD or non-EU countries through intermediaries without prior approval. It also outlines enhanced control measures for electronic waste disposal, encompassing contractors, subcontractors, and waste disposal partners, etc.

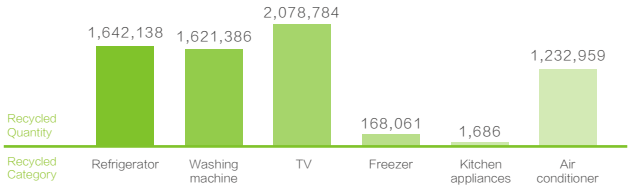
Recycling

Haier Smart Home actively participates in implementation of the



"Notice on Encouraging Household Appliance Manufacturers to Carry Out the Action of Recycling Target Responsibility System". We have accelerated the improvement of the recycling ecosystem for used home appliances and ventured into the recycling industry, collaborating with third-party partners to collectively provide services for recycling, repair, refurbishment, and remanufacturing of electronic waste. Some of our third-party recycling partners have obtained E-Steward or R2 certification.

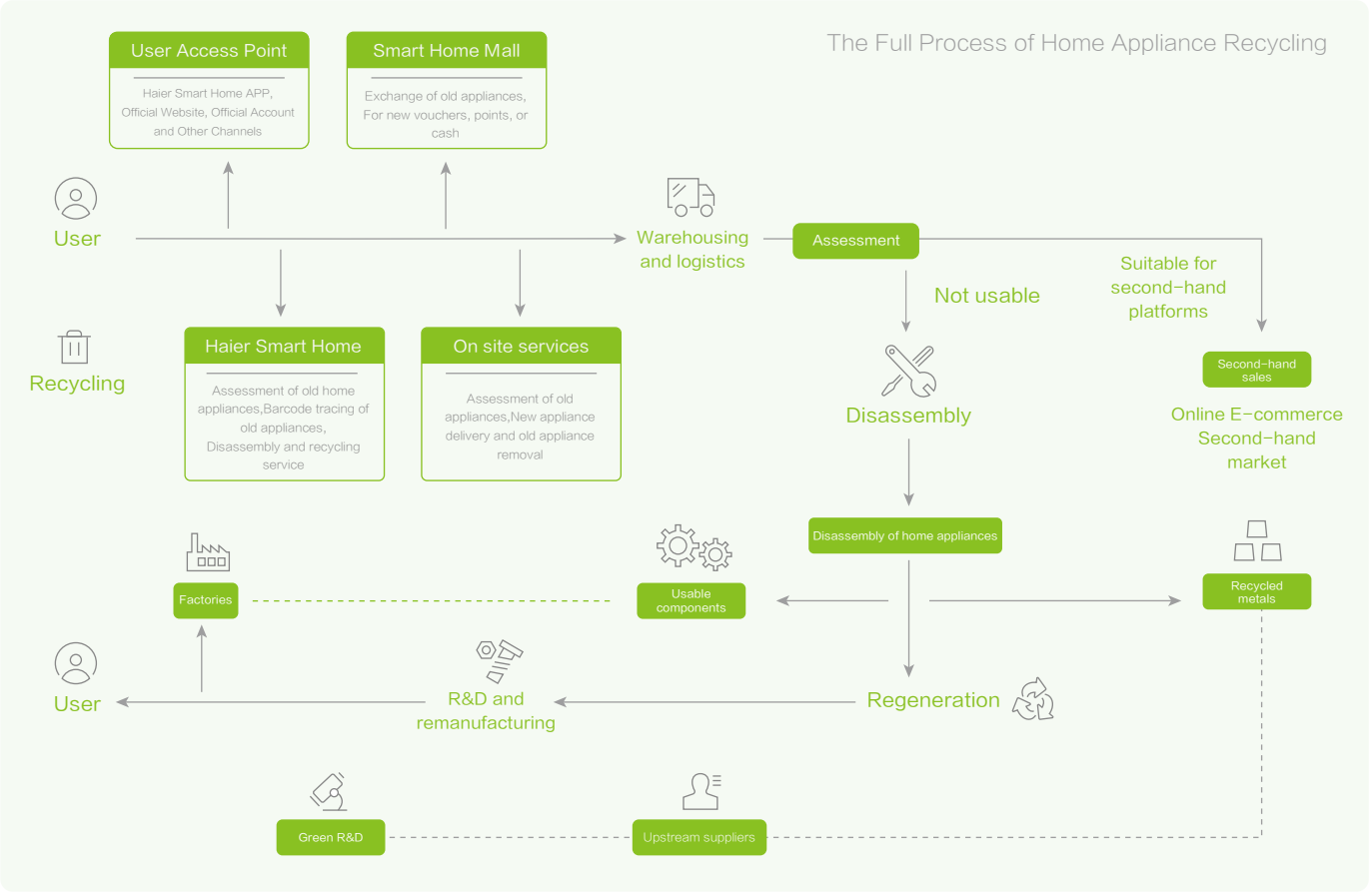
In the Chinese market, we leverage a network comprising 32,000 offline stores, over 100,000 service personnel, and more than 100 logistics distribution centers to proactively implement extended producer responsibility. We ensure the high-quality and authentic disassemble of old home appliances and have established a nationwide network for appliance recycling, expanding the scope of our recycling services. In 2023, the Company obtained the "new nine categories" recycling qualification, enabling us to broaden our range of recyclable products to include refrigerators, washing machines, TVs, and more. We are capable of recycling and disassemble electronic waste from all brands and product categories. Our recycling operations now cover 25 provinces/autonomous regions/municipalities, 377 prefecture-level cities, and over 2,600 districts and counties in China. We handle all electronic waste generated within our national operations and project scope, including but not limited to end-of-life company equipment, e-waste from recycling and return programs, manufacturing/assembly and repair components, and products used by corporate clients reaching the end of their lifecycle. As of the end of this reporting period, Haier Smart Home has recycled over 6.74 million used home appliances through various channels.



In the Chinese market, Haier Smart Home has launched the Whale Recycling Platform, dedicated to eco-friendly recycling of all categories of home appliances, with the aim of creating a vertical platform for recycling that encourages widespread low-carbon eco-friendly practices and enables carbon-inclusive transactions.The Whale Recycling Platform leverages Haier Smart Home's robust sales, logistics, and service infrastructure to provide users with a one-stop home appliance experience. By facilitating the exchange of old appliances for new ones through our e-commerce channel, the platform promotes the "trade-in for intelligence" recycling mechanism. With a nationwide reach, the platform is able to respond to orders within 2 hours and complete pickups within 48 hours, offering convenient recycling services to consumers. This also helps enhance our user reward system by tracking users' carbon reduction efforts in the form of carbon credits. Furthermore, we have established multiple electronic waste collection points through our offline stores and retail locations, providing free shipping or door-to-door pickup services while encouraging consumers to participate in the trade-in program locally in their neighborhood. In 2023, Haier Smart Home invested over RMB 300 million in the Consumer Trade-in Festival, which facilitated the replacement of 1.5 million home appliances, fulfilling our producer responsibilities to promote environmental protection and carbon reduction.

Our overseas subsidiary companies, including FPA and Candy, are actively involved in recycling used home appliances to support the growth of a circular economy. FPA provides old home appliance recycling services to customers in New Zealand, the United Kingdom, and Singapore to promote the reuse of materials.

Promotion of our Home Appliance Recycling Platform



Disassembly

The Haier Laixi smart recycling factory we have put into operation is the first of its kind in the global home appliance industry. It integrates recycling, disassemble, and regeneration, enabling precise disassembly through technological innovation. We are committed to properly disassemble or dispose of recycled old home appliances in compliance with regulations. Capitalizing on government support and incentive policies, we are scaling up our disassembly operations to enhance capability in processing social products. We anticipate disassemble around 1.3 million products in 2024, including televisions and refrigerators. Currently, we have established multiple disassembly lines for refrigerators, televisions, air conditioners, and washing machines, along with an integrated disassembly line for small appliances, with the capacity to handle disassemble of up to 3.3 million units of products.

Enhancing the disassembly process of old appliances

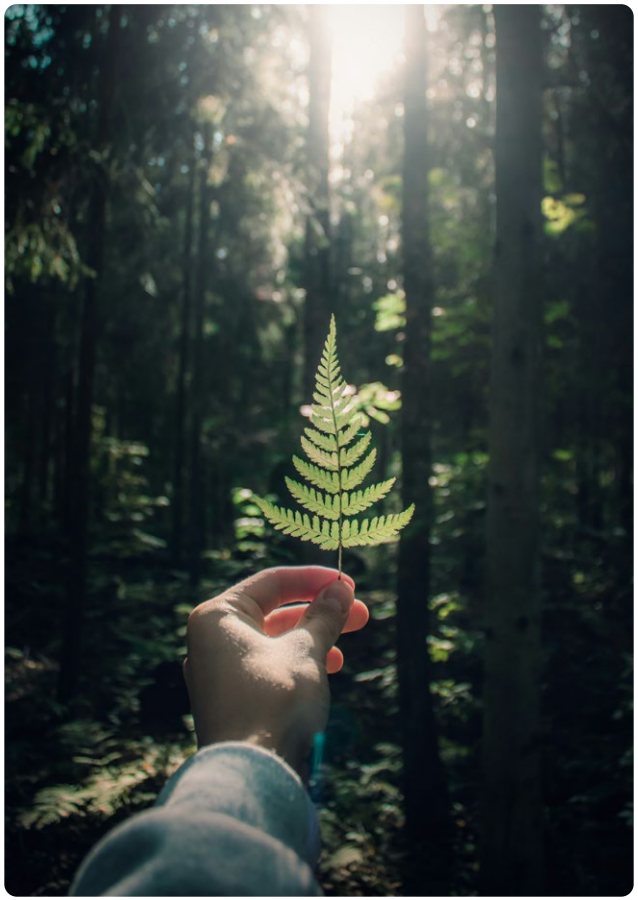
We partnered with Ocean University of China to leverage technologies such as visual recognition, big data analytics, and precision identification. This allows for the efficient identification of types, brands, and models of used home appliances, providing accurate information to support disassembly and recycling efforts, effectively improving disassembly production efficiency.

Regeneration

The materials recovered from the disassemble of used home appliances include various categories such as plastics and precious metals. Among them, we have achieved 100% recycling of the plastic materials. We process and remanufacture materials such as recycled plastics and metals according to relevant technical standards to guarantee the safety and reliability of our remanufactured products.

In 2023, we continued to invest in the R&D of recycled materials by establishing a collaborative government-industry-academia-research support system with universities and research institutes, exploring the full life-cycle management of raw materials to enhance the utilization of recycled materials in our products. Currently, Haier Smart Home is partnering with collaborators to establish laboratories for recycled material innovation and precious metal extraction technology, with a focus on creating an industrial system with independent intellectual property rights.

The Company has also been collaborating with several top universities in China to address challenges faced in the high-value applications of recycled plastics, such as odor, black spots, and deteriorating physical properties. Our efforts in developing new adsorbents, cleaning processes and equipment, as well as packaging foam materials based on recycled plastics have significantly improved the quality and eco-friendliness of



recycled plastics, facilitating their extensive application across various sectors.

Other Carbon Reduction Initiatives

Haier Smart Home advocates the concept of green office and a low-carbon lifestyle, committing to promoting eco-friendly culture through practical actions and striving to create a green office environment.

- Promoting electronic and paperless office practices, encouraging employees to save paper, and setting up recycling bins for waste paper.
- Advocating for remote communication and online meetings to minimize the need for business travel and reduce energy consumption.
- Promoting low-carbon behaviors in office areas, such as turning off lights and air conditioning when not in use. Replacing traditional lighting with energy-efficient fixtures, and installing sensor-activated faucets in our office spaces.
- Encouraging employees to travel in a low-carbon manner by promoting the use of public transportation to reduce carbon emissions from commuting.
- In our office building, we actively promote waste sorting by providing separate bins for different types of waste and educating our employees on waste classification.

Case Study: HaiLvYuan Smart Recycling Factory—a Beacon for Circular Economy Education

HaiLvYuan Company is located in the new energy automobile industry cluster in Jiangshan Town, Laixi City. As a wholly-owned subsidiary of Haier Smart Home, it specializes in the recycling of discarded appliances and electronic products such as refrigerators, washing machines, air conditioners, TVs (CRT, LCD), computers (CRT, LCD), and monitors (CRT, LCD). HaiLvYuan Smart Recycling Factory is not only an advanced processing center for such waste products but also serves as a "dual-carbon" science education base fostering public awareness of environmental protection.

Through extensive scenario showcases, diverse partnerships, and immersive experiences, the facility offers the public a comprehensive introduction to the circular regeneration value of appliances and electronic products, showcasing Haier Smart Home's innovative practices in the recycling field. HaiLvYuan has garnered multiple accolades and has emerged as vital force in creating a circular economy demonstration city and "zero waste city".

Responding to Climate Change

In response to the escalating climate crisis, the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) in 2023 conducted a comprehensive review of global climate actions for the first time, signaling the future path for climate action by governments worldwide. Furthermore, the IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information and the IFRS S2 Climate-Related Disclosures formulated by the International Sustainability Standards Board (ISSB) under the IFRS Foundation have officially come into effect on January 1, 2024. These standards focus on disclosure requirements such as climate scenario analysis, Scope 3 reporting, and climate risk management. The Hong Kong Stock Exchange has also elevated its requirements for climate change disclosures with the publication of the Consultation Paper on Climate-Related Information Disclosure under Enhanced ESG Framework. Disclosure of climate-related information is increasingly stringent.

Haier Smart Home recognizes the urgency of addressing climate change and is committed to accelerating action. We support the Task Force on Climate-Related Financial Disclosures (TCFD) initiative to identify climate change-related risks and opportunities and to develop mitigation measures. Our Board of Directors and ESG Committee are actively preparing to lay the groundwork for strict compliance with the TCFD framework in disclosing the Company's climate-related financial information. This includes

Climate Change Risks			Response Measures
Transformation Risks	Policy and Legal Risks	Governments may introduce stricter policies and regulations to mitigate climate change, increasing the compliance efforts required for company operations. As a result, there may be an increase in related litigation or claims.	Monitoring closely and responding promptly to changes in environmental laws, regulations, and policies.
		China's implementation of a carbon pricing mechanism for carbon emissions trading may lead to increased business operating costs.	Actively promoting energy conservation and emissions reduction while increasing the ratio of clean energy sources.
	Technology Risks	The investment in low-carbon technology R&D may fail.	Implementing measures such as talent development and retention to enhance the Company's R&D capabilities.
		Failure to promptly identify and adopt low-carbon technologies could lead to our product's low-carbon transformation lagging behind that of our industry peers.	Continuing the R&D and adoption of low-carbon technologies and actively engaging in industry partnerships.
	Market Risk	Failure to effectively meet consumer demand for green and low-carbon products.	Proactively developing green, low-carbon products to cater to consumer demands.
		Rising raw material and energy costs.	Promoting initiatives to conserve resources. Enhancing our energy monitoring capabilities by developing a smart energy cloud platform for price forecasting, and energy consumption monitoring and analysis.
	Reputational Risk	If we do not perform well in addressing climate change and sustainability issues, the Company may receive negative feedback from stakeholders.	Enhancing the Company's sustainable development and proactively addressing climate change. Increasing transparency in sustainability management to address stakeholders' concerns.

preparing to establish a climate change risk management system, organizing climate-related information and trend training, and researching and learning scenario analysis methods.

Identification of Climate Change Risks and Opportunities

We have identified climate-related risks and opportunities that may affect the Company, and have implemented effective measures in response. Additionally, the Company integrates ESG principles into our risk management processes, fully considering climate and environmental factors in supplier selection, due diligence, product line management, and other business operations.

Climate Change Risks			Response Measures
Physical Risk	Acute Risks: Extreme weather events like droughts, rainstorms, floods, and typhoons resulting from climate change.	Extreme weather can damage factories, office buildings, and equipment, resulting in asset losses.	Developing emergency response plans for natural disasters and continually enhancing emergency response mechanisms for such events.
		Extreme weather can lead to equipment damage, disruption of employee workflow, and transportation interruptions, impacting stable production.	Identifying potential asset damage and purchase necessary insurance.
	Chronic Risks: Prolonged high temperatures, drought, etc.	The rising temperatures may necessitate the Company to invest in additional cooling equipment, resulting in increased operational costs.	Developing and utilizing more efficient cooling equipment.
		During hot seasons, employees may not be able to work outdoors for extended periods, impacting operational efficiency.	Scientifically planning production schedules and meticulously organizing production operations to improve operational efficiency.
		Prolonged drought may result in insufficient water supply, impacting operational stability.	Avoiding the building of factories in areas with high water stress, while actively promoting water conservation initiatives.

Climate Change Opportunities		Response Measures
Resource Efficiency	Improved equipment, infrastructure, and technology with higher energy efficiency; Supportive policies to incentivize progress.	● Actively exploring the application of new technologies, equipment, and processes to enhance resource efficiency and reduce energy costs; ● Identifying and responding to supportive government policies and green initiatives; ● Strengthening R&D of low-carbon technologies to increase the share of green and low-carbon products; ● Identifying and engaging in emerging markets; ● Driving the development and utilization of renewable energy sources.
Product and services	R&D of sustainable, low-carbon products; Industry-specific solutions for addressing climate change.	
Market	Changing user preferences expanding demand for eco-friendly products; Increasing demand for comprehensive energy services; Opening access to an emerging market.	
Resilience	Energy substitution and diversification strategies; Engagement in renewable energy projects.	

Conducting Organizational Carbon Footprint Assessments

To gain a more precise understanding of our carbon emissions status, we have conducted carbon footprint assessments on 43 domestic complete machine factories for three consecutive years, covering all Scope 1, Scope 2, and Scope 3 greenhouse gas emissions. The assessments were conducted in accordance with the specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals, as outlined in ISO 14064-1:2018, along with other relevant laws, regulations, and standards. Emission factors were sourced from authoritative references such as the IPCC's 2019 Refinement to the 2006 IPCC Guidelines on National Greenhouse Gas Inventories, and the China Energy Statistical Yearbook 2021. The assessments were certified by a third party using the Haier Smart Carbon system to verify the data. The results were fully compliant with the requirements of ISO 14064-1:2018, demonstrating complete, consistent, accurate, and transparent data with no significant errors or omissions.

In the future, Haier Smart Home will leverage digital tools to enhance the accuracy of carbon footprint assessments in key emission areas, aligning with actual circumstances. We will progressively advance our carbon reduction strategies and take a leading role in the supply chain, collaborating with partners to reduce emissions throughout the value chain.

Haier Smart Carbon System

Haier Smart Home's Smart Carbon System has connected with carbon emission data from more than 50 factories. The system establishes carbon emission accounting models based on different industrial processes, and conducts monthly assessments of carbon footprints for the factories. The accounting models have been certified by a third-party authoritative agency, significantly reducing manual data collection and calculation costs upon rolling out. Additionally, the system facilitates online calculation of carbon footprint and LCA (Life Cycle Assessment) of products such as refrigerators, providing data evidence for our efforts in green product transformation.

Carbon Footprint Certification

Haier Smart Home undergoes full life cycle carbon footprint certification for our products to provide users with a benchmark for their low-carbon eco-friendly quality. This solidifies our reputation as a green, low-carbon brand and encourages sustainable consumption. Moreover, we have taken the lead or collaborated in developing various low-carbon standards, advancing the sustainable development of the home appliance industry.

Case study: Tianjin Sustainable Lighthouse Factory's Carbon Footprint Management Initiative

Tianjin Haier Washing Machine Factory has been at the forefront of developing a low-carbon sustainable strategy tailored to the home appliance industry in response to national initiatives. The factory has implemented a green supply chain system and has been recognized as a national green factory, a 2021 national smart manufacturing pilot demonstration factory, and the world's first lighthouse factory and sustainable lighthouse factory in the home appliance sector.

The factory has set a target to reduce electricity consumption per unit of output by 2025, based on the 2020 baseline. It has implemented low-carbon initiatives focusing on technological and process improvements, waste reduction, efficient energy management, utilization of green energy, and energy recycling. In 2023, the factory achieved a 17% reduction in electricity consumption per unit of output, a 24% decrease in waste per unit of output, a 30% reduction in water consumption per unit of output, and a 39% decrease in natural gas usage per unit of output.

In 2023, we took the lead in or participated in the development of carbon reduction/low-carbon standards, including but not limited to:

- National standard for refrigerators "Evaluation methods for reliability on household and similar electrical appliances - Part 2: Particular requirements for refrigerators (freezers)".
- Refrigerator group standard T/CHEAA0028—2023 "Specific rules for carbon footprint accounting of household electrical appliances—Household refrigerators".
- National standard for refrigerators "Intelligentization technology for intelligent household appliances—Particular requirements for refrigerators".
- National standard GB/T43620-2023 "Environmental management—Life cycle assessment—Data documentation format".

Our Future Plans

Haier Smart Home will continue to conduct research and exploration in carbon reduction, advancing green management practices across the entire lifecycle, promoting carbon emission reduction in all production stages, and proactively addressing climate change. We aim to mitigate climate risks while capitalizing on related opportunities, and support the low-carbon transformation of businesses and society.

Empowering Collaborative Growth through ‘RenDanHeYi’

We are dedicated to our "people-first" philosophy, aiming to cultivate a fair, respectful, inclusive, and diverse workplace for all employees. Our focus is on protecting employee rights and well-being, fostering personal growth and value creation, and enhancing their overall welfare. We strive to achieve collaborative growth by aligning the Company’s development with that of our employees.

03

Our goals

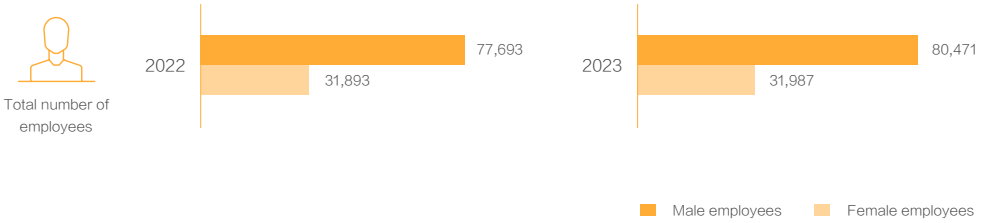
- **Material Topics addressed:** Employee Rights, Diversity, Inclusion and Equal Opportunity, Talent Attraction, Employee Health and Safety, Employee Development.
- **HKEX's ESG Indicators addressed:** B1 Employment, B2 Health and Safety, B3 Development and Training.
- **UN SDGs addressed:**

1-3 Year Goals (2022-2024)	Progress in 2023
Flexible and diversified incentive mechanisms to empower employees' rapid development	Established a diversified compensation incentive system combining labor income, value-added sharing, year-end bonus, and makers' equity incentives.
Providing focused support to enhance employees' sense of happiness and achievement at work, striving for a 100% response rate to employee complaints and ensuring 100% employee satisfaction.	Implemented communication and liaison mechanisms to promptly address employee concerns, caring for their well-being and health, resulting in a 100% employee complaint response rate and 100% employee satisfaction.
Striving for "zero" safety incidents to ensure employee health and safety.	Recorded zero production safety incidents, effectively protected employee health and safety.
100% integration of employee empowerment and caring programs on our platform, enabling diverse learning opportunities and smart delivery of learning resource recommendations.	Achieved 100% integration of employee empowerment and caring programs on our platform, providing diverse learning opportunities by expanding learning channels such as live broadcasts and community forums.
Focusing on enhancing employee experience, building a diverse and open talent system to maximize the potential of our people.	Fostered a dynamic culture for internal talents, characterized by open opportunities and a welcoming environment to ignite the energy of our employees; established a comprehensive, multi-level system for talent training and development.
Enhancing performance reforms to motivate and empower employees to maximize their potential.	Upgraded our performance management system to offer operational incentives tailored to specific categories, aligning corporate strategic objectives with employee recognition.
Continuing to enhance diversity and inclusiveness, promoting the development and protecting the rights of female employees.	Actively advanced gender equality in our work systems and work environments globally, continuously improved the career development system for female employees, encouraged them to realize their full potential and provided necessary support.
GE Appliances	
GE Appliances to achieve a 40% female employee ratio by 2025.	Female employee ratio reached 33%.

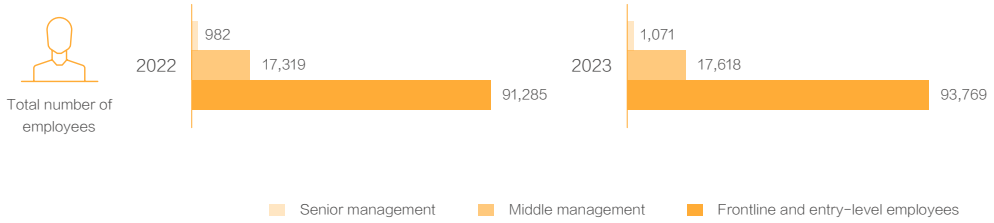
Fostering a Diverse and Inclusive Workforce

The Company is committed to fostering an inclusive work environment, forming diverse, inclusive, and high-performing teams, embracing the potential for innovation through the collision and integration of diverse cultures. As of the end of the reporting period, the Company has 112,458 employees globally from 50 countries, including 39,512 overseas employees.

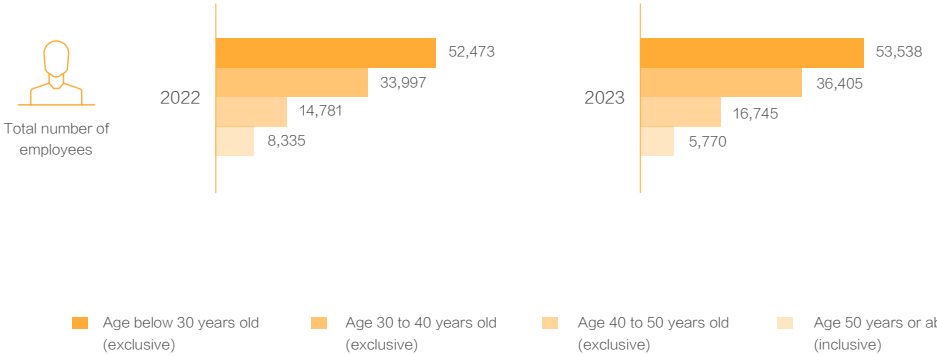
Total number of employees by gender (persons)



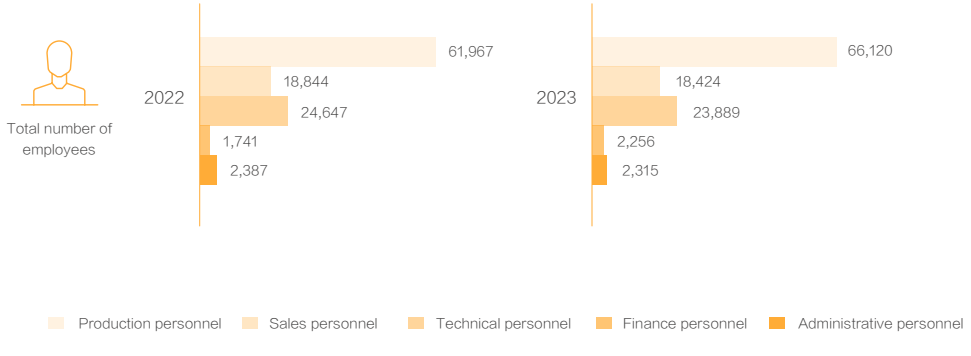
Total number of employees by job level (persons)



Total number of employees by age (persons)

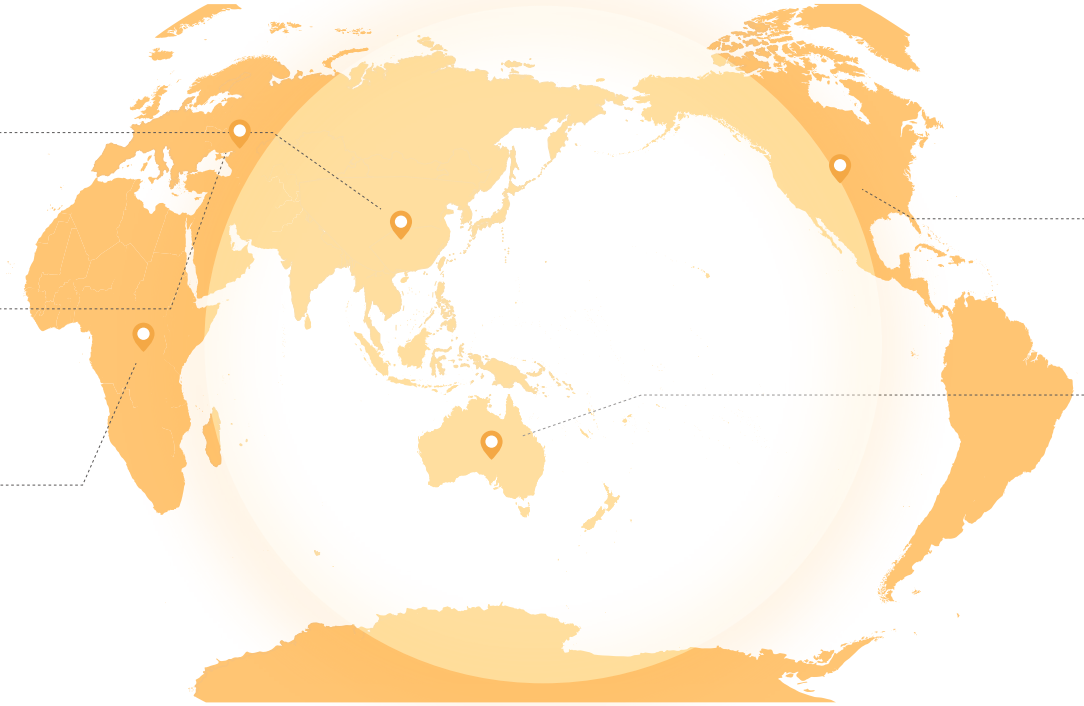


Total number of employees by work function (persons)

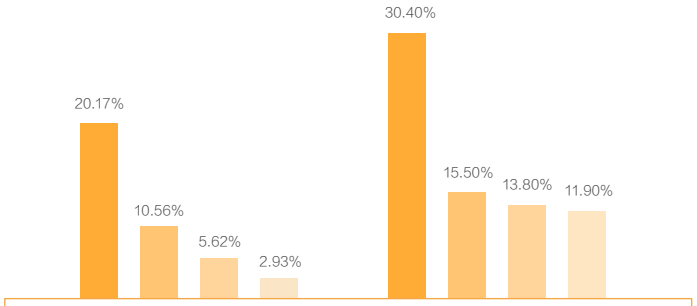


Total number of employees by region (persons)

- **China**
  - Number of employees in 2022: 72,827
  - Number of employees in 2023: 74,451
- **Europe**
  - Number of employees in 2022: 6,613
  - Number of employees in 2023: 7,421
- **Asia and Africa**
  - Number of employees in 2022: 11,628
  - Number of employees in 2023: 12,017

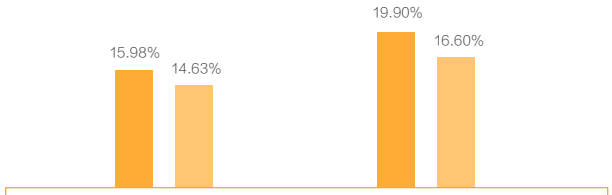


- **America**
  - Number of employees in 2022: 16,746
  - Number of employees in 2023: 16,767
- **Australia & New Zealand**
  - Number of employees in 2022: 1,772
  - Number of employees in 2023: 1,802



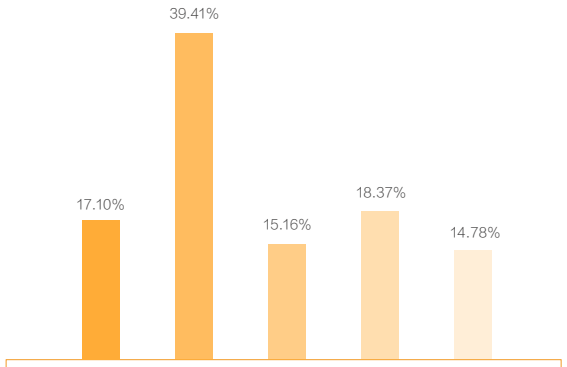
Employee turnover rate by age

- Age below 30 years old (exclusive)
- Age 30 to 40 years old (exclusive)
- Age 40 to 50 years old (exclusive)
- Age 50 years or above (inclusive)



Employee turnover rate by gender

- Male employees
- Female employees

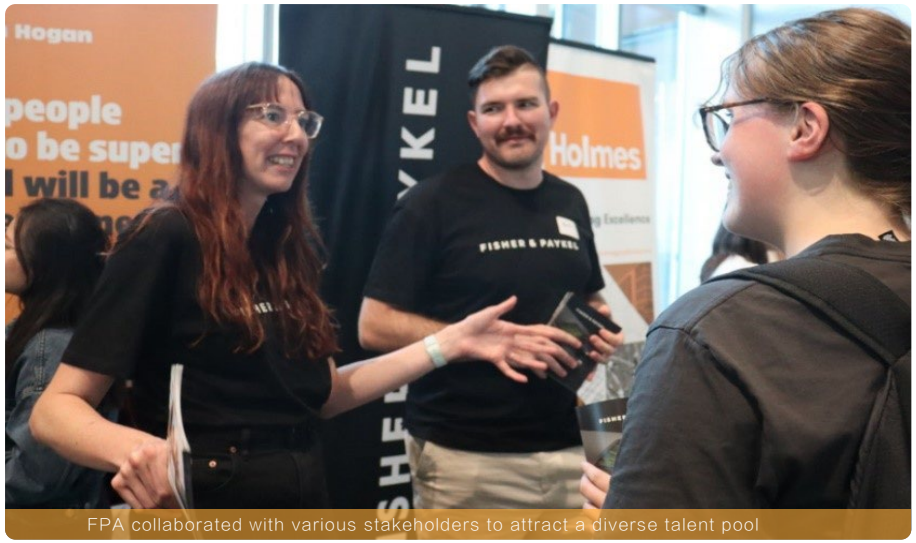


Employee turnover rate by region

Attaining Global Excellence in Diversity and Inclusion

Haier Smart Home is committed to cultivating an equitable, respectful, inclusive, and diverse corporate culture worldwide. We support the exchange and integration of employees from diverse backgrounds, building a workplace environment that instills a strong sense of belonging. Together with customers, suppliers, and the community, we aspire to build a fair, inclusive, and welcoming work environment. We champion unbiased mindsets and attract, as well as retain, talented individuals of diverse backgrounds. Our GE Appliances employees have proactively organized the Employee Resource Groups(ERGs) to provide a safe space for colleagues to share interests, skills, and experiences, while offering opportunities to contribute to key business initiatives. In September 2023, GE Appliances was recognized by Fortune as one of the "Best Workplaces" in the manufacturing and production sector, ranking at the top for two consecutive years. As of the end of 2023, GE Appliances has consistently achieved a 100% score on the Corporate Equality Index published by the Human Rights Campaign Foundation for six consecutive years.

FPA has established a comprehensive Diversity, Equity, and Inclusion Policy applicable to all employees, contractors, board members, and volunteers, actively encouraging regular employee feedback on the company's leadership, culture, and employee experience. In 2023, Candy formed an Equity and Diversity Committee, which convenes regular meetings to drive the implementation of related policies and initiatives. This year, Candy also officially initiated an Equity and Diversity assessment, with a remarkable 79% employee participation rate.



FPA collaborated with various stakeholders to attract a diverse talent pool

Haier Europe organized "Embrace Equity" initiative for employees

In March 2023, Haier Europe launched the "Embrace Equity" cultural initiative, aimed at breaking down stereotypes, eliminating biases, and cultivating a harmonious and equitable work environment. The employee participants in this activity came from diverse regional and cultural backgrounds, leveraging the platform to share their personal stories and perspectives.

"Embrace Equity" cultural initiative

Development of Female Employees

Haier Smart Home's remarkable growth can be attributed to the exceptional leadership, insights, and creativity of our female managers and employees. We are committed to actively promoting gender equality in our work policies and environments across the global operations. We continually enhance our female employees' career development system, providing career guidance programs and encouraging them to realize their full potential. We are attentive to the challenges women may face in the workplace and strive to offer the necessary support, including establishing equal pay structures, strictly implementing marriage leave, maternity leave, breastfeeding breaks, and women's day leave, and duly compensating our female employees as required by law.

At the same time, to safeguard the legal rights of our female employees, the Company signs a "Special Collective Contract for Female Workers" with the labor union every three years in our domestic operating region, achieving a 100% signing rate. Additionally, we provide diverse welfare benefits for our female employees, including specialized gynecological examinations and the renovation of our "Mother's Room". We also regularly organize various activities to support the holistic well-being and development of our female workforce.

Our overseas operations also place great importance on the rights and development of our female employees. In 2023, FPA launched multiple women's career development initiatives both internally and externally to actively cultivate female leaders. Among these efforts, the Global Women's Career Mentoring Program successfully engaged 100 mentor-mentee pairs, accelerating the growth of female talent pipeline.

Women's Health Education Seminar

AQUA Vietnam Factory Celebrated International Women's Day

Career Development Training for Women in Overseas Operating Regions

Safeguarding Employees' Legal Rights

Haier Smart Home strictly complies with China's Labor Law, Labor Contract Law, Provisions on Prohibition of Child Labor, as well as other relevant laws and regulations in our areas of operation. We also reference international labor organization conventions such as the Forced Labor Convention to develop our Employee Code of Conduct and continuously optimize our human resources management system, ensuring that our employees' legal rights are protected.

Employee Management

We are committed to providing equal opportunities for all our employees. In recruitment, compensation and benefits, career development, and reward and disciplinary processes, we make decisions based on objective facts, without discrimination or differential treatment due to factors such as gender, age, or physical characteristics. We believe that differences in nationality, ethnicity, place of origin, and religious beliefs can inspire greater innovation. The Company has established comprehensive systems for employee hiring, promotion, and resignation, strictly verifying the information of new hires and signing labor contracts that fully comply with legal regulations. We also handle employee resignation procedures in accordance with the law, ensuring the fairness and legality of employment. In 2023, the Company optimized and upgraded the "Haier Smart Home Ecosystem Employee Code of Conduct", focusing on regulating information security behavior to effectively protect the personal information of our employees. This year, the signing rate for collective contracts and specialized collective contracts on health and safety reached 100%.

The Company strictly prohibits forced labor and the employment of child labor, steadfastly safeguarding the human rights of our workforce. In the event of any such incidents, we will take rigorous action in accordance with applicable laws, regulations, and company policies, and ensure the proper resolution and placement of affected individuals. In 2023, the Company did not encounter any incidents of unlawful or non-compliant employment.

Haier Smart Home was once again named one of the best employers in the UK

In January 2024, the Top Employers Institute, a globally recognized employer assessment agency, announced the list of the Best Employers in the UK for 2024, with Haier Smart Home securing a spot for the second consecutive year.

Haier Europe UK and Ireland

Positive work environment

We create a positive and constructive work environment for our employees by:

- Promoting a diverse workforce and providing a workplace free from discrimination, retaliation, harassment, and any form of abuse, with zero tolerance to any behavior that is demeaning, intimidating, or hostile;
- Fostering an atmosphere of mutual respect and positivity, free from bias and harassment, resolutely opposing any form of sexual harassment or assault in all interpersonal interactions;
- Encouraging employees to proactively report any inappropriate behavior or undesirable practices in the workplace to relevant departments, where the Company will continue to provide necessary support and assistance to our workforce.

Work Hour Management

We continuously optimize our work hour management system, implementing Autonomous Time Management Policies for our chain groups and micro enterprises[5], so as to provide our employees with more flexible working hours, enabling them to achieve a better work-life balance.

[5] Chain groups and micro enterprises are names of internal organization units within Haier Smart Home.

Autonomous Time Management Policies:

- Flexible Work Arrangements: We offer four work schedule options for employees to freely choose from, implementing flexible attendance policies.
- Smart Clocking: Employees can utilize various clocking-in methods, including time clocks and the iHaier mobile app.
- Leave Management: Employees can self-manage their annual leave plans, with the ability to carry over unused leave to the following year. The Company also provides additional leave benefits such as parental leave. In 2023, the Company passed the "Leave Policy Upgrade" resolution, adjusting the durations of various leave types and increasing the number of leave days for new graduate hires.

Empowering Talent Growth and Development

Haier Smart Home adheres to the principle of "Everyone can develop, and everyone deserves attention", placing a strong emphasis on the growth and development of our employees. We have established reward mechanisms, expanded development platforms, encouraged innovation among our workforce, and provided diverse training resources to help employees maximize their personal value.

Establishing Talent Incentive Mechanisms

We have pioneered the "Rendanheyi"management model, where "Ren" refers to employees with entrepreneurial and innovative spirit, and "Dan" represents the creation of customer value. This model aims to stimulate employee initiative, guide them in unlocking their potential to achieve personal innovation and breakthroughs, and expand opportunities for career advancement.

Under the guidance of the "Rendanheyi" management model, we have developed a comprehensive short, medium, and long-term compensation incentive system for our employees, combining labor income, value-added sharing, and equity incentives. This system encourages our employees to approach their work with an entrepreneurial mindset. Specifically, each employee is evaluated based on three key performance indicators, with monthly and quarterly assessments. The evaluation results are directly linked to bonus payments. Employees who excel in their performance are eligible to participate in our internal value-added sharing program and receive equity incentives.

We continue to implement our global "A+H Share" incentive system covering both domestic and overseas employees, with the aim of attracting, motivating, and retaining our core talent. Since 2009, the Company has launched multiple rounds of equity incentive plans and employee stock ownership plans, benefiting over 12,000 middle and senior-level employees. In 2023, the Company released both A-share and H-share employee stock ownership plans. The A-share plan had approximately 2,400 participants and a total incentive fund of RMB 565.5 million, while the H-share plan had around 34 participants and a total incentive fund of RMB 70.5 million. The recipients of these equity incentives include not only junior and senior management, but also key technical and business personnel who play a critical role in the Company's overall performance and long-term development.

In the event of changes in a participant's position (including being appointed to other subsidiaries, or due to inability to perform their job duties, unsatisfactory performance evaluations, violation of professional ethics, etc.), resignation, retirement, or loss of working capacity, the Company will handle the unvested plan shares, including either assigning them to the participant or reclaiming them. The current plan has a 12-month lock-up period starting from the date of the Company's public announcement. Upon the expiration of the lock-up period, the plan participants

will be subject to a two-year performance evaluation based on the Company's assessment system.

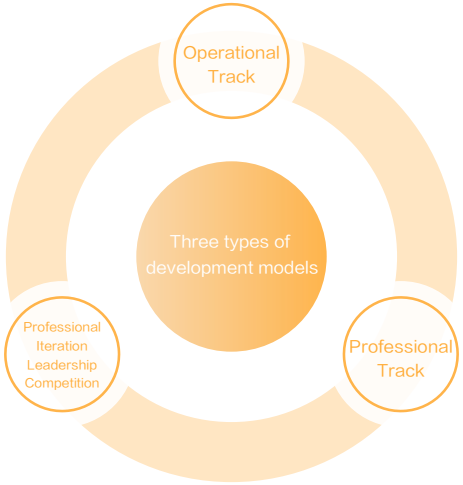
The Company highly values and encourages employee innovation, and has put in place a comprehensive innovation incentive mechanism. We have established an employee innovation achievement promotion team, which provides R&D bonuses and other incentives to drive two-way innovation between employees and the company, acknowledging employee contributions and reinforcing their innovative spirit.

Expanding Development Pathways

Haier Smart Home offers diversified development opportunities and platforms for employees to advance in their careers. Taking smart manufacturing as an example, we have established three development models:

- Operational Track: Through managing themselves, others, teams, and business operations, employees can accumulate industry experience, enhance their managerial capabilities, and deepen their cost-reduction and efficiency-improvement skills, thereby realizing their personal value and career growth.
- Professional Track: By applying specialized knowledge and skills, solving professional problems, and providing customized solutions, employees can achieve in-depth development in a particular field or pursue multi-disciplinary expertise.
- Professional Iteration Leadership Competition: Employees can compete in strategic pilot projects or critical problem-solving challenges, using professional projects as a vehicle to earn relevant honors and accelerate their development.

At the same time, we have developed a talent development brand strategy—the "Wisdom Program", which encompasses initiatives such as the Explorer Plan, the Climber Plan, the Pioneer Plan, and the Leader Plan. We have launched over 130 empowering development projects under this framework. In 2023, we upgraded our professional competency certification system to visualize employee development standards, pathways, and outcomes, leveraging digital means to enhance our employee development system.



Taking smart manufacturing as an example

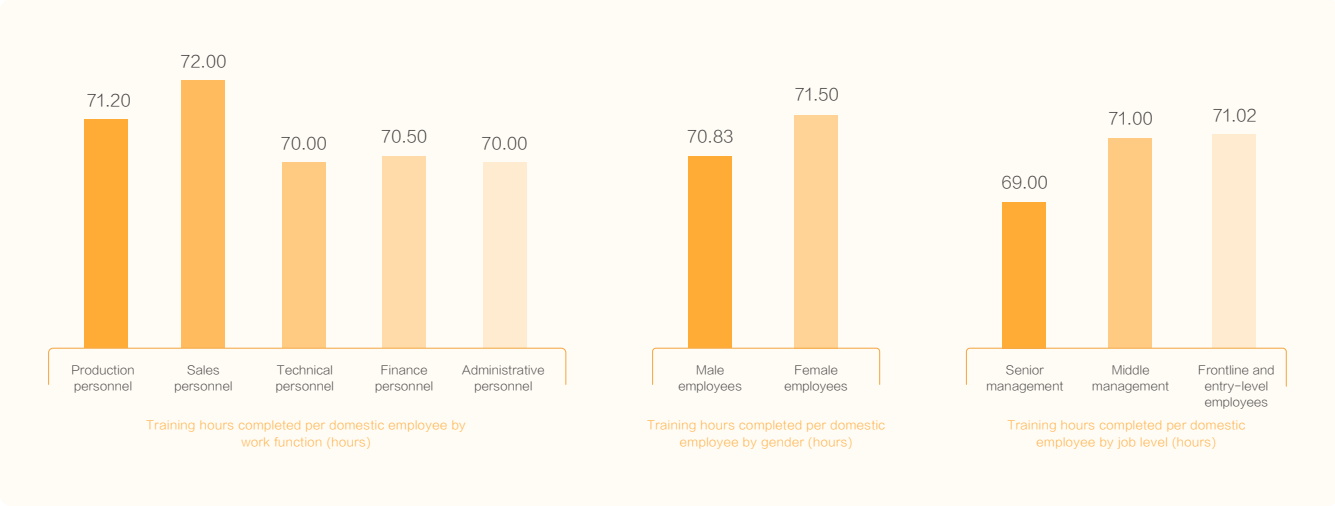
- The Explorer Plan
- The Climber Plan
- The Pioneer Plan
- The Leader Plan

The "Wisdom Program" has initiated over

130 empowering development projects

Enhancing Talent Attraction

In 2023, we focused on building a robust pipeline of successors and high-potential talents by targeting fresh graduates and tech professionals. We initiated specialized talent programs to attract recent graduates, successfully increasing the proportion of employees from top-tier universities, as well as those with master's degrees and backgrounds in science and technology, enhancing overall talent quality. Meanwhile, we intensified our efforts in attracting tech talents, cumulatively onboarding 1,104 external tech professionals in our China operations, continuously optimizing our talent pool structure.



Strengthening Training and Development System

Haier Smart Home places great emphasis on talent cultivation. We have established a comprehensive, multi-layered talent training system, providing our employees with diverse learning resources through course training, specialized seminars, and secondment programs. This supports the multi-dimensional growth of talents with different development needs, helping them enhance their professional qualities, technical capabilities, and leadership skills. In 2023, the Company launched a range of training programs covering corporate culture and professional office management skills. We also expanded our learning channels through live broadcasts and community forums, achieving a 100% training coverage rate for all domestic employees, with an average of 71 training hours per person.

This year, the Company has upgraded our talent assessment and succession planning management system, scientifically identifying talent potential and establishing personalized development plans, accelerating talent growth in a targeted manner.

The "Lime" Program

A pre-employment development program targeting potential campus recruits.

Maker Training Camp (MTC)

A program designed for newly hired employees using a blended online and offline, step-by-step training model. Through systematic learning modules such as "Face-to-Face with Experts", creative workshops, mentorship, and hands-on experience across the full value chain, this program enables new hires to gain comprehensive self-awareness and find their niche within the company.

Leadership Development Program

A series of development initiatives were implemented to cultivate middle and senior-level managers, featuring blended online and offline learning elements. An online learning platform was established, supporting 24 languages for global accessibility.

Smart Leader Scheme

With the goal of fostering a new generation of highly engaged, competent, and high-potential business leaders, the program aims to nurture leaders in the areas of management and technology.

Global Engineering Development Program (GEDP)

Established for R&D talents with a global mindset capable of leading international projects, the program provides employees with job rotations, English-based professional training courses, and other cutting-edge technological trainings. It has been simultaneously launched in China, U.S., and Mexico.

Smart Manufacturing "Stars"

Targeting core positions, the program adopts a "36 model" to provide diversified and selective development for manufacturing talents across different tracks. It encompasses three major initiatives: "Star Brilliance", "Star Radiance", and "Star Spark".

Supply Chain Employee Empowerment Training

In 2023, we launched the Procurement Academy, a digital empowerment platform designed specifically for supply chain employees. We have introduced four supply chain management courses, and offered intermediate-level supplier quality engineer training, covering the utilization of quality tools, process auditing, supplier management, and negotiation skills.

Intermediate-level supplier quality engineer training

Leadership training for Vietnam trading company

Caring for Employees and Valuing Their Feedback

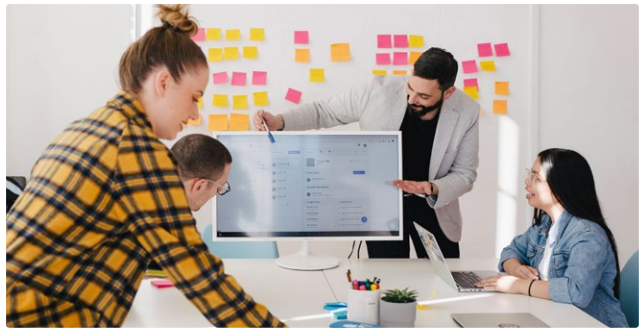
Haier Smart Home has established labor unions at various levels to address employees' demands and concerns, promptly coordinating and resolving their issues, caring for their well-being, and enhancing employee satisfaction. We have customized a variety of welfare programs catering to different employee groups, providing a diverse range of non-monetary perks, including holiday benefits, health benefits, activity benefits, and work-life benefits. In 2023, the Company established the Corporate Culture and Employee Experience Self-governing Committee, and organized the "Culture Dialogue" initiative to facilitate discussions on work environment and organizational atmosphere with the goal of improving the overall employee experience.

Prioritizing Employee Physical and Mental Well-being

The Company provides supplementary medical insurance for eligible employees and organize regular employee health check-ups. In 2023, the Company arranged medical mutual aid benefits for 6,044 employees in the China operating region, with subsidies amounting to over RMB 160,000. We offer psychological counseling services to employees, distribute engaging mental health awareness materials, regularly publish psychological health newsletters, and provide employees with access to an EAP psychological platform. In 2023, the Company provided psychological counseling services to 726 individuals in the China operating region, effectively alleviating employees' mental distress and safeguarding their overall well-being.

Employee subsidies totaled over RMB
160,000

Provided psychological counseling services to
726 individuals



Employee Relief Fund

We continue to implement the "Haier Group Compassionate Relief Fund" policy, providing timely assistance and support for

employees facing difficulties. For employees with disabilities, we offer a monthly living allowance of RMB 500. In 2023, we provided subsidies for a total of 697 individuals in the China operating region.

Subsidized a total of **697** individuals

Employee Care and Welfare

In our operations in China, we offer employees a diverse range of leave benefits, including Spring Festival leave, leave for accompanying children during exams, Haier annual leave, parental leave, and leave to care for parents. We also provide additional annual leave for new hires to help them achieve work-life balance. We offer benefits such as the Haier School Program for employees' children, preferential housing purchases, and staff discounts on home appliances, enhancing employees' quality of life and sense of pride. We commemorate the Company's founding anniversary by providing souvenirs to long-serving employees. For retired employees, we provide pensions and conduct regular visits. For frontline employees working in hot environments, we provide heat allowances to protect their health and safety.

Number of employees entitled to parental leave[6] in the operating region

		Total	Female	Male
Categorized by gender	Total number of employees taken parental leave	2,158	1,323	835
	Return-to-work rate[7]	95.20%	91.54%	97.04%

Employee Clubs

The Company encourages and supports employees to form voluntary interest groups on ball games, board games, dance, taichi, yoga, English language learning, baking, and more, allowing them to engage in diverse cultural and recreational activities.

Active Listening

By establishing effective communication mechanisms through various internal platforms, we genuinely listen to our employees and provide timely feedback on employee concerns. In 2023, we achieved a 100% resolution rate for labor disputes and employee complaints. We also fully leverage the democratic decision-making, management, and supervision functions of the Staff and Workers' Congress, and have organized employee representatives to participate in the Haier Group Workers' Congress and Haier Smart Home Workers' Congress, where we collectively discuss and make decisions on suggestions put forth by employee representatives.

Haier Smart Home Global Culture Communication Conference

[6] Parental leave includes maternity leave, paternity leave, leave for accompanying children during exams, and the parental leave introduced in China starting from November 2021. The return-to-work rate is calculated based on employees returning from maternity leave and paternity leave.

[7] The return-to-work rate refers to the percentage of employees who return to work at Haier Smart Home after completing their maternity/paternity leave.

Haier Smart Home Sent Blessings to Employees' Children Taking College Entrance Exams

During the 2023 college entrance examination season, Haier Smart Home, through our labor unions at various levels, sent flowers and greeting cards to 130 employee families with students taking the exams. This initiative continued to cultivate a warm corporate culture, bringing care and support closer to employees and their families.

Haier Smart Home Organized Thematic Educational Walkathon

On September 2, 2023, the Company encouraged employees to engage in thematic educational exchanges through an innovative activity. By organizing a walkathon and litter clean-up event, the Company successfully established a platform for open communication and personal growth among employees, creating an enjoyable experience for all.

Haier Smart Home Hosted Entertaining Sports Day for Employees

On October 28, 2023, Haier Smart Home organized a fun sports day themed "Hold Fast and Forge Ahead". The event featured a variety of sports games, providing employees with a platform to gather, enhance physical fitness, strengthen willpower, and foster team collaboration.

Haier Smart Home Invited Hospital Experts to Address Employees' Health Concerns

Haier Smart Home partnered with Qingdao Yinghai Hospital to provide employees with a one-stop health check-up experience. A total of 1,800 employees have received professional and comprehensive check-up services. Additionally, health consultation services were provided to strengthen employee health management and effectively protect their overall well-being.

Haier Smart Home Extended Care and Warmth to Employees

During traditional Chinese holidays such as Mid-Autumn Festival, Spring Festival, Lantern Festival, and Dragon Boat Festival, Haier Smart Home conducted visits to extend care and warmth to employees and retired staff members. In 2022, the Company's labor unions at various levels visited a total of 26,860 individuals, including 2,120 visits to families of employees stationed abroad.

Protecting Employee Health and Safety

Haier Smart Home prioritizes employee occupational health and effectively ensures the health and safety of our workforce. From 2021 to 2023, there were zero cases of employee fatalities due to work-related injuries at Haier Smart Home. During this year, a total of 5,017 workdays were lost due to work-related injuries.

Safety Management System

The Company strictly adheres to the Work Safety Law, Fire Control Law, and Law on Prevention and Control of Occupational Diseases of the People's Republic of China, as well as relevant laws and regulations in our other operating locations. We have formulated and implemented safety management systems for occupational health and equipment safety, and executed overall safety measures to protect employee well-being, achieving a record of zero incidents of serious injuries. In 2023, our occupational health and safety production system underwent a platform-based, systematic, and standardized upgrade. We achieved production safety standardization certifications for 54 divisions, and completed the dual-track construction and acceptance of risk stratification control and hazard investigation systems for 24 factories. Furthermore, we advanced 15 safety procedures, 102 management systems, 139 safety systems, and upgraded 429 protocols, providing more reliable support for production safety and employee health protection.

The Company has established a robust production safety responsibility mechanism by forming a Safety Committee covering both domestic and international operations. The committee is chaired by the Group CEO with the Vice President as the deputy chair, and responsibilities are delegated to leaders across various domains, platforms, business chains, and units. The Safety Committee comprises 8 business committees, 8 professional committees, 28 industry safety sub-committees, 13 regional sub-committees, and 69 safety offices, effectively ensuring production safety. This year, Haier Smart Home and our subsidiaries all achieved ISO45000 Occupational Health and Safety Management System certification, and the Company's safety model was awarded the Third Prize for National Safety Science and Technology.

Hazard Investigation and Safety Inspections

The Company proactively identifies hazards, addresses issues promptly, and enhances the scope of safety efforts. We have established clear standards for investigating and rectifying various types of safety hazards, implementing a model that involves self-inspections at unit levels, cross-inspections across regions, and dedicated inspections by the Safety Committee.

The Company has set up a multi-tier, multi-category system for production safety inspections, enhancing standardized hazard identification and rectification. Daily, weekly, and monthly supervisory inspections are conducted to ensure comprehensive coverage across time periods and personnel.

We fully leverage the monitoring role of employees and the community by establishing multiple feedback channels, including a production safety monitoring mailbox, WeChat groups at the industrial park/factory/team levels, reporting hotlines, and reporting mailboxes. These measures allow us to comprehensively receive safety improvement suggestions and hazard reports for timely rectification.

Climate change has introduced uncertainties to the Company's production safety. We are making concerted efforts to address climate change risks, actively establishing a climate change risk assessment and investigation system. In 2023, the Company investigated pre-flood hazard risks, achieving a 100% rectification rate. We conducted inspections of all potential water accumulation areas and implemented emergency and routine flood prevention measures based on rainfall levels. Key flood-prone areas were identified with responsible units implementing corresponding measures. Inspections were conducted on all high-risk and leaky buildings, facilitating the implementation of countermeasures and accountability systems.

Rectification rate reached

100%

Emergency Management

Haier Smart Home regularly organizes fire and other emergency safety drills to enhance employees' overall preparedness in responding to accident risks. In 2023, the Company conducted 725 park-level emergency mobilization drills involving a total of 7,991 participants; 779 factory-level specialized emergency plan drills with 13,500 participants; and 2,352 on-site factory emergency response plan drills with 22,000 participants.

725	779	2,352
emergency mobilization drills	specialized emergency plan drills	emergency response plan drills

Haier Smart Home organized specialized fire emergency drills

Occupational Health Management

The Company places a high priority on environmental and personnel health, ensuring that occupational safety and health environments meet national standards. Regular environmental monitoring and personnel screening are conducted as tangible occupational health measures. In 2023, we engaged a third-party agency to inspect 1,983 occupational disease hazard work positions, and all positions were found to be compliant. The Company also issues "Occupational Disease Hazard Work Position Notification Letters" to employees in high-risk roles and provides them with comprehensive occupational disease screenings, including pre-employment and on-the-job monitoring. In 2023, 14,000 operators in occupational hazard positions underwent screenings, and 171 employees deemed unsuitable for their roles were reassigned.

Third-Party Safety Management

We prioritize the safety of stakeholders in our industrial parks and have established management systems that clearly define the responsibilities of construction units, factory liaison departments, and safety departments. Furthermore, we emphasize the health and safety of our supply chain employees, strictly implementing autonomous safety management for outsourced units and suppliers. We sign autonomous safety management contracts with outsourced units and supplier service providers to ensure comprehensive safety management coverage.

Developing a Safety Culture

In 2023, we made significant efforts in promoting safety awareness through Safety Month activities, instilling a culture of production safety in the minds of our employees. Our Production Safety Month activities were recognized with 12 government awards.

- June Safety Month

In June 2023, we organized a Safety Month under the themes "Putting Safety First, Equipping All for Emergencies" and "Professionalized, Scenario-based, and Technology-driven Safety Management". These efforts included 2,364 safety-focused activities and 496 scenario-based emergency drills, engaging a total of over 65,000 participants.

- November Fire Safety Month

In November 2023, we focused on Fire Safety and actively engaged 130 factory units in developing 254 fire safety month activity plans. These initiatives included various practical drills and specialized activities such as full-scale evacuation/firefighting drills, fire case study training, fire safety competitions, and fire hazard inspections. The total number of participants exceeded 73,000.

We encourage employees to initiate safety-themed recreational activities and provide suggestions for improving the Company's production safety, effectively strengthening their safety management awareness and enhancing preventive capabilities.

For special and hazardous job roles, we ensure that employees complete training and obtain certifications before taking up their positions. In 2023, we provided certified training for 3,558 domestic factory special operation personnel and trained 15,000 employees for 12 categories of hazardous equipment operations. By integrating internal and external resources, we regularly offer safety training and improve our safety training curriculum. In 2023, we organized a total of 49 safety training sessions and trained 17,000 participants.

- Craftsman Training: We expanded the 'Hi' Craftsman Training Platform by creating 50 different safety scenarios, adding customized training materials and question banks to provide more comprehensive safety training for employees. In 2023, the Craftsman Training project trained a total of 140,000 participants.

- "Double Hundred" Safety Training: The "Double Hundred" safety training model was launched every week, featuring expert instructors and diverse teaching methods to reinforce safety knowledge of our employees. In 2023, the Company organized 49 rounds of "Double Hundred" training and trained a total of 17,000 participants.

Our Future Plans

With the core concept of ‘Rendanheyi’, we are committed to upholding employee rights, fostering their professional growth, caring for their physical and mental well-being, and creating a diverse and harmonious work environment. By fully the potential of our staff, we aim to achieve a mutually beneficial where employee happiness and company growth go hand in hand.

Leading with Innovation for Delightful Smart Home Experiences

Adhering to the quality-oriented and user-centric principle, Haier Smart Home is devoted to delivering high-quality products and services to customers worldwide. With a focus on technological innovation, we offer users smarter products and an enhanced living experience, striving to establish ourselves as a leading global ecosystem brand.

04

Our goals

- **Material Topics addressed:** Product Quality and Safety, Product and Technology Innovation, Intellectual Property Management, Quality Services, Information Security and Privacy Protection.
- **HKEX's ESG Indicators addressed:** B6 Product Responsibility
- **UN SDGs addressed:**

1-3 Year Goals (2022-2024)	Progress in 2023
Product Quality	
Continuous decline in product defect rates.	Achieved.
Striving for "zero product recalls".	0% product recall rate.
Establishing a unified digital quality management platform.	Continued advancing the development of a digital quality management platform, sorted out and delivered key projects, and established a digital assurance platform for full-process product quality.
Patents and Intellectual Property Protection	
Developing core patent portfolios and increasing the number of patent applications year-over-year.	Developed over 100 high-value patent portfolios focusing on key technology areas such as smart home systems, zonal air distribution, freshness preservation, health-oriented laundry solutions, and magnetic cooling. Increased the number of high-value patent applications compared to the previous year.

Quality First for Excellence

Embracing the "Rendanheyi" philosophy and a commitment to quality for all, Haier Smart Home rigorously oversees product quality and consistently improves user experience to cultivate a renowned reputation in the home appliance ecosystem.

Driven by the goal of "zero product defects", the Company strictly complies with applicable quality-related laws, regulations, and standards in our global operations to ensure the health and safety of our product materials, including but not limited to product quality law of the people's republic of China, Law of the people's republic of China on protection of consumer rights and interests, and international standards such as RoHS/REACH/POPs/FCM. The Company continuously upgrades and optimizes our OEM product quality management system, strengthening the "two-way" management mechanism, so as to further enhance the development of our quality management system. This year, all factories in domestic operations and Candy's global factories have passed the ISO9001 quality management system certification, and 46 factories in domestic operations have obtained the QC080000 certification (International Electrotechnical Commission certification for electronics and electrical components and products free of harmful substances); 8 factories in domestic operations have passed the ANSI ESD S20.20 system certification (electrostatic discharge management system certification) for the first time.

The Company has established a User Experience Committee to improve product quality by addressing user pain points. This year, the committee consistently refined the Company's quality management system, devised monthly quality enhancement strategies, and conducted analyses based on various product quality metrics, effectively ensuring product quality and safety.

Full-Process Quality Management

The Company has established a digital assurance platform for full-process product quality management covering domestic and overseas operations, implementing comprehensive monitoring and continuous improvement of product quality.

This year, the Company improved our quality ecosystem by establishing multiple quality improvement groups along the value chain. These groups focused on analyzing the process encompassing user product experience, R&D, and factory production, which effectively reduced defect rates.

R&D Phase

We conduct extensive user research, create databases of user scenarios, and iteratively optimize to ensure the quality, safety, and user satisfaction of our mass-produced products. We implement a product R&D review mechanism, avoiding any quality risks during the R&D phase through assessment by professionals to ensure product quality.

Production Phase

We implement stringent system standards and quality control measures, subjecting every product to rigorous multi-dimensional inspections. We have established a digital laboratory quality management platform to ensure precise and efficient testing, and maintain a digital quality knowledge base for testing to facilitate ongoing improvement in product quality.

Logistics Phase

Leveraging the Haier Smart Home Logistics Digital Platform, we have launched a product full-process traceability system to achieve transportation and warehousing visibility through IoT and smart technology. This enables us to evaluate and control logistics losses and strengthen logistics quality control.

Sales Phase

We prohibit exaggerated publicity and misleading information to users, and regularly engage third-party professional agencies to evaluate user experience.

Supplier Quality Management

Haier Smart Home places a high priority on supplier quality management and has established robust supplier quality control systems for different product lines. Following the requirements of the ISO9001 quality management system, we rigorously monitor supplier quality through quality system audits and process audits.

Based on supplier quality evaluations, we categorize suppliers into different tiers, increasing the proportion of orders from outstanding suppliers and providing support for improvement to lower-rated suppliers. In 2023, all of the Company's suppliers have passed the ISO 9001 quality management system certification.

This year, we advanced the development of a visibility platform for quality module connections to expand the range of products covered by real-time IoT, and ensure quality traceability. We upgraded our supplier management system, evolving from routine audit and rectification interviews to full life cycle quality management, focusing on controlling quality risks in key processes. In order to enhance our suppliers' quality management capabilities, we conducted multiple supplier quality management training, covering various industrial parks including Qingdao, Hefei, and Foshan. Additionally, we initiated a quality category ecosystem improvement project to implement specialized quality management enhancements for different production lines.

Haier Smart Home actively responds to user reports on product malfunctions. For products experiencing faults within the warranty period, the service provider in the user's location will assess and offer returns or replacements.

The faulty appliances after replacement will be inspected by the factory's quality team. After identifying the cause of malfunction, they will be properly disposed of by our recycling practice or through legitimate channels in compliance with regulations. In 2023, we achieved our goal and no products were being recalled due to health and safety issues.

Product Quality Improvement

Haier Smart Home regularly organizes various employee quality training programs to deepen employees' quality awareness and enhance their professional skills, thereby driving product quality improvement. In 2023, we adopted a blended online and offline approach, integrating internal and external resources to provide tailored training for quality personnel across different product lines, job levels, and requirements. The training content included interpretation and awareness building of quality standards and regulations, quality management team training, intermediate-level supplier quality engineer training, and QC basic quality tool training, all of which have yielded satisfactory results.

1. **Kitchen Appliance Product Line**

We organized skill competitions for factory inspectors and production personnel, awarded outstanding employees, and organized multiple specialized skill training sessions, including product inspection and welding techniques.

2. **Refrigerator Product Line**

We organized quality control training and skill competitions, encouraging employees to continuously improve their quality awareness and professional skills, and apply them to their work.

3. **Water Heater Product Line**

We carried out a range of Quality Month activities to help employees establish a quality-first mindset, and organized foundational and professional knowledge training for factory metrologists.

4. **Washing Machine Product Line**

We conducted specialized training sessions on industry standards to enhance employees' understanding and practical abilities, covering various areas such as laboratories, inspections, and manufacturing processes.

QC basic quality tools training

Haier Smart Home actively participates in various competitions and exchange activities related to quality project achievements, quality technology innovation achievements, patents and standards, and academic papers. We have achieved a series of quality honors and recognition, and driven the progress of quality management in the industry. This year, the Company won 22 international awards, including the International Academy for Quality (IAQ) Global Quality Sustainable Development Award, and 3 ICQCC Gold Awards; 4 national quality benchmarks, and 14 national quality engineering award projects.

3	4	14
ICQCC Gold Awards	National Quality Benchmarks	National Quality Engineering Awards

Technological Innovation Driving Product Upgrades

Haier Smart Home regards innovation as the primary driving force for product advancement. We have established ten global R&D centers, and leverage our ecosystem network to identify innovative technologies that align with our product requirements. We strategically focus in the smart home and low-carbon sectors, driving product innovation and R&D efforts to spearhead industry progress.

To further enhance collaboration efficiency with our ecosystem partners, we validate concepts and align management for innovative technologies. Furthermore, we actively engage in hosting and participating in innovation events both domestically and internationally to uphold a dynamic environment for technological advancement.

R&D of Health-Conscious Products

Drawing upon our professional expertise, Haier Smart Home fosters innovation to advance the R&D and application of various technologies. We consistently enhance product designs to provide customers with health-conscious products for all household scenarios, creating a healthy living experience from multiple dimensions.

On the basis of ensuring product compliance with health and safety regulations, Haier Smart Home embraces the green consumption trend by making low-carbon and environmental protection a key focus in product R&D and innovation. In 2023, Haier Smart Home developed innovative products and technologies and continued to upgrade our green product offerings across various product lines. Specific details can be found in the sections: "Special Topic: Smart Sustainability for Better Home Living", and "Reducing Carbon in R&D and Raw Materials" under the "Safeguarding our Planet towards a Green, Low-Carbon Future" chapter.

Refrigerator Product Line

We have incorporated cutting-edge technologies such as advanced sound-absorbing materials and stable flow jet noise reduction technology to reduce product noise levels, providing users with a quiet and comfortable experience.

Water Purifier Product Line

We have employed multiple key technologies to improve water quality, introducing smart functions such as on-demand temperature control and integrated purification and heating, providing users with a smart home experience.

Washing Machine Product Line

Through the use of advanced air exchange technology, we offer users a healthy laundry experience where air inside the drum is refreshed every 2 minutes. In collaboration with research institutes such as the Chinese Academy of Sciences, we have enhanced the sterilization and mite removal functions.

Patents and Intellectual Property Protection

At Haier Smart Home, we uphold the belief that "safeguarding intellectual property rights is fundamental to nurturing innovation". Our dedication to robust patent strategies has inspired the development of a dynamic patent management system and operating mechanism focused on high-value patents. Through our innovative approach integrating technology, patents, and standards, we actively drive the creation, management, protection, and utilization of patents, thereby positioning Haier as a global pioneer.

We strictly adhere to applicable intellectual property laws in the jurisdictions where we operate internationally, including the Patent Law, Trademark Law, and Copyright Law of the People's Republic of China. We have established a global management mechanism and developed systems such as the Patent Asset Evaluation and Patent Maintenance and Abandonment Management Platform, the Patent Licensing and Transfer Management Process Platform, as well as optimized measures such as the Patent Quality Management Platform and the Patent Incentive Platform. While safeguarding our own intellectual property, we also respect the intellectual property rights of third parties and are willing to engage in negotiations under the FRAND[8] principles to collaborate with rights holders through mechanisms such as cross-licensing and portfolio licensing, following the principles of mutual benefit to promote rational competition in the industry. In 2023, the Company did not experience any patent infringement incidents.

We have established a global intellectual property management system, which integrates intellectual property and standards management through the Global Intellectual Property and Standards Management Committee under the Haier Group Technology Innovation Committee. This system unifies the planning of global intellectual property strategy and clarifies processes and rules related to global intellectual property layout, rights attribution, and utilization management. Additionally, we have formulated a global intellectual property award system, offering awards such as the Best Patent Awards and Patent Application Awards to foster an innovative culture and inspire innovation among all employees.

- **Building a Global Digital Platform**

We are committed to building a global intellectual property digital platform that enables real-time dynamic management and global sharing of intellectual property. This platform can manage the entire lifecycle of intellectual property creation, utilization, protection, management, and services, providing robust support to over 10,000 R&D personnel within our global operations.

- **Global Layout of High-Value Patents**

Haier Smart Home takes leverages an international perspective to establish a global presence, anchoring a "10+N" global open innovation framework consisting of 10 major R&D centers and numerous innovation hubs. This framework has enabled localized R&D, production, and sales. Moreover, we have established the HOPE platform to cultivate a R&D ecosystem that draws in global innovators, creating an extensive global network of R&D resources.

We continue to leverage our global R&D centers for worldwide patent layout, and have established over 100 high-value patent portfolios in key technology areas such as industrial internet, smart home solutions, and zonal air distribution, utilizing intellectual property rights to drive breakthroughs in critical technologies. In 2023, Haier Smart Home has accumulated over 100,000 patent applications globally, including more than 68,000 invention patents, ranking first in the Chinese home appliance industry; with more than 17,000 overseas invention patent applications covering more than 30 countries, we are the Chinese home appliance company with the most patents filed overseas. We have also accumulated 12 national patent gold awards, ranking first in the industry.

Over 100	Over 100,000	Over 68,000
high-value patent portfolios	patent applications globally	invention patent applications

[8] FRAND (Fair, Reasonable, and Non-Discriminatory) is a principle aimed at ensuring fairness, reasonableness, and non-discrimination in the standard-essential patent licensing process.

- **In-depth Integration of Industry, Academia, and Research**

This year, Haier Smart Home has carried out in-depth collaboration with many well-known universities and research institutes to jointly advance technology innovation and commercialization. We partnered with Ocean University of China to establish the Ocean University-Haier Industrial Technology Research Institute, focusing on scientific research and technology transfer in the field of smart living. We also engaged in standard technology pre-research cooperation on next-generation Wireless Local Area Network (WLAN) communication technology with Beijing University of Posts and Telecommunications, conducting research on WLAN communication technology and core patent layout.

In 2023, Haier Smart Home ranked first on the global smart home invention patent list for the 10th consecutive time. Qingdao Haier Air Conditioner Gen Corp. Ltd. and Qingdao Haier Special Freezer Co., Ltd., both subsidiaries of the Company, were recognized as National Intellectual Property Demonstration Enterprises.

Global Patent Layout—Twin Washer

The Twin Washer developed by Haier Smart Home adopts the pioneering dual drum mutual balancing and multi-point shock absorption control technology, overcoming the technical challenges of balance and vibration in twin tub washing machines.

This technology has filed **138** patents globally, covering **12** countries and regions.

Application of Patent Innovation – Casarte Connoisseur Air Conditioner

The Casarte Connoisseur Air Conditioner won the China Design Patent Gold Award.

Worry-Free Service for the Best Experience

Haier Smart Home has always remained user-centric, dedicated to "creating infinite possibilities through a boundless ecosystem" and co-creating better living experience with users. The Company continuously improves our service standards, builds digital platforms, and constructs a smart Internet of Things centered on user experience. We ensure user privacy and security, and take tangible actions to achieve "zero complaints and zero delays" for users. In 2023, we further optimized our customer satisfaction survey by upgrading from phone interviews to online platform evaluations. This year, the Company's overall user satisfaction reached 99.87%.

Digital Platform, Worry-Free After-Sales Service

To create a full-process, integrated smart service, Haier Smart Home has built an information service platform, established a Reputation Committee, and set up a user-oriented service mechanism, optimizing and streamlining service scenarios, actively responding to users' after-sales needs, and creating the best service experience.

- **Optimization of Digital Platforms**

Focusing on the end-to-end user service experience, Haier Smart Home has established a workbench system for service providers and service personnel to ensure prompt response to user needs. In 2023, we further optimized the user interaction feature on our system, enabling online direct communications between users and frontline employees, and segmented 35 service scenarios to ensure transparency in the user service process. Our efforts have enabled data-driven service process operations, instant response throughout the service process, real-time service progress updates, and a 50% increase in platform efficiency.

Furthermore, we have established a unified user management platform that integrates various channels such as mini-programs and apps, empowering our stores to operate efficiently through digital platforms. Our platforms currently have a reach of 5.13 million customers and a daily response rate of 100%.

- **Service Model Upgrade**

Haier Smart Home continuously enhances our service model to improve user experience. In 2023, we streamlined key service points such as user membership registration, benefits claim, and after-sales service, with a particular focus on serving existing customers, consistently improving satisfaction levels among diverse user demographics.

We have pioneered the Quantum Store model, focusing on providing services for users' lifestyle scenarios. This new service model centers around community users and integrates after-sales and sales services, both online and offline, offering a seamless, multi-channel experience that covers home appliances and home lifestyle services. In 2023, Quantum Stores enhanced customer engagement by organizing the "Be a Live Streamer" maker activity, spotlighting lifestyle service projects that customers are interested in.

- **Enhancing Training through Diversification**

Haier Smart Home has established a structured digital training system covering all processes and businesses, along with a practice and evaluation system, to continuously enhance the service capabilities of frontline staff.

The Company has developed online marketing classrooms, engaging over 3 million service personnel in learning sessions and certifying over 1.3 million individuals annually. We offer more than 200 skill training courses for service personnel, facilitated by a professional instructor team. In addition, online training on our service culture is provided to relevant service staff to instill the Company's customer-centric ethos. Customer service management personnel are trained in "Emergency Response Capacity Upgrade Standardized Certification" to enhance their response to customer emergencies. We also organize online learning and offline practical contests to enhance our service proficiency in delivery and installation processes, and actively participate in and

host industry service skill competitions.

At the same time, we conduct distributor training to enhance their understanding of our products and policies, and have created the "Haiqinghui Elite Training Camp" to empower specialty store distributors in providing better customer service.

- **Customer Complaint Handling and Improvement**

Haier Smart Home has established and progressively improved a mechanism for responding to and managing user complaints, requiring our staff to fully understand user's request within 1 hour of receiving a complaint, and to resolve the issue within 24 hours. The entire process of handling user complaints is visible, with escalation to higher-level personnel for any delays. By actively utilizing digital tools, we ensure instant response to customer needs and continually upgrade our complaint response processes based on customer pain points. In 2023, the Company achieved a 100% complaint resolution rate and 100% resolution satisfaction rate, and received no major customer complaints.

Prioritizing Privacy to Safeguard Rights and Interests

Haier Smart Home, as a global designer and producer of smart home solutions, recognizes the importance of safeguarding user personal information and privacy. In order to provide secure, reliable, and convenient services to users and protect their privacy rights, Haier Smart Home has established a Global Data Compliance Committee. We strictly adhere to relevant laws and regulations in the jurisdictions where we operate, such as the Personal Information Protection Law and Data Security Law of the People's Republic of China, the General Data Protection Regulation (GDPR) in the European Union, and the California Consumer Privacy Act (CCPA) in the United States.

Based on the relevant policies of Haier Smart Home's Global Data Compliance Committee, we have formulated various policies such as the "Haier Smart Home Personal Information Protection Management Measures", "Haier Smart Home Personal Information Protection Design Standards and Control Processes", "Haier Smart Home Personal Information Protection Compliance System Evaluation and Management Measures", and "Haier Smart Home Data Cross-Border Transfer Guidelines". These policies have established the Company's global personal information and privacy compliance management system and processes. In accordance with the requirements of each operating location, we have appointed Data Protection Officers (DPOs) or privacy compliance legal professionals to ensure that all user privacy matters are handled through compliant and secure processes.

We fully respect and protect users' rights to be informed, make decisions, and control their personal information. Our policies and measures for obtaining, managing, and safeguarding user personal information within our APPs and mini-programs are clearly articulated. We always seek consent before collecting and using user information. In addition, we employ technologies such as data access control, multi-factor authentication, data anonymization, and encrypted transmission to protect users' personal information.

This year, the Company established a data security management platform, enabling data classification, user-sensitive data identification, and rule-based dynamic data obfuscation and encryption. It performs data security compliance checks and upgrades security measures for applications that manage user data, safeguarding user privacy information. In 2023, we implemented routine compliance scans for Haier Smart Home's 53 mini-programs and 24 APPs.

Haier Smart Home also places great emphasis on the management of privacy information by our partners. We incorporate supplier's information system security level and compliance status as requirements for supplier admission assessment. Based on the nature of collaboration, we sign relevant data processing and confidentiality agreements with suppliers, such as the Haier Supplier Data Processing Commitment, Information System User Responsibility Commitment, and Haier Group Partner Personal Confidentiality Agreement, to rigorously protect user privacy information. In projects involving user data processing, in addition to strict contractual limitations on usage and operational permissions with suppliers, we fully adopt privacy computing technologies to enable data availability without visibility during transfer operations, so as to maximize user privacy and security throughout project implementation.

Our Future Plans

Haier Smart Home will remain committed to advancing original technology and product innovation to consistently address consumers' demand for health-conscious and eco-friendly products. Leveraging our digital platforms, we will enhance product quality control and customer service, uphold privacy protection and data security, thereby boosting user satisfaction and brand reputation.

Forging Partnerships to Advance Industries and Improve Society

05

Haier Smart Home is dedicated to practicing responsible procurement, constructing a value chain ecosystem centered on rigorous risk management and collaborative success. We mobilize our regional operating forces both domestically and internationally to create social value in areas such as healthcare, education, rural development, and volunteer services. By fostering mutually beneficial relationships between industry and communities, we strive to contribute towards building a more compassionate and prosperous society.

Our goals

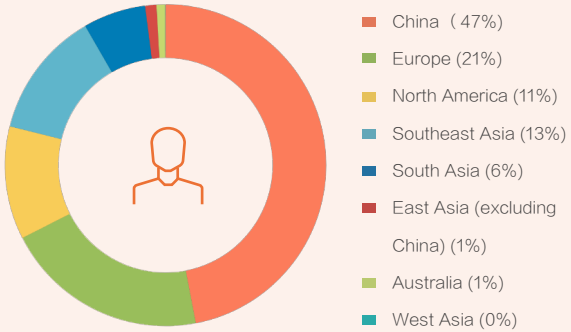
- **Material Topics addressed:** Supply Chain Management, Conflict Minerals, Community Investment.
- **HKEX's ESG Indicators addressed:** B4 Labor Standards, B5 Supply Chain Management, B7 Anti-corruption, B8 Community Investment.
- **UN SDGs addressed:**

1-3 Year Goals (2022-2024)	Progress in 2023
Supply Chain Management	
To increase the social responsibility audit ratio of suppliers accounting for the top 80% of our procurement spending to 90%.	Increased the social responsibility audit ratio of suppliers accounting for the top 80% of our procurement spending to 92%.
To achieve a 100% response rate to anti-corruption reminder letters from suppliers and conduct anti-corruption training for them.	Achieved a 100% response rate to anti-corruption reminder letters from suppliers and conducted anti-corruption training for them.
To actively implement dual-carbon initiatives with our top 80% of suppliers by procurement spending, and offer dual-carbon projects to suppliers.	Actively carried out dual-carbon project research and technical exchanges with our top 80% of suppliers by procurement spending, conducted carbon audits on selected suppliers, and offered alternative energy solutions to suppliers through our carbon asset management system.
To conduct due diligence on conflict minerals with our top 80% of suppliers by existing procurement spending.	Conducted due diligence on conflict minerals with all existing suppliers.
Community Investment	
To support educational advancement, expand our contributions to Project Hope, and build 20+ new Hope Primary Schools nationwide.	Supported Project Hope and built 21 Hope Primary Schools nationwide.
To respond to the call for "common prosperity" and contribute to rural revitalization.	Continued to invest and participate in rural revitalization efforts.
To commit to aiding those in need and demonstrating a sense of responsibility.	Conducted charitable activities in our domestic and overseas operating regions, donating goods and cash to local non-profit organizations and philanthropic activities in countries including China, Poland, Thailand, Italy, Indonesia, the Philippines, and Turkey.

Collaborating to Build a Sustainable Supply Chain

Haier Smart Home is committed to building a sustainable supply chain. We ensure procurement needs are met while upholding responsible sourcing practices. We request and advocate for environmental, social, and governance standards from suppliers, oversee and manage their environmental and social risks, and provide support in developing their sustainable development capabilities, thereby driving a shift along the entire supply chain towards green practices.

We comply with laws and regulations such as the Law of the People's Republic of China on Bid Invitation and Bidding. From supplier admission, to procurement, evaluation and empowerment, we ensure comprehensive management across our end-to-end supply chain process, and implement targeted ESG risk management. Currently, Haier Smart Home has 4,317 suppliers around the globe. We work with local suppliers in order to reduce greenhouse gas emissions during logistics, which have boosted local employment and promoted local economic development. We actively advocate for local procurement and maintain positive community relationships in all regions of operation. In 2023, approximately 75% of our product sourcing was with local suppliers.



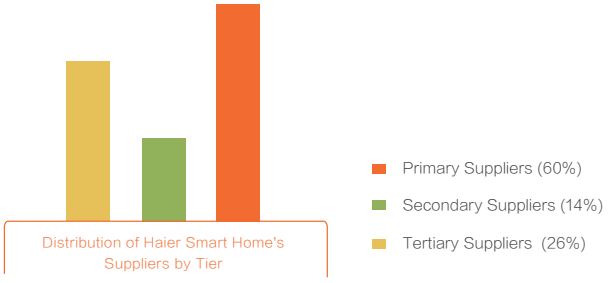
Distribution of Haier Smart Home's Suppliers by Region

Supplier Admission

Haier Smart Home assesses supplier qualifications and capabilities during the supplier admission and selection process based on policies such as the Modular Supplier Capability Self-Commitment Management Standard, Supplier On-site Connections, and Supplier Credit Rating Evaluation. Assessment criteria include ESG factors such as quality system audits, labor management, waste emissions, and conflict mineral procurement.

Self-Commitment	We require suppliers to commit to complying with labor regulations, business ethics, environmental protection, conflict minerals, and other assessment principles.
On-site Audit	New suppliers must pass quality system audits and social responsibility audits (including business ethics, labor employment, safety, occupational health, fire protection, environmental protection, hazardous waste, etc.)
Credit Rating Evaluation	We evaluate suppliers based on their year of establishment, customer and supplier profiles, and financial indicators.

We have categorized our suppliers into three tiers—primary, secondary, and tertiary—to implement lean management practices. Primary suppliers are modular suppliers that directly supply Haier Smart Home. Secondary suppliers provide components or submodules for the modular products supplied by primary suppliers. Tertiary suppliers produce or supply raw materials for the modular products of secondary suppliers. To ensure procurement quality, we have issued the Notice on Prohibiting Outsourcing of Key Processes, which clearly defined the standards for prohibiting key process outsourcing. We also explicitly stipulate the definition of subcontracting and penalties for any violations in the Modular Product Procurement Framework Contract signed with our suppliers.

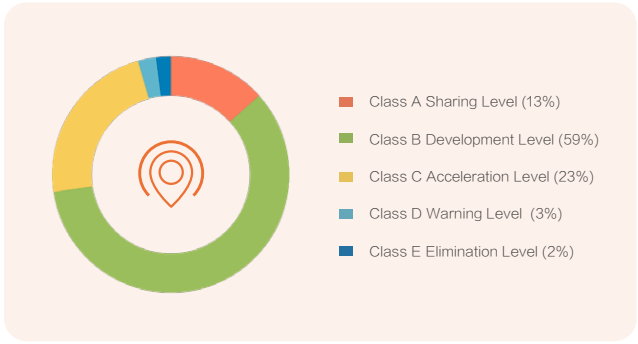


Distribution of Haier Smart Home's Suppliers by Tier

Supplier Performance Management

Haier Smart Home utilizes a performance evaluation scorecard to regularly assess admitted suppliers. We conduct comprehensive dynamic evaluations across six dimensions: R&D, quality, responsiveness, delivery, cost, and social responsibility. Using the analysis findings, we develop tailored supplier strategies that align with our objectives and customer requirements, classifying suppliers into five levels: sharing, development, acceleration, warning, and elimination.

In 2023, we conducted performance interviews with suppliers who failed to meet our comprehensive performance standards, urging them to make necessary improvements. Additionally, Haier Smart Home conducted on-site audits at 468 overseas factories, including 134 new suppliers.



Distribution of Haier Smart Home's Suppliers in Five Performance Levels

Supplier Environmental and Social Risk Management and Audits

Haier Smart Home manages suppliers in accordance with the Haier Group Code of Business Conduct and Supplier Code of Conduct. Through mechanisms like scorecards, we evaluate their performance in ESG aspects such as labor management standards, electronic waste emissions and management, and conflict minerals. In 2023, a total of 1,266 suppliers obtained ISO 9001 certification, 787 had ISO 14001 environmental management certification, and 316 received the QC 080000 certification.

Environmental Management

Haier Smart Home has proactively responded to the national "dual carbon" strategy by encouraging suppliers to prioritize eco-friendly products and practice sustainability. In 2023, we conducted dual carbon surveys on over 200 suppliers accounting for the top 80% of our procurement spending. The surveys covered topics like dual carbon target setting, green energy utilization, and clean technology exchange, with response received from 184 suppliers. In addition, we introduced a carbon asset management system to assist suppliers in enhancing their dual carbon competitiveness. Moving forward, we will allocate more resources to suppliers with stronger environmental management practices.

184
suppliers responded

Haier Smart Home places strong emphasis on labor rights and occupational health and safety in the supply chain. We prohibit suppliers from using child labor or forced labor and maintain a zero-tolerance attitude toward violations. If any non-compliance is found, we will immediately terminate cooperation. In 2023, we enhanced the sustainability of the entire supply chain by establishing a cross-departmental team to conduct audits of suppliers, focusing on labor practices, safety protection, occupational health, and freedom of association, with reference to Responsible Business Alliance (RBA) standards, urging suppliers to proactively improve employees' working environments.

We require suppliers to provide equitable, fair, healthy, and safe working environments for their employees based on the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the International Labor Organization's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. This includes taking measures to combat discrimination and harassment, ensuring reasonable wages, benefits, working hours, and providing appropriate training and education. We also encourage suppliers to actively participate in labor rights protection initiatives organized by renowned organizations. This year, our suppliers' green flag[9] attainment rates for labor employment, safety protection, occupational health, and freedom of association were 91%, 83%, 92%, and 94%, respectively.

[9] "Green Flag" indicates that the audit item fully complies with relevant regulations.

Business Ethics

During regular on-site supplier audits, Haier Smart Home signs the Modular Supplier On-site Connection Anti-Corruption Declaration with suppliers, requiring them to comply with business ethics standards, follow the Special Integrity Agreement, and formulate formal business ethics policies. Each year during key holidays, we issue the Supplier Anti-Corruption Reminder Letter and request suppliers to sign and respond. In 2023, 100% of our active suppliers responded to the anti-corruption reminder letter.

We have disclosed ways to report violations of business ethics through various public channels, and have reported illegal and unlawful behavior of both suppliers and Haier internal employees on the HaiDaYuan system. For details on the reporting channels, please refer to the "Whistleblower Protection" section under the "Fostering Integrity in Governance through Global Collaboration" chapter. In 2023, 12 suppliers were blacklisted for business ethical reasons.

Conflict Minerals

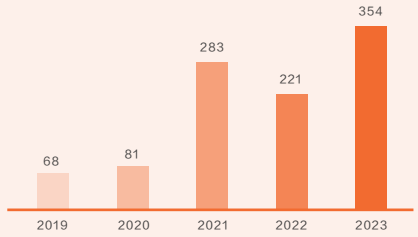
Haier Smart Home attaches great importance to conflict mineral issues for both our operations and our suppliers. To fulfill corporate social responsibility, we comply with the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and relevant provisions of the U.S. Dodd-Frank Act on conflict minerals. We have issued our Conflict Minerals Commitment on the HaiDaYuan platform, pledging to avoid using controversial materials, as well as working with suppliers to prevent and reduce the risk of using minerals in their manufactured products that may directly or indirectly provide funds or benefits to groups that may exacerbate serious human rights abuses, serious environmental harm, serious health and safety hazards, and serious corruption in high-risk areas. This ensures consistency between our supply chain policies and company guidelines. GE Appliances has issued an official Conflict Minerals Statement, adheres to the Responsible Minerals Initiative (RMI) for mineral procurement, and regularly publishes conflict minerals reports.

We also require our suppliers to abide by our commitment to not procure or use conflict minerals, provide written declarations, and establish a raw material traceability policy. In 2023, Haier Smart Home conducted responsible minerals audits in our supply chains, and extensively surveyed supply chains involving tantalum, tin, tungsten, gold, and cobalt. As of the end of the reporting period, we completed surveys of 1,317 suppliers. We also reported on the conflict mineral risks of our suppliers in some overseas operating locations in accordance with the five-step framework outlined in the OECD guidelines. We identified 1,825 key suppliers among all our suppliers, requested and examined information from them on the sources of conflict minerals and cobalt using the RMI Conflict Minerals Reporting Template (CMRT), tracing back to 344 smelters and refiners in the supply chain, of which 64% are RMAP certified. In the future, the Company will continue to promote our commitment to conflict-free minerals, gradually raise supplier admission standards, conduct ongoing supplier on-site audits, and require upstream smelters that have not been certified to undergo audits and certification.

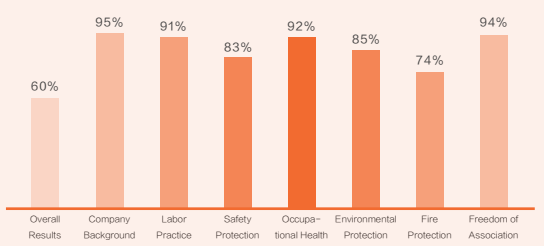
Risk Audits

Haier Smart Home regularly conducts social responsibility audits of our suppliers, with audited suppliers accounting for 92% of our procurement spending from 2021 to 2023. In accordance to the Responsible Business Alliance (RBA) standards, we also performed supplier compliance audits covering the aspects of company background, environmental protection, and fire safety, which yielded green flag attainment rates of 95%, 85%, and 74%, respectively. Suppliers are categorized into green, yellow, and red zones, representing those fully compliant with ESG standards, those with minor non-compliance issues to be rectified, and those severely non-compliant and subject to elimination if unable to meet standards or undergo required improvements.

This year, we conducted on-site audits of 354 suppliers, including primary, secondary, tertiary, and new suppliers, with 25 of them being tertiary suppliers. No major non-compliance issues were found. Haier Europe has been a member of the Supplier Ethical Data Exchange (Sedex) since 2019. Candy introduced the Supplier Code of Conduct this year and piloted due diligence on suppliers, with the first batch of pilot projects covering suppliers accounting for 80% of its procurement spending.



Number of Haier Smart Home Suppliers Audited for Social Responsibility



Haier Smart Home Social Responsibility Audit Results

Digital Supplier Management

This year, Haier Smart Home redesigned and streamlined our digital procurement platform to enable the management of 9 key stages along the end-to-end supplier service process.

The new procurement platform has optimized supplier admission approval, solution design, order processing, inspection reporting, delivery, and financial processes. It has also established a technical specification library and a financial workbench to achieve online drawing interaction and quick inspection reporting, facilitating Haier Smart Home's control over the supply chain.

Supplier Communication and Training

Haier Smart Home values communication and interaction with suppliers and empowers them through various means. We provide training for suppliers, conduct quality category ecosystem projects to enhance their quality capabilities, and convene supplier conferences to discuss topics such as quality, delivery, and social responsibility. We also leverage technology exchange meetings to share cutting-edge solutions. In 2023, we carried out 34 quality category ecosystem improvement projects, enhancing the quality capabilities of 93 suppliers. We held 12 supplier conferences and 231 technology exchange meetings, and shared 110 technology solutions.

Haier Smart Home technology exchange meetings

Building Better Communities

Upholding the philosophy of "In the World, For the World", Haier Smart Home participates in various social welfare initiatives across our global operations, including youth education and care, rural revitalization, support for underprivileged groups, disaster relief and reconstruction, and volunteer services. Through our products and innovative ideas, we strive to create social value, fulfill social responsibilities, and promote prosperity for both the company and communities. In 2023, our domestic and overseas operating regions donated goods and cash worth over RMB 6.8 million10 in total to charitable organizations and philanthropic activities in various regions[10].

Empowering Lives

Haier Smart Home is not only focused on our own development but also on fulfilling the public's aspirations for a better life. We enable such aspirations through various initiatives in domestic and overseas operating regions.

In China, we provide assistance to the Project Hope initiative through avenues such as the Haier Education Foundation, investing RMB 8 million annually to support the construction and improvement of Hope Primary Schools. As of 2023, Haier Smart Home has cumulatively supported the construction of 386 Hope Primary Schools (21 of which were built in 2023) and one Hope Middle School. Internationally, we engage in charitable activities by donating educational supplies, offering internship and job opportunities for college students, and organizing sports events to empower the healthy development of youth. In 2023, we launched the "Ocean Exploration Program" and the "Seed Awakening Program" to provide in-depth emotional and intellectual support for more children on a regular basis, while continuously promoting a sustainable, healthy and smart lifestyle philosophy to the society.

Supported the building of

386

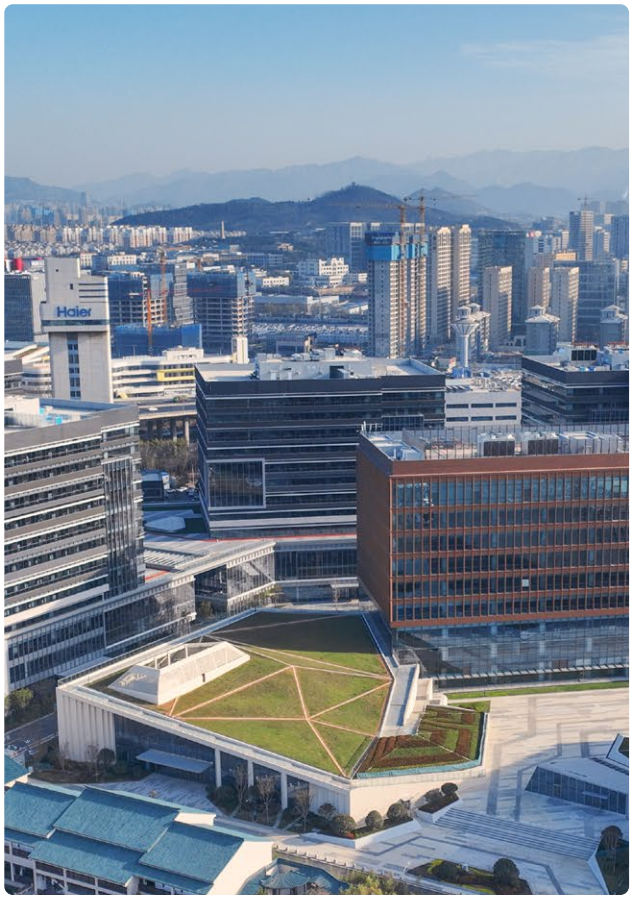
Hope primary schools

Invested RMB

8 million

annually for the construction and improvement of Hope primary schools

[10] Donated currencies include Chinese Renminbi, US Dollar, Euro, Japanese Yen, Russian Ruble, New Zealand Dollar, Indian Rupee, and Thai Baht, converted to equivalent Chinese Renminbi value.



The "Young Dreamers" Volunteer Service Group Focuses on Youth Education Charity Activities

Haier Smart Home franchised stores have launched the "Young Dreamers" national charity campaign. As of the end of 2023, this campaign reached 158 cities and regions across China, and helped over 8,600 children fulfill their dreams. This effort has benefited more than 1,800 families, and earned the title of "Best Volunteer Service Organization" in Qingdao.

"Building Dreams for a Strong Nation, Embracing the Future with Technology" Themed Activities Enhanced Youth Science and Technology Education

On December 5, 2023, Haier Smart Home hosted the "Building Dreams for a Strong Nation, Embracing the Future with Technology" themed activity at the Haier World Home Appliance Museum in Qingdao. Through parent-child baking classes and household electrical safety tutorials, the event helped students integrate technical knowledge with real life practice, effectively enhancing their scientific literacy.

"Let's Hug, Dad" Public Welfare Campaign Facilitates Family Reunion Through Cloud Technology

In 2023, Haier Smart Home franchised stores continued the "Let's Hug, Dad" public welfare campaign. By creating green channels and cloud platforms, the campaign facilitated in-person or virtual reunions for over 100 left-behind children in remote mountainous areas with their migrant worker parents, showcasing Haier Smart Home's deep concern for the well-being and happiness of these children.

Haier Thailand Factory Organized Children's Day Charity Event

In January 2023, the Haier Thailand factory organized a Children's Day charity event. The event included donating gifts such as bicycles to 15 schools in Prachin Buri Province, and setting up booths for Children's Day activities in collaboration with government agencies, attracting over 200 children to participate. This event not only enhanced the children's learning and living conditions but also reflected the caring nature of our global brand.

Haier Poland Auctioned Hand-Painted Refrigerator to Support Local Children's Development

In February 2023, Haier Poland donated a hand-painted refrigerator to the well-known local charity foundation WOSP. The refrigerator was successfully auctioned for over 10,000 euros at the 31st WOSP charity auction, with all proceeds dedicated to supporting the health and education development of local children.

GE Appliances Team Helped Elementary School Students Realize Engineering Design

The GE Appliances team worked closely with Rock Spring Elementary School in Walker County, Georgia, U.S., to jointly launch a challenge aimed at improving children's handwashing experience. With professional guidance from GE Appliances, students successfully developed a child-friendly handwashing platform, fostering their innovation and teamwork skills.

Haier Smart Home leverages our smart technology expertise to provide a variety of public welfare services to disadvantaged social groups struggling with accessing technological facilities. This enables them to benefit from the advancements in technology and helps promote equitable access to public services and rural revitalization.

GE Appliances Veterans Club Assisted Local Students in Completing the "Micro-Homes" Project

In January 2023, volunteers from the GE Appliances Veterans Club collaborated with students from Bullitt County to build adaptive "micro-homes" for individuals with post-traumatic stress disorder and physical disabilities. These "micro-homes" will also support charitable organizations by providing shelter for trafficked women.

Innovative "Franchised Store + Live Streaming" Model Supports Rural Revitalization in Shanxi

In December 2023, Haier Smart Home franchised stores collaborated with the Shanxi Provincial Government and the Retail Industry Association to successfully host the "Haier Franchised Store New Season of Better Life - Large-Scale Agricultural Product Livestreaming Tour" in Taiyuan. Leveraging our nationwide store network, the event showcased local specialty agricultural products to a wider audience. With an estimated investment of RMB 200 million, the livestreaming tour will include ten events nationwide, offering users enhanced experience for a better quality of life.

Haier franchised stores supported farmers through live streaming

GE Appliances Collaborated with Local High School Students on Public Welfare Innovation Activities

In 2023, GE Appliances partnered with 22 student teams from Bullitt County in U.S. to design and build small homes for a local non-profit organization, supporting barrier-free living for people with disabilities, as well as promoting sustainable energy and food self-sufficiency.

GE Appliances has established a partnership with J.B. Speed School of Engineering at the University of Louisville to mentor, motivate, and support local high school students in pursuing higher education in the fields of science, engineering, and manufacturing.

The GEES program, a collaboration between GE Appliances, Bullitt County Public Schools, and the School of Engineering at the University of Louisville.

Embracing Communities

Haier Smart Home values our relationship with the local communities we operate in, and is committed to engaging in charitable activities to strengthen these bonds. We actively participate in disaster relief and assistance efforts during extreme weather events and natural disasters, helping affected populations overcome hardships and showcasing our sense of responsibility through tangible actions.

Haier Europe supported post-disaster rebuilding efforts in Turkey

Taking on Corporate Social Responsibility: Haier Supported Post-Disaster Reconstruction in Turkey

In 2023, Haier Europe initiated a series of support actions to help local communities and people affected by the earthquakes in Turkey and Syria. In addition to donating essential living supplies and rebuilding materials, Haier Europe launched fundraising efforts to financially support the work of the Disaster and Emergency Management Presidency under the Turkish Ministry of the Interior, helping expedite the reconstruction process in disaster-stricken areas.

Haier Smart Home New Zealand Team Donated Home Appliances to Support Post-Disaster Rebuilding

At the beginning of 2023, when devastating floods hit New Zealand, the Haier Smart Home New Zealand team swiftly responded by partnering with the KidsCan children's charity, donating nearly 100 product units and relief supplies. They also helped residents in the Auckland region purchase 50 refrigerators at discounted prices, alleviating the urgent needs of people in the disaster area.

Our Haier employees from all corners of the world hold steadfast to their earnest commitment in volunteering, contributing their professional expertise and heartfelt passion to public welfare, generously giving back to society with love and care.

The "100,000 Cold Drinks" Campaign Created Summer Cooling Stations

In 2023, Haier Smart Home launched the "100,000 Cold Drinks" campaign across 42 cities nationwide. Leveraging over 30,000 stores across the country, the initiative distributed over 100,000 cups of cold drinks. These refreshing beverages served as cooling stations for outdoor urban contributors, such as sanitation workers, couriers, food delivery workers, and traffic police officers, benefiting millions of city contributors through tangible actions.

Haier Smart Home Volunteer Team Fostered Civilized Traffic in Qingdao

In 2023, Haier Smart Home established the Haier Volunteer Service Chain Group. The volunteers, dressed in uniform, conducted traffic control at the intersection of Haier Road and Xianxialing Road during morning and evening peak hours, actively maintaining the propriety of the road sections, setting an example of civilized behaviors.

Haier Smart Home Auckland Team Joined Hands to Support the "Christmas Box" Charity Campaign

In December 2023, the FPA team in Auckland generously contributed to the "Christmas Box" charity organization. Team members folded, packed, and sealed gift boxes to provide food assistance to over 100,000 people in New Zealand, Australia, and the Cook Islands. Since its establishment in 2001, "Christmas Box" has distributed over 200,000 gift boxes.

Our Future Plans

In the future, Haier Smart Home will uphold our mission of "empowering lives, embracing communities", continuously advancing responsible and sustainable supply chain development. We will collaborate with upstream and downstream suppliers to enhance environmental and ethical procurement practices, while consistently expanding the scope and impact of our philanthropic endeavors. We are committed to actively fulfilling our social responsibilities and working together with all ecosystem partners to co-create a brighter society.

APPENDIX

Appendix I: The Stock Exchange ESG Reporting Guide Index

Category	Issue	Disclosure requirement	Index
Governance Structure	–	A statement from the board containing the following elements: (1) a disclosure of the board's oversight of ESG issues; (2) 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 (3) how the board reviews progress made against ESG-related goals and targets with an explanation of how they connect to the issuer's businesses.	P4,19
Reporting Principles	–	A description of, or an explanation on, the application of the following reporting principles in the preparation of the ESG report: Materiality: the ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. 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. 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.	ABOUT THIS REPORT
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.	ABOUT THIS REPORT

Category	Issue	Disclosure requirement	Index
Environment	A1 Emissions	General disclosure: Information on: (1) the policies; and (2) 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.	P39-40、P45
		A1.1 The types of emissions and respective emissions data.	P40
		A1.2 Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P40
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P40
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P40
		A1.5 Description of emission target(s) set and steps taken to achieve them.	P35-37、P39-40、P44、P47-48
		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.	P35、P39-44
	A2 Use of Resources	General disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	P37
		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).	P38
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)	P38
		A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	P35、P37-38、P44
		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.	P35、P37-38、P44
		A2.5 Total packaging material used for finished products (in tonnes), if applicable, with reference to per unit produced.	P38
	A3 The Environment and Natural Resources	General disclosure: Policies on minimizing the issuer's significant impact on the environment and natural resources.	P37-39
		A3.1 Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	P37-44
	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.	P45
		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.	P45-48

Category	Issue	Disclosure requirement	Index
Social	B1 Employment	General disclosure: Information on: (1) the policies; and (2) 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.	P53-55
		B1.1 Total workforce by gender, employment type (such as full-time or part-time), age group and geographical region.	P51-52
		B1.2 Employee turnover rate by gender, age group and geographical region.	P52
	B2 Health and Safety	General disclosure: Information on: (1) the policies; and (2) 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.	P64
		B2.1 Number and rate of work-related fatalities for the past three years (including the reporting year).	P64
		B2.2 Lost days due to work injury.	P64
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P65
	B3 Development and Training	General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P58-60
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management and middle management).	P59
		B3.2 The average training hours completed per employee by gender and employee category.	P59
	B4 Labor Standards	General disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	P55
		B4.1 Description of measures to review employment practices to avoid child and forced labor.	P55
		B4.2 Description of steps taken to eliminate such practices when discovered.	P55

Category	Issue	Disclosure requirement	Index
Social	B5 Supply Chain Management	General disclosure: Policies on managing environmental and social risks of the supply chain.	P80
		B5.1 Number of suppliers by geographical region.	P80
		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.	P80-81
		B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P82-83
		B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P82
	B6 Product Responsibility	General disclosure: Information on: (1) the policies; and (2) 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.	P27、P69、P76
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P70
		B6.2 Number of products and services related complaints received and how they are dealt with.	P76
		B6.3 Description of practices related to observing and protecting intellectual property rights.	P73-74
		B6.4 Description of quality assurance process and recall procedures.	P70
		B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	P76-77
	B7 Anti-corruption	General disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P26-27
		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.	P27
		B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	P26
		B7.2 Description of anti-corruption training provided to directors and staff.	P28
	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.	P85
		B8.1 Focus areas of contribution (e.g. education, environmental affairs, needs of labor, health, culture and sports).	P85-88
		B8.2 Resources contributed (e.g. money and time) to the focus area.	P85

Appendix II: GRI Content Index

Statement of use	Haier Smart Home Co., Ltd. and its subsidiaries had reported the information cited in this GRI Standards content index for the period from January 1, 2023 to December 31, 2023 in accordance with the GRI Standards.vvv
GRI 1 used	GRI 1: GRI 1: Foundation 2021

GRI Standard		Disclosed Items	Location and explanation
GRI 2: General disclosures 2021			
1. Organisations and its reporting practices	2-1	Organizational details	P5
	2-2	Entities included in the organization's sustainability reporting	About this report
	2-3	Reporting period, reporting frequency and contactor	About this report
	2-4	Restatements of information	The organization did not have any restatements during the reporting period
2. Activities and Workers	2-6	Activities, value chain and other business relationships	P2-3、P5
	2-7	Employees	P51-52
	2-8	Workers who are not employees	There are no workers who are not employees
3. Governance	2-9	Governance structure and composition	P19-21
	2-10	Nomination and selection of the highest governance body	Please refer to 2023 Annual Report
	2-11	Chair of the highest governance body	Li Huagang
	2-12	Overseeing role of the highest governance body in the management of impacts	P19
	2-13	Delegation of responsibility for managing impacts	P19
	2-14	Highest governance body's role in sustainability reporting	P20
	2-15	Conflicts of interest	P19
	2-16	Communicating critical concerns	P22-23
	2-17	Collective knowledge of highest governance body	P4
	2-18	Evaluation of the performance of the highest governance body	P20
4. Strategy, policies and practices	2-22	Statement on sustainable development strategy	P8
	2-23	Policy commitments	P55、P40-41、P82-83
	2-24	Embedding policy commitments	P7
	2-26	Mechanisms for seeking advice and raising concerns	P22-23
	2-27	Compliance with laws and regulations	There are no significant violations of laws and regulations by the Company during the year.
5. Stakeholder Engagement	2-29	Approach to stakeholder engagement	P22-23
	2-30	Collective bargaining agreement	100% labor union coverage

GRI Standard	Disclosed Items	Location and explanation
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	P24
3-2	List of material topics	P24
3-3	Management of material topics	Please see the table below for the management methods for specific topics

Item Description Disclosures		Index
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Please refer to the 2023 Annual Report for financial information related to operations; we do not report other information due to confidentiality requirements
	201- 2 Financial implications and other risks and opportunities due to climate change	P45-46
GRI 204: Procurement Practices 2016	204- 1 Proportion of spending on local suppliers	P85
GRI 205: Anti- corruption 2016	205-1 Operational sites for which a corruption risk assessment has been conducted	P26
	205- 2 Communication and training about anti- corruption policies and procedures	P26-28
GRI 206: Unfair Competition 2016	206- 1 Legal litigation against unfair competition, antitrust, and anti-monopoly practices	P27
GRI 301: Materials 2016	301- 1 Weight or volume of materials used	P11-13、P36
	301- 2 Recycled feed used	P11-13、P36、P40-42
	301- 3 Recycled product and its packaging materials	P11-13、P36、P40-42
GRI 302: Energy 2016	302- 1 Energy consumption within the organization	P38
	302- 2 Energy consumption outside of the organization	P38
	302- 3 Energy intensity	P38
	302- 5 Reduction in energy requirements of products and services	P11-13、P37-38
GRI 303: Water and Effluents 2018	303- 1 Interactions with water as a shared resource	P37-38
	303- 2 Management of water discharge- related impacts	P37-38
	303- 3 Water withdrawal	P38
	303- 4 Water discharge	P38
	303- 5 Water consumption	P38
GRI 305: Emissions 2016	305- 1 Direct (Scope 1) GHG emissions	P40
	305- 2 Energy indirect (Scope 2) GHG emissions	P40
	305- 4 GHG emissions intensity	P40
	305- 5 Reduction of GHG emissions	P35

Item Description Disclosures		Index
GRI 306: Effluents and waste 2020	306-2 Total amount of waste by type and disposal method	P40
	306-3 Significant spills	In 2023, the organization had no significant spills
	306-4 Transport of hazardous waste	P39
	306-5 Water bodies affected by water discharges and/or runoff	P39
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	In 2023, the organization did not have material non-compliance with environmental laws and regulations
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	P82
	308-2 Negative environmental impacts in the supply chain and actions taken	P37、P82-83
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	P51-52
	401-2 Benefits provided to fulltime employees that are not provided to temporary or part-time employees	P60-63
	401-3 Parental leave	P62
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	P64
	403-2 Hazard identification, risk assessment and incident investigation	P64-65
	403-3 Occupational health services	P65
	403-4 Occupational health and safety matters: worker participation, consultation and communication	P65
	403-5 Worker training on occupational health and safety	P66
	403-6 Promotion of worker health	P61、P65-66
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P65
	403-8 Workers covered by an occupational health and safety management system	P65
	403-9 Work-related injuries	P64
	403-10 Work-related ill health	P65
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	P59
	404-2 Staff up-skilling program and transition assistance program	P59-60
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	P19、P53
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	P55
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development plans	P80、P85
GRI 414: Supplier Social Assessment 2016	414-1 New Suppliers selected using social standards	P80、P82-83
	414-2 Negative social impacts in the supply chain and actions taken	P82-83
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	P70
	416-2 Non-compliant events involving the health and safety impact of products and services	In 2023, the organization had no significant violations involving health and safety impacts of products and services
GRI 417: Marketing and labeling 2016	417-1 Requirements for product and service information and labeling	P27
	417-2 Incidents of non- compliance concerning product and service information and labeling	In 2023, the organization had no significant incidents of non- compliance concerning product and service information and labeling
	417-3 Incidents of non- compliance concerning marketing communications	In 2023, the organization had no significant incidents of non- compliance concerning marketing communications
GRI 418: Customer privacy 2016	418-1 Confirmed complaint related to the violation of customer privacy and loss of customer data	In 2023, the organization had no significant confirmed complaint related to the violation of customer privacy and loss of customer data

Appendix III: SASB Content Index

Table 1: Sustainability disclosure issues and measurement methods

Topic	Topic Description	Category	Unit of measure	Index
Product Safety	Number of recalls issued and total units recalled	Quantitative	Number of cases or units	P70
	Discussion of process to identify and manage safety risks	Discussion and analysis	NA	P70
	Total amount of monetary losses as a result of legal proceedings associated with product safety	Quantitative	Applicable reporting currency	NA
Product Lifecycle Environmental Impacts	Percentage of eligible products by revenue certified to the "ENERGY STAR"	Quantitative	Percentage of revenue	NA
	Percentage of eligible products by revenue certified to an Association of Home Appliance Manufacturers (AHAM) sustainability standard	Quantitative	Percentage of revenue	NA
	Efforts to manage products end-of-life impacts and results	Discussion and analysis	NA	P40-43

Table 2: Activity metrics

Topic	Topic Description	Category	Unit of measure	Index
Annual productions	Quantitative	Quantitative of unit	Number of units	NA

Appendix IV: ESG Awards

Social responsibility honor/ESG honor

First "Sustainable Lighthouse" Factory for a Chinese Company: On January 13, 2023, Tianjin Washing Machine Connected Factory was successfully selected as a WEF Global "Sustainable Lighthouse Factory", making it a "zero breakthrough" for a local Chinese company in the Global Sustainable Lighthouse Factory List.

2022 Hurun China Private Companies SDG Readiness 100: On March 16, 2023, Haier Smart Home continuously included in the 2022 Hurun China Private Companies SDG Readiness 100 issued by the Hurun Research Institute.

"Annual Sustainable Products Award": Green Builder eiaadds UltraFast Combo to its annual sustainable product list from March to April.

Haier Smart Home was Re-Listed on Fortune's ESG List: On May 5, 2023, Haier Smart Home was reselected into Fortune's China ESG impact list, ranking first in the industry.

Selected for White Paper on China's WEEE Recycling and Comprehensive Utilization Industry: On May 30-31, 2023, 2022 China's WEEE industry white paper was officially released at the 6th International Conference on the Extended Producer Responsibility System for Electrical and Electronic Equipment and Recycling and Treatment Technology, and Haier Smart Home was the only company selected as a typical enterprise practice case in the white paper, and also the only enterprise participating in the editing of the white paper.

China ESG Listed Company Pioneer 100: In June 2023, Haier Smart Home was listed on the "China ESG Listed Company Pioneer 100" list, becoming the only enterprise in the large home appliance industry to be selected.

National "Four 100" Advanced Typical Lei Feng Volunteer Service Mode List: On July 31, 2023, Haier Smart Home's "Dream Circle" Volunteer Service Project was awarded the Best Volunteer Service Project, and was the only volunteer service project in Qingdao City selected this year.

GE Appliances was selected as "Best Workplace for Innovators": On August 1, 2023, GE Appliances was honored as "Best Workplace for Innovators" by Fast Company magazine.

Forbes China's Top 100 Customer Service Companies: On September 27, 2023, Forbes China, China Electronic Chamber of Commerce, and Consumer Protection jointly released the annual list of "Forbes China's Top 100 Customer Service Companies". Haier Smart Home was successfully listed on the list due to its outstanding performance in four dimensions: business capability, service

capability, operation capability and development potential.

2023 ESG Best Practice Cases for Listed Companies: In November 2023, Haier Smart Home was awarded the "2023 ESG Best Practice Cases for Listed Companies in China" published by China Association for Public Companies.

Annual Most Socially Responsible Listed Company Award: On November 8, 2023, Haier Smart Home won the "Annual Most Socially Responsible Listed Company Award" in the 2023 "Capital Power" organised by Stock Star.

Green Low Carbon Outstanding Contribution Award of China's Listed Companies: On November 28, 2023, the winners of the 17th China Listed Company Value Award organized by the Securities Times were announced, and Haier Smart Home was awarded the "Green Low Carbon Outstanding Contribution Award of China's Listed Companies".

SMI Earth Charter: On November 28, 2023, Haier Smart Home was honored to be the only Chinese home appliance company to win the 2023 Earth Charter announced by the Sustainable Markets Initiative (SMI) in London, UK.

Qianxing Award – Digital Transformation Industry Value Leader" "Excellent ESG Leader": In December 2023, Haier Smart Home's digital transformation and ESG practices were recognized at the "Innovation gathering Energy for the Future" 2023 Innovation Summit co-organized by Economic Observer Newspaper and Economic Observer Media.

2023 ESG Pioneer 60: In December 2023, Haier Smart Home was honored with the Annual Corporate ESG Practice Award by Shanghai United Media Group's Jiemian News.

Golden Responsibility Award: On December 15, 2023, Haier Smart Home was honored with the "Golden Responsibility Award" - Best Social(S) Responsibility Award of 2023 China Corporate ESG organized by Sina Finance.

"2023 Beautiful China Dual-Carbon Pioneer", "2023 ESG Green Company Star", "2023 Outstanding Socially Responsible Enterprise": On December 20, 2023, Haier Smart Home received three awards: "2023 Beautiful China Dual-Carbon Pioneer", "2023 ESG Green Company Star", and "2023 Outstanding Socially Responsible Enterprise", which were selected by Punctuated Financial Research Institute and Investment Times.

InnoESG Prize 2023: On February 7, 2024, Haier Smart Home was awarded the InnoESG Prize at the 5th InnoESG Award Ceremony and Sustainable Employer Brand Awards.

Brand Honor

Putra Aria Brand Awards: On January 13, 2023, the first "Putra Aria Brand Awards" in Malaysia announced the winners of the 2022 awards, and Haier Smart Home was awarded the Silver Award in the category of "Personal, Household and Outdoor Products".

Fortune's World's Most Admired Company: In February 2023, Fortune magazine released its list of the 2023 World's Most Admired Company, which included Haier Smart Home again, being the first time to rank top at the home equipment and furnishings industry.

Smart Home Standard Passes IEEE Ballot: In February 2023, Haier Smart Home has taken the lead in developing the Standard for Architectural Framework and General Requirements for Smart Home Systems, which passed the IEEE Sponsor ballot with a high passing rate.

2022 World Internet of Things Leader: On February 10-11, 2023, Haier Smart Home was awarded 2022 World Internet of Things Leader at the World Internet of Things Conference.

SANYINIAO was awarded "2022 World Internet of Things Innovation Project": At the World Internet of Things Conference on February 10-11, 2023, Haier Smart Home's SANYINIAO Smart Home Scenario Solution was awarded "2022 World Internet of Things Innovation Project".

GE Appliances digital solutions won the "Empower Better" Award: In March 2023, GE Appliances won the "Empower Better" award from the Cority Connect Forum, a national occupational health and safety forum, for the contributions made by its occupational health division in process automation and digitalization.

German iF Design Award: On April 14, 2023, Haier Smart Home's Casarte Designer Series F+ refrigerator won the iF Gold Award.

AQUA Washing Machine Won "Top Innovation Choice Award" in Indonesia: On April 14, 2023, Haier Smart Home's AQUA Washing Machine has won the 2023 "Top Innovation Choice Award" in Indonesia for its differentiation.

Best Supplier Award: In May 2023, Haier Smart Home won the "Best Supplier Award" for booth design and user experience at Europe CIH exhibition.

Haier Refrigerator Recognized by German Authority Stiwa for Two Consecutive Years: On May 9, 2023, Haier Refrigerator was awarded "good" certification by German authority Stiwa, becoming the only Chinese brand on the list, which is also the second consecutive year that Haier Smart Home has been recognized by the organization.

Casarte and SANYINIAO were ranked among China's 500 Most Valuable Brands: On June 15, 2023, the World Brand Lab released the list of China's 500 Most Valuable Brands in 2023, and Haier Smart Home's Casarte ranked 142nd and its SANYINIAO ranked 197th.

Hoover won the "IER" award in the UK: On June 16, 2023, oover, a brand of Haier Smart Home, was awarded the "Best Vacuum Cleaner" by IER Daily, an authoritative electrical retail trade magazine in the UK, and was the only Chinese brand to win the award in the competition.

AQUA won the "Top 10 Most Popular Famous Brands" in Vietnam: On July 17, 2023, the award ceremony for the "2023 Top 10 Most Popular Famous Brands" was held in Hanoi, hosted by the Vietnam Intellectual Property Office (VIPO). AQUA, a subsidiary of Haier Smart Home, won the award, becoming the only Chinese enterprise to win the award.

Haier Refrigerator Artificial Intelligence Technology Certified to Reach International Advanced Level: On September 4, 2023, Haier Refrigerator's "Multi-dimensional Fusion Perception and Intelligent Interaction Key Technology and Its Application in Refrigerators" was unanimously approved and authoritatively certified at the results appraisal meeting held by the Chinese Association for Artificial Intelligence.

GE Appliances Best Places to Work: On September 7, 2023, Best Places to Work and FORTUNE magazines named GE Appliances as one of the 2023 FORTUNE Best Places to Work in Manufacturing and Production list for the second consecutive year.

The 24th China Appearance Patent Prize Award and the Grand Prize of Taihu Award: On September 9-11, 2023, Haier Smart Home won the Gold Award of China Patent Award for Appearance Design for the Casarte Connoisseur Air Conditioner in China (Wuxi) International Design Expo sponsored by the State Intellectual Property Office, the Ministry of Science and Technology, and the People's Government of Jiangsu Province. The design of Haier Smart Home's high-end French refrigerator "Panorama Series" won the Grand Prize of Taihu Award.

Most Influential Listed Company: On September 27, 2023, at the "2023 Phoenix Star Hong Kong Stock Best Listed Company" award ceremony, Haier Smart Home was named the only "Most Influential Listed Company".

Japan Excellent Design Award: On October 5, 2023, Haier refrigerators and AQUA refrigerators both won the 2023 Japan Excellent Design Award in the household appliance category, making them the only Chinese refrigerator brand to win awards in the Japanese market.

Haier Smart Home was once again selected as an intelligent manufacturing demonstration factory: From October 27 to November 2, 2023, the Ministry of Industry and Information Technology announced the List of Units for the 2023 Intelligent Manufacturing Demonstration Factory, and two factories of Haier Smart Home were selected.

Spain TUE PERTO. COM Best Product Award: On November 7, 2023, Haier Smart Home's Haier Refrigerator and Candy Dishwasher won the Best Product Awards on TUE · PERTO.COM, the most popular and visited technology news website in Spain. Haier Smart Home is also the only Chinese brand winning awards in this field.

UK ERT Highly Recommended Award: On November 9, 2023, Haier, a subsidiary of Haier Smart Home, won the UK ERT Awards for "Highly Recommended Award", and Hoover vacuum cleaner was named "Best New Product".

Top 100 Value Listed Companies on the Main Board: On November 28, 2023, the list of winners in the 17th China Listed Company Value Selection hosted by Securities Times was announced, and Haier Smart Home was awarded the "Top 100 Value Listed Companies on the Main Board".

Selected as Typical Cases of Quality Enhancement by MIIT in 2023: In December 2023, MIIT released the 2023 List of Typical Cases of Quality Enhancement by Industry and Information Technology, and five typical cases of Haier Smart Home were selected.

Reentering World's "lighthouse factory": On December 14, 2023, the World Economic Forum announced the latest batch of "lighthouse factory" list and Haier Smart Home is the only household appliance company selected.

2023 "Most Valuable Listed Company": On December 22, 2023, Haier Smart Home was awarded "Most Valuable Listed Company" in the 12th Annual Golden Wisdom Award.

Annual Smart Appliance Company: In 2023, GE Appliances was named "Annual Smart Appliance Company" for the fifth time by IoT Breakthrough.

2023 New Manufacturing Innovation Ranking: In 2023, eNet Research Institute released the 2023 New Manufacturing Innovation Ranking, and Haier Smart Home ranked fifth.

2023 Intelligent Manufacturing Ranking: In 2023, eNet Research Institute released the 2023 Intelligent Manufacturing Ranking, and Haier Smart Home ranked fourth.

Maintaining the Top Global Smart Home Invention Patent Ranking for Ten Consecutive Years: In January 2024, the "2023 Global Smart Home Invention Patent Top100" released by IPRdaily, Haier Smart Home occupied the first place for ten consecutive years.

2023 Highest Science and Technology Award of China Light Industry: In January 2024, China National Light Industry Council announced the list of science and technology awards in 2023, and Haier Smart Home won four first prizes.

Two scientific and technological achievements won the first prize: on January 3, 2024, two scientific and technological achievements of Haier Smart Home refrigerator and air conditioner won the first prize of 2023 China Science and Technology Award, ranking first in the industry.

Best Employers in the UK: On January 18, 2024, the Top Employers Institute, an international authoritative and outstanding employer research institution, published its list of the best employers in the UK for 2024, which included Haier Smart Home for two consecutive years.

ICQCC International Gold Award: In November 2023, Guizhou Haier Electrical Appliances Co., Ltd. was awarded the "ICQCC International Gold Award" by ICQCC.

"2023 Global Smart Home Invention Patent Top100" released by IPRdaily, Haier Smart Home occupied the first place for ten consecutive years.

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Appendix V: ESG Rating

MSCI-ESG Rating	A	In 2023, Haier Smart Home was upgraded from BBB to A in MSCI's ESG rating, ranked highest in China's home appliance industry.
Morningstar’s Sustainalytics ESG Rating	Medium risk 27.1	In 2023, Haier Smart Home received a medium rating in the Morningstar's Sustainalytics rating with a risk score of 27.1.
Wind ESG Rating	AA	In 2023, Haier Smart Home received an AA rating on the Wind ESG rating.
CSI ESG Rating	AA	In 2023, Haier Smart Home received an AA rating on the ESG rating for A-share listed company issued by CSI.

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

The year of 2023 marks an extraordinary year. In the face of major changes in the internal and external environments, China's economy is generally rebounding and improving. China's home appliance industry is moving upward in the cycle of change and adjustment, and all industry colleagues are persistently forging ahead to push forward high-quality development and the construction of a modernized industrial system.

Under the new situation, Haier Smart Home is bold in innovation and fully grasps the development trend of the times. On the one hand, adhering to the smart Internet-of-Things ecosystem concept of "Internet of Everything", Haier Smart Home is deeply engaged in the smart home, bringing a smart and beautiful life to Chinese and overseas consumers; on the other hand, Haier Smart Home actively responds to the "dual-carbon" strategy, integrates the concept of green and low-carbon into the life cycle of products, and develops environmental friendly and energy-saving technologies, playing an important leading role in promoting the green and low-carbon transformation of the industry.

In this report, Haier Smart Home demonstrates its achievements in low-carbon smart products, green manufacturing, recycling and corporate social responsibility over the past year, reflecting the trend of the industry towards high-end, intelligent and scenario-based, and highlighting the image of a responsible home appliance company, which is worthy of encouragement.

Strong players tide over headwinds. We expect that in the new year, Haier Smart Home will, as in the past, closely follow the trend of the times, grasp the opportunities of dual-carbon development, continue to increase green and low-carbon innovation, continue to explore the potential of carbon reduction in the field of product production and manufacturing, explore the mode of intelligent design, production, management and service, and improve its business model, so that it can activate the segmented stock market to a greater extent, create new incremental capacity, promote the synergistic development of the upstream and downstream industries, and actively undertake social responsibility, with a view to becoming the main force for the high-quality development of China's home appliance industry!

Executive Director of China Household Electrical Appliances Association: