AUX 奥克斯

奥克斯电气有限公司
AUX ELECTRIC CO., LTD.

AUX ELECTRIC CO.,LTD.
Environmental, Social and Governance Report 2025

AUX 奥克斯

# AUX ELECTRIC CO.,LTD. Environmental, Social and Governance Report 2025

Stock Code : 2580.hk



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# About This Report

The 2025 Environmental, Social and Governance (ESG) Report (the "Report") is prepared by Aux Electric Co., Ltd. (the "Company") to disclose, in a clear and transparent manner, the governance philosophy, initiatives, and performance of the Company and together with its subsidiaries (collectively, "AUX Electric", the "Group", or "we") in the area of sustainability ("ESG") for the year ended 2025.

## Reporting Scope

Unless otherwise specified, the disclosures in this Report cover the period from 1 January 2025 to 31 December 2025 (the "Reporting Year" or "2025"). The reporting scope covers AUX Electric's principal business, namely the design, research and development, manufacturing, sales, and services of residential and central air conditioners, including operating units and manufacturing sites under our management control. To enhance comparability and forward-looking relevance, certain disclosures include appropriate historical lookbacks or forward-looking statements.

## Basis of Preparation

This Report is prepared in align with Appendix C2 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Environmental, Social and Governance Reporting Code (the "ESG Code").

## Reporting Principles

To ensure the credibility and usefulness of our disclosures, this Report is prepared with rigor and pragmatism in accordance with the four core reporting principles set out in the Stock Exchange's ESG Code, as well as the disclosure requirements under the "Mandatory Disclosure Requirements" and the "Comply or Explain" provisions. AUX Electric will continue to enhance its ESG data management capabilities and improve data accuracy and reliability, providing stakeholders with more dependable information.

- **Materiality**: Through stakeholder engagement and a materiality assessment, we identify ESG topics that have the greatest impact on our operations and on stakeholders, and determine our disclosure focus accordingly.
- **Quantitative**: This Report adopts quantitative approaches to measure applicable key performance indicators, and discloses the methodologies, bases, and boundaries used.
- **Balance**: We strive to present an objective view of the Group's ESG performance. The Report avoids selective reporting, omissions, or descriptions that may unduly influence readers, ensuring complete and truthful information so stakeholders can fully understand our overall sustainability performance.
- **Consistency**: This is the Group's first ESG report. Going forward, we will continue to refine our calculation methodologies and apply consistent disclosure boundaries in subsequent years to enhance data comparability. If any calculation methods are adjusted in the future, the Group will clearly explain such changes in the Report.

This Report is published in both Traditional Chinese and English. In case of any inconsistency between the English and Traditional Chinese versions of this Report, the Traditional Chinese version shall prevail.

## Feedback

This Report is available on the Company's website (https://www.aux-home.com/index.html) and the Stock Exchange's website (https://www.hkex-news.hk). We value stakeholders' feedback to support the continuous improvement of our sustainability performance. Readers are welcome to contact us via email at stock@aux-home.com.

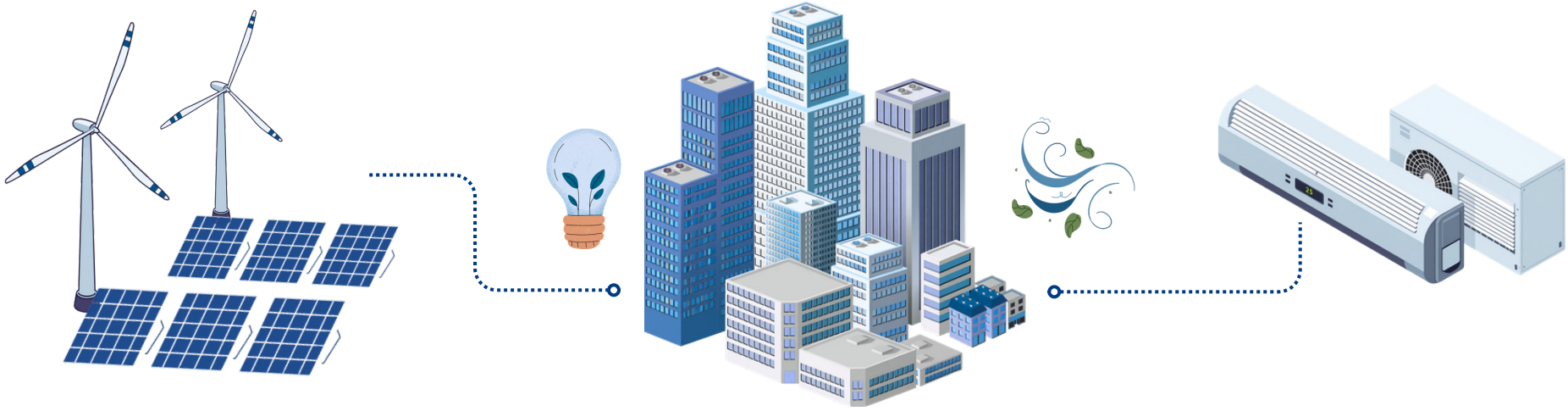
# Letter to Stakeholders

## Leading the Way in Smart Living, Cultivating Outstanding Talent

In 2025, the global and Chinese air-conditioning industry continued to evolve amid the energy-efficiency transition, technological upgrading and climate-related challenges. Rising living standards, accelerating urbanization, and the growing adoption of central air conditioning in both residential and commercial settings continue to drive demand for high-efficiency, clean, and intelligent products. Emerging overseas markets also demonstrate strong growth potential due to low penetration rates and climate-related needs. Amid this transformation toward green manufacturing and high-quality development, AUX Electric completed its listing in Hong Kong in 2025 in order to embrace industry opportunities with a more international, transparent, and higher-standard approach, and to further strengthen our competitiveness in technological innovation, green manufacturing, and global expansion.

AUX Electric upholds the sustainability philosophy of “Leading the way in smart living, cultivating outstanding talent”. Building on four pillars—“Driven by Governance Excellence, Guided by Integrity”, “Power by Green Energy, Advancing Towards Net Zero”, “Empowering Talent, Shared Prosperity”, and “Craftsmanship in Quality, Service for the Long Term”—we embed governance quality, environmental responsibility, talent development, and product innovation across the entire value chain. We strive to promote progress for both business and society, creating long-term value for our users, employees, partners, and communities.

As the Group enters a new stage of development, we extend our sincere gratitude to all stakeholders for your continued support and trust in AUX Electric. We will continue to uphold “lean production, smart manufacturing, and craftsmanship”, maintain high standards of governance, deepen environmental management and green manufacturing, actively develop our talent pipeline, continuously enhance product quality and innovation capabilities, and engage with all stakeholders in a more transparent and responsible manner—working together to advance steadily on the path of sustainability.



# About AUX Electric

## Business Layout

AUX Electric was founded in 1994 and is headquartered in Ningbo, China. It is one of the world's top five air-conditioner providers, integrating the design, research and development, manufacturing, sales, and services of residential and central air conditioners. We seize opportunities across the global air-conditioning industry, expanding from China to the world, and have progressively developed into an air-conditioning brand with presence in more than 160 countries and regions worldwide.

In 2025, AUX Electric listed on the Stock Exchange (stock code: 2580.hk). We have established multiple industrial bases in Ningbo, Nanchang, Ma'anshan City, and Thailand, and are advancing the development of two new major bases in Zhengzhou and Wuhu, gradually building a production layout with greater resilience and economies of scale. In R&D, we have set up three major R&D centres in Ningbo, Zhuhai, and Japan, continuously strengthening our core technologies, energy-efficiency capabilities, and smart features to deliver products that are more comfortable, more efficient, and better aligned with the diverse needs of global markets.

AUX Electric has always regarded quality as its foundation and innovation as its driving force, demonstrating strong capabilities across a range of major domestic and international applications, including serving as the exclusive official air-conditioning supplier for the 19th Asian Games in Hangzhou. In 2025, we ranked No. 1 in sales in China's AI smart air-conditioner market, and have led global smart air-conditioner sales for two consecutive years (2024–2025). In addition, Frost & Sullivan, a globally renowned growth consulting firm, certified AUX Electric as being among the top three in global residential split air-conditioner sales for seven consecutive years cumulatively from 2018 to 2024—fully validating our core competitiveness and brand influence in the global market. Looking ahead, AUX Electric will accelerate its global strategy to deliver smart and better living experiences for users, and is committed to becoming a world-leading home appliance brand.

**RMB 30 Billion Revenue** (2025)

**7** Major Manufacturing Bases (Including 2 Under Construction)

**15000+** Employees

Presence in **160+** Countries and Regions Worldwide

**3** R&D Centers

## Sustainability Strategy

Guided by the sustainability philosophy of “Leading the way in smart living, cultivating outstanding talent”, AUX Electric has established four cornerstones for sustainable development—“Driven by Governance Excellence, Guided by Integrity”, “Power by Green Energy, Advancing Towards Net Zero”, “Empowering Talent, Shared Prosperity”, and “Craftsmanship in Quality, Service for the Long Term”. We integrate governance quality, environmental responsibility, talent development, and product innovation throughout our entire operating chain, driving progress for both business and society and creating long-term value for users, employees, partners, and the wider community.

### Driven by Governance Excellence, Guided by Integrity

Built upon a robust governance framework and stringent compliance requirements, we uphold the highest standards of business ethics to ensure the Company operates in a steady and transparent manner.

### Powered by Green Energy, Advancing Towards Net Zero

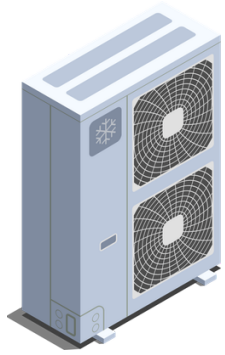
Aligned with the principles of energy efficiency and low carbon green manufacturing, we actively enhance energy performance and environmental protection initiatives to address climate change proactively.

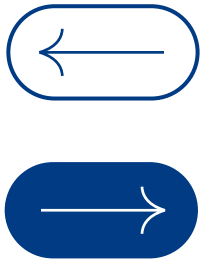
### Empowering Talent, Shared Prosperity

We are committed to creating a safe, supportive, and growth oriented workplace that safeguards employee rights while fostering talent development and shared success.

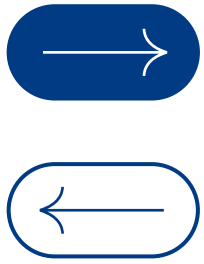
### Craftsmanship in Quality, Service for the Long Term

Centered on innovative R&D and rigorous quality standards, we continuously enhance our products and service capabilities while strengthening supply chain management to deliver trusted smart quality solutions.







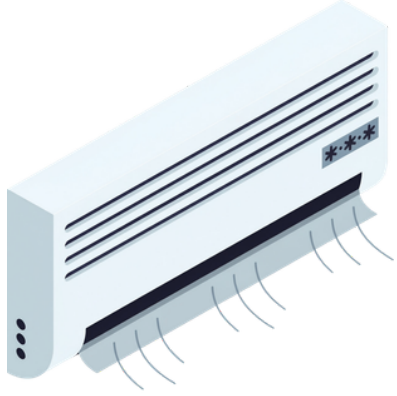





## Stakeholder Engagement

We have established regular communication mechanisms and management arrangements tailored to the focus areas and preferred communication practices of different stakeholder groups. Through more targeted engagement, we can promptly understand and respond to stakeholders' expectations and continue to create value through our operations.

| Stakeholders Group | Key Concerns | Communication Channels | Our Response |
|---|---|---|---|
| **Investors and Shareholders** | • Governance transparency<br>• Operating performance and returns<br>• Risk management<br>• Long-term development strategy | • Shareholders' meetings<br>• Annual and interim reports<br>• Investor presentations and roadshows<br>• Corporate website announcements | • Strengthen corporate governance and internal controls<br>• Enhance the quality of information disclosure<br>• Maintain prudent business strategies<br>• Strive to enhance long-term shareholder value |
| **Customers** | • Product quality and safety<br>• After-sales service and customer experience<br>• Energy efficiency and environmental performance<br>• Smart functionality and reliability | • Customer service hotline<br>• Online platforms and official website<br>• Social media<br>• Service platforms and customer feedback surveys | • Improve product energy efficiency and reliability<br>• Enhance the after-sales service system<br>• Protect customer data and privacy<br>• Promote intelligent product upgrades |
| **Employees** | • Occupational safety and health<br>• Training and career development<br>• Compensation and benefits<br>• Diversity, inclusion, and equal opportunity | • Employee communication platforms<br>• Internal training systems<br>• Labour union / employee representative meetings | • Strengthen safety management and education<br>• Establish comprehensive talent development pathways<br>• Provide competitive compensation and benefits<br>• Foster a diverse and equitable working environment |
| **Government and Regulatory Authorities** | • Regulatory compliance<br>• Product and safety standards<br>• Energy efficiency policy requirements<br>• Environmental and carbon reduction responsibilities | • Compliance filings<br>• Regular visits<br>• Industry conferences | • Strictly comply with laws and regulations<br>• Implement energy-efficiency and environmental requirements in accordance with relevant standards<br>• Actively participate in policy discussions and consultation processes<br>• Advance green manufacturing transformation |
| **Suppliers / Distributors** | • Product quality and reliability<br>• Supply chain stability<br>• Responsible sourcing<br>• Delivery efficiency | • Procurement platforms<br>• On-site audits / reviews<br>• Supplier meetings<br>• Regular evaluations | • Improve supplier management systems<br>• Strengthen collaboration and technical exchange<br>• Jointly enhance quality and efficiency |
| **Community** | • Public welfare participation<br>• Community well-being | • Community partnerships<br>• Volunteer services | • Promote public welfare and charitable initiatives<br>• Continue strengthening community engagement and feedback mechanisms |







## ESG Materiality Assessment

To ensure that our sustainability efforts remain focused on the issues with the greatest impact, during the Reporting Year, we distributed questionnaires to internal employees to gather stakeholders' understanding of ESG topics, their level of concern, and their relevance to actual business operations. Based on this process, we identified the key areas that materially affect the Group's operations and sustainable development.

### ESG Materiality Assessment Process

**01**

**Identification**

Based on internationally recognized sustainability standards (including SASB and GRI), the Hong Kong Stock Exchange's reporting requirements, and the characteristics of the home appliance industry, we conducted a preliminary screening of ESG topics that are highly relevant to the Company's operations, taking into account our business model, operating environment, and management practices. This process resulted in the establishment of AUX Electric's ESG topic list.

**02**

**Assessment**

We distributed internal questionnaires to assess the importance of each ESG topic, with a view to understanding its impact on the Company's operations, reputation, compliance, and long-term development. At the same time, we incorporated the results of an analytical survey conducted by an independent third-party consultant to evaluate the significance and degree of impact of each topic on the Group's ongoing operations. The topics were then prioritized, and a materiality matrix was ultimately developed.

**03**

**Validation**

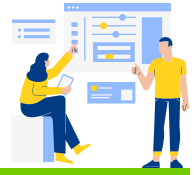
The materiality matrix and the corresponding prioritization results were reviewed and confirmed through a top-down process by various levels of governance bodies, including the Board, the Sustainability Committee, and the ESG Steering Office. These results will serve as an important basis for the Group's ESG management, planning, and key disclosures in the ESG Report.

## Topics Evaluation Results



**Driven by Governance Excellence, Guided by Integrity**

- 6 Business Ethics and Compliance
- 11 Anti-unfair Competition



**Powered by Green Energy, Advancing Towards Net Zero**

- 7 Waste Management
- 8 Energy Utilization
- 10 Environmental Compliance Management
- 12 Pollutant Emissions
- 14 Addressing Climate Change
- 16 Water Resource Management

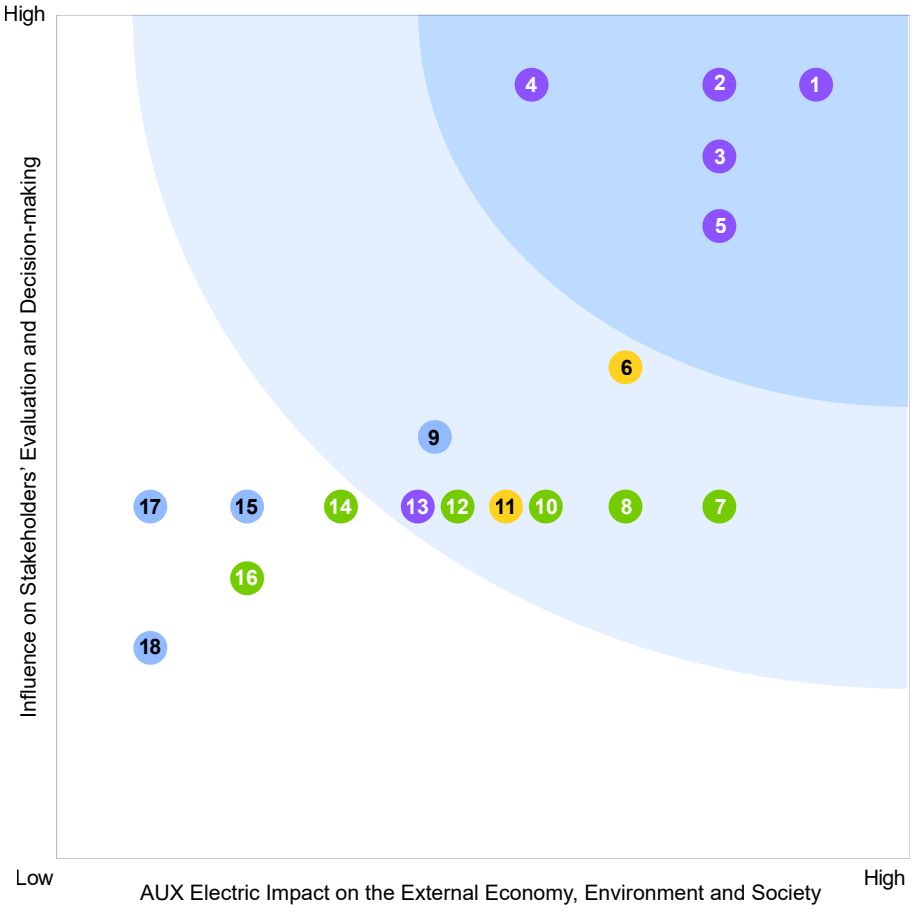
**Empowering Talent, Shared Prosperity**

- 9 Employee Health and Safety
- 15 Training and Development
- 17 Social Contribution
- 18 Employee Welfare and Diversity

**Craftsmanship in Quality, Service for the Long Term**

- 1 Product Quality and Safety
- 2 Customer Privacy and Data Security
- 3 Innovation-Driven Development and Intellectual Property Protection
- 4 Consumer Experience and Satisfaction
- 5 Product Design and Life Cycle Management
- 13 Supply Chain Management and Safety

**AUX Electric ESG Materiality Matrix**

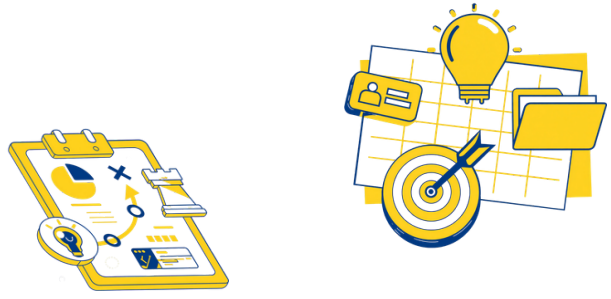


# Driven by Governance Excellence, Guided by Integrity

## Strengthening Governance Framework

### Board Statement

To advance AUX Electric's continuous improvement in ESG and to effectively drive the Group's sustainable development strategy—while responding to international attention on sustainable development and climate action—we have established the "Sustainable Development (ESG) Organisational Structure" and put in place a four-tier ESG governance framework with the Board as the highest accountability body. This top-down structure clarifies the relevant execution arrangements and functions to ensure the coordinated implementation of management measures.






### AUX Electric ESG Governance Structure

#### Board of Directors

- Assume overall responsibility for the formulation and oversight of AUX Electric's sustainable development strategy (including climate-related matters) and for report disclosure
- Incorporate ESG and climate-related risks and opportunities into major corporate decisions and long-term development planning
- Review ESG performance and emerging topics at least annually
- Receive regular ESG training to stay informed of the latest regulatory and market developments
- Explore incorporating the Company's ESG performance into management remuneration to strengthen accountability and long-term value creation

#### Sustainability Committee

- Assume overall responsibility for AUX Electric's sustainable development matters, and oversee the formulation and implementation of short-, medium- and long-term sustainable development goals and plans
- Lead the identification, risk assessment, and decision-making for material internal ESG topics
- Organise and appoint relevant ESG execution teams to complete sustainability tasks and deliver on targets

#### ESG Steering Office

- Coordinate the establishment of the ESG management system; formulate ESG strategies and indicators; and coordinate ESG execution teams in implementing relevant work and compliance requirements
- Implement the Company's ESG strategy and deployment; guide ESG execution teams in fulfilling responsibilities, collecting KPI data, and cascading annual targets and action plans
- Conduct ESG training and communications to build employee capability, and promote continuous improvement and participation by internal and external stakeholders

#### ESG Execution Teams

(Customer Rights Team; Product Quality Management Team; Digital & Intelligent Transformation Team; R&D Innovation Team; Green Procurement Team; Social Philanthropy Team; Employee Care Team; Safety Production Management Team; Low-Carbon Management Team; Green Office Team; Compliance Operations Team; Site Execution Teams)

- Coordinate departments in executing ESG work; collect and manage core indicators and data
- Drive initiatives on low-carbon transition, quality improvement, employee safety, compliant operations, and supply chain responsibility
- Conduct training, communication, and outreach to strengthen participation and collaboration with internal and external stakeholders

**ESG updates are reported through meetings and briefings at least annually within AUX Electric's ESG governance structure**

## Compliance Driven Operations

AUX Electric has always regarded integrity, compliance, and fair competition as the core foundations of corporate governance. The Group has established a compliance framework covering anti-corruption, anti-bribery, anti-fraud, anti-money laundering, and business ethics to ensure that all business activities are conducted in a transparent and accountable manner. At the same time, we continue to enhance our governance standards, mitigate integrity risks, and safeguard the shared interests of the Company and its stakeholders.

### Anti-corruption and Anti-fraud

To further strengthen integrity governance, the Group has established a comprehensive compliance management system, including documents such as the Anti Fraud Management Policy, Anti Bribery Management Policy, Integrity Agreement, and Employee Integrity Undertaking, which clearly define prohibited conduct, monitoring requirements, and accountability mechanisms. During the Reporting Year, the Group was not involved in any concluded litigation cases relating to corruption, bribery, or fraud.

**Anti-fraud Governance Structure**

**Board of Directors**

| | |
|---|---|
| **Audit Committee** | • The leading body for the Group's anti-fraud work, providing guidance and oversight of the overall anti-fraud programme |
| **Internal Audit and Supervision Department** | • The standing body for anti-fraud work, responsible for implementing the Group's anti-fraud programme and that of its subsidiaries, including:<br>○ Receive and register fraud-related reports;<br>○ Organise the investigation of fraud cases;<br>○ Provide recommendations on case handling and accountability;<br>○ Carry out anti-fraud awareness and prevention initiatives;<br>○ Other anti-fraud-related work. |
| **Subsidiary and Department Heads** | • The primary persons responsible for anti-fraud within their respective units and departments; they bear management responsibility if any fraud occurs<br>• Actively cooperate with the investigation and evidence collection process for suspected fraud incidents |

### Whistleblowing Procedures and Mechanisms

**Named or Anonymous Reporting**

Hotline, email, letter, or in person meeting

**Internal Audit and Supervision Department – handle by category of personnel involved**

**Establish an independent investigation team to investigate suspected fraud**

**Engage external professional advisers to participate in the investigation**

The investigation team shall promptly prepare a written report on the investigation findings and recommended actions, and submit it to the Audit Committee and the Board within three months, with feedback provided on the investigation outcome.

**Confirmed fraud cases**

**Leadership accountability**

Management personnel with relevant leadership authority will be held accountable or disciplined for negligence or failure of oversight within their scope of management that results in a fraud incident.

**Direct accountability**

Personnel involved who directly operate or participate in relevant decisions, or who instigate, instruct, coerce, condone, or conceal misconduct leading to a fraud incident, will be disciplined. Where laws are violated, the matter will be referred to the competent judicial authorities.

** Whistleblowers will receive appropriate protection during the investigation process. If a whistleblower suffers retaliation due to an investigation case, they may file a complaint with the Internal Audit and Supervision Department. Upon verification, the relevant personnel will be held accountable; where laws are violated, the matter will be referred to the competent judicial authorities. **

## Building a Culture of Integrity

To foster a corporate culture of integrity, self-discipline, and compliance, AUX Electric continues to promote an anti-fraud culture and strengthen employees' understanding and practice of integrity requirements through multiple measures. Management leads by example: the Board and senior management adopt integrity and professional conduct as their behavioural standards, actively comply with laws, regulations, and internal policies, and set an example for all employees.

Meanwhile, the Group conducts regular training on laws and regulations, professional ethics, and codes of conduct to help employees identify and avoid conflicts of interest and improper incentives, and to strengthen integrity awareness. The Internal Audit and Supervision Department also promotes awareness of the anti-fraud system, reporting channels, and whistleblower protection measures through various approaches, enhancing employees' understanding of fraud risks. Through these initiatives, the Group has progressively built an integrity culture framework encompassing advocacy, training, reporting, and accountability, thereby continuously strengthening corporate integrity, transparency, and compliance.

## Anti-unfair Competition

AUX Electric prohibits entering into any monopoly agreement with any individual or organisation, will not abuse a dominant market position, and opposes any concentration of business operators that has, or may have, an unreasonable or unlawful effect of excluding or restricting competition.

We commit to complying with applicable laws in market transactions and to adhering to the principles of voluntariness, equality, fairness, and good faith, as well as recognised business ethics. We do not engage in unfair competition practices such as dumping, infringement of others' intellectual property rights, false advertising, bid rigging, harm to business reputation, or any other unfair competitive practices.



## Compliance with Export Controls

To ensure lawful and compliant operations in our international business, AUX Electric strictly complies with applicable export control and sanctions laws and regulations, including those of China, the United States, and the European Union. We have established robust management measures in our daily operations to regulate the export, re-export, and transfer of products, technologies, and services. The Group strengthens compliance management through procedures such as transaction screening, risk assessment, and internal audits to ensure that all cross-border transactions meet relevant regulatory requirements. Meanwhile, the Group regularly reviews and updates its export control policies in response to changes in the global regulatory environment, and maintains cooperation with external trade and legal advisers to identify and mitigate potential compliance risks. Through these measures, the Group is committed to enhancing the transparency and compliance standards of its international business, safeguarding corporate reputation, and protecting the shared interests of customers, suppliers, and other stakeholders.



# Powered by Green Energy, Advancing Towards Net Zero

## Addressing Climate Change

The Group has developed a climate strategy to address escalating climate-related risks, while capturing opportunities that support long-term sustainable development and business resilience.

To strengthen our response capabilities, the Group with reference to IFRS S2 Climate-related Disclosures and conducted scenario analysis and risk prioritisation to identify climate-related risks and opportunities that are critical to our business and value chain. This assessment covers both financial and non-financial impacts, enabling us to respond to climate challenges in a more structured and insightful manner.

### Strategy

**Climate Scenario Analysis**

Through climate scenario analysis, the Group identifies and assesses climate-related physical risks, transition risks and related opportunities that may affect our operations, asset portfolio and value chain over the short to medium term (2030 and 2035) and the medium to long term (2050). These time horizons are aligned with the global objective of reducing emissions and achieving net zero by 2050. While projections beyond 2050 involve greater uncertainty due to underlying assumptions, our analytical approach balances data reliability with long-term risk judgement.

For physical risks, the assessment begins with a high-level screening by asset type to understand inherent exposure to acute and chronic climate hazards. We then evaluate the geographic markets in which the Group operates, taking into account spatial and temporal differences in climate hazards under different climate scenarios. Based on asset characteristics and geographic locations, the analysis estimates the proportion of assets exposed to climate-related risks, excluding existing adaptation or mitigation measures. By combining projected future climate conditions under the selected scenarios with expected changes in the Group's asset portfolio, we assess how physical risk exposure may evolve over the long term.

For transition risks, the Group assesses potential impacts arising from the shift to a low-carbon economy, including changes in climate-related policies and regulations, market dynamics, technological developments and evolving stakeholder expectations. The assessment considers the sensitivity of key business activities to transition factors under different climate scenarios, and analyses potential financial and operational impacts within the defined time horizons, with reference to the Group's strategic direction and decarbonisation plans. The outcomes of the climate scenario analysis will be used for risk management, strategic planning and capital allocation, thereby enhancing the Group's resilience across foreseeable climate futures.

**Steps in the Risk Integration Process**




To assess the potential impacts of climate change on our business, the Group adopted climate pathways developed by internationally authoritative bodies, including the Intergovernmental Panel on Climate Change (the "IPCC") and the International Energy Agency (the "IEA"). These scenarios encompass a range of political, environmental, economic and social factors, and incorporate key variables such as demographic changes, economic activity, weather patterns, energy use, land use, technological progress and climate policies.

For physical and transition risks, we adopt different scenario combinations to reflect their distinct risk drivers. The insights generated help us identify risk hotspots and guide our actions to strengthen the Group's long-term resilience, thereby enhancing our overall climate strategy.

## Methodology and Key Parameters for Scenario Analysis

### Scope of analysis

The reporting scope of this Report serves as the basis for the scope of the scenario analysis.

### Scenarios adopted

| | | |
|---|---|---|
| **Time horizon** | • Short to medium term: 2030 and 2035<br>• Medium to long term: 2050 | |
| **Rationale for selection** | • The scenarios adopted reference the IPCC (for physical risks) and the IEA (for transition risks).<br>• The selected sources cover the most severe climate futures, helping to develop risk mitigation strategies, guide capital investment decisions and enhance operational resilience.<br>• The scenario selection helps the Group assess exposure to physical and transition risks and supports future strategic planning. | |
| **Climate risks** | **Physical risks** | **Transition risks** |
| **Scenario** | IPCC SSP5-8.5 Scenario | IEA Current Policies Scenario (CPS) |
| **Scenario description** | A high GHG (the "GHG") emissions scenario driven by rapid economic growth and a strong reliance on fossil fuels, under which global warming reaches approximately 4°C by 2100. | A future scenario based on current legislated energy policies, in which fossil fuel demand continues to grow and global warming reaches approximately 2.9°C by 2100. |
| **Risks assessed** | **Acute risks:**<br>• Heavy rainfall<br>**Chronic risks:**<br>• Increase in average temperature | • Rising carbon offset costs<br>• Rising electricity costs |

### Key assumptions for scenario analysis and asset locations

- Asset locations are assumed to remain unchanged across the time horizons.
- No existing climate adaptation or mitigation measures are included.

## Risk Management

### Physical Risks and Opportunities

To access a severe but plausible climate scenario, this analysis adopts the IPCC SSP5 8.5 high emissions scenario to assess the potential climate impacts on the Group's assets in 2030 and 2050.

This assessment applies advanced climate modelling techniques, combining historical data with forward projections of key climate variables. Geospatial analysis is also used to integrate satellite imagery and data on topography, vegetation and the distribution of buildings, in order to assess the likelihood and potential impact of climate related physical risks on the Group's assets. Through this science based, data driven approach, we are able to forecast climate risks more accurately and develop forward looking resilience strategies.

Under the selected scenario, the impacts of the two physical risks assessed were rated as low, as summarised in the table below. The supplementary table also presents the potential impacts on the business and value chain, the potential financial implications, the Group's response measures, and the opportunities that may arise.

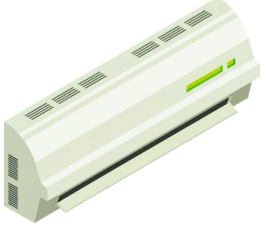


**Risk Exposure Level**

Low | Low to Medium | Medium | High

| Location | Heavy Rainfall | Increase in average temperature |
|---|---|---|
| | IPCC SSP5-8.5 | |
| | 2030 | 2050 |
| China | ✦ | ✦ |
| Thailand | ✦ | ✦ |

| Risk Type | Acute Physical Risk | Chronic Physical Risk |
|---|---|---|
| Description | Heavy rainfall | Increase in average temperature |
| Potential Financial Impacts on the Business Model and Value Chain | • Business disruption<br>• Employees unable to commute<br>• Power outages and asset damage | • Increased occupational health risks<br>• Higher operating costs<br>• Impact on upstream procurement |
| AUX Electric's Response Measures and Opportunities | • Develop contingency response plans for extreme weather events | • This risk is assessed as low under the selected scenario, and the Group's analysis indicates that the potential impacts are limited. The Group will continue to closely monitor relevant climate conditions and operational risk exposure, and will consider developing contingency plans when appropriate. |



## Transition Risks and Opportunities

To assess the risks associated with the transition to a low carbon economy, the Group focuses the analysis on its core business, namely the design, R&D, manufacturing, sales and services of residential and central air conditioners. To proactively capture the most severe transition scenario, this analysis adopts the IEA CPS, which is characterised by continued growth in fossil fuel demand and higher transition risk, covering the period through 2035.

To supplement the above scenario analysis, the Group also conducted a qualitative review of policy trends and regulatory developments in the jurisdictions where it operates, as global scenarios may not provide sufficient regional specificity. We also gathered practical insights into operational resilience and transition risk exposure, covering factors such as policy, the economy and the market. In addition, the analysis acknowledges inherent sources of uncertainty, including not only assumptions embedded in climate models, but also ongoing changes in policy and regulatory environments and expert judgement influenced by market sentiment.

The results are summarised in the table below, which outlines the identified transition risks and their potential impacts on the Group's business model, value chain and financial performance, as well as the Group's response measures and related opportunities.



**Risk Exposure Level**

Low | Low to Medium | Medium | High

| Location | Rising Carbon Offset Costs – IEA Current Policies Scenario (CPS) 2035 | Rising Electricity Costs – IEA Current Policies Scenario (CPS) 2035 |
|---|---|---|
| China | ✦ | ✦ |
| Thailand | ✦ | ✦ |

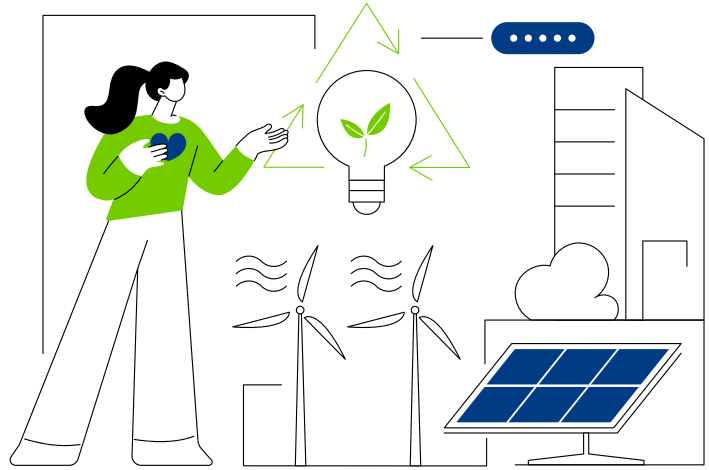
| Risk Type | Rising carbon offset costs |
|---|---|
| Potential Financial Impacts on the Business Model and Value Chain | • Ongoing changes in regulatory requirements and global trends increase operational uncertainty<br>• Carbon pricing may require higher capital expenditure<br>• Policy and regulation related training may increase training costs |
| AUX Electric's Response Measures and Opportunities | • Assess potential exposure to carbon pricing and explore feasible decarbonisation strategies<br>• Leverage government incentives and/or green financing to support decarbonisation related investments |



| Risk Type | Rising electricity costs |
|---|---|
| Potential Financial Impacts on the Business Model and Value Chain | • Higher utility expenditure increases direct costs<br>• Electricity price increases driven by renewable energy policies raise operating costs<br>• Greater price volatility increases the complexity of budgeting, long term planning and investment assessments, thereby increasing forecasting uncertainty |
| AUX Electric's Response Measures and Opportunities | • Increase the share of green electricity and explore the use of Renewable Energy Certificates (the "RECs") to lock in stable long term energy prices<br>• Consider digital solutions and/or process redesign to improve energy efficiency and strengthen the Company's competitive advantage in a future low carbon landscape |







## Metrics and Targets

The Group's GHG emissions primarily arise from Scope 1, Scope 2 and Scope 3 emissions. Scope 1 emissions include fuel consumption from company vehicles, forklifts and generators, as well as natural gas used in welding and spraying processes during production. Scope 2 emissions relate to purchased electricity. Scope 3 emissions mainly arise from freshwater treatment under Category 1 "Purchased Goods and Services" and wastewater treatment under Category 5 "Waste Generated in Operations," as categorized in accordance with the GHG Protocol.

| Type of GHG emissions | Data source for emission factors | Unit | 2025 |
|---|---|---|---|
| **Direct GHG emissions: Scope 1** | | | |
| Fuel consumption by company vehicles, forklifts and generators, and natural gas used for welding and spraying in the production process | • The Stock Exchange's "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" and the National Development and Reform Commission's "Guidelines for GHG Emissions Accounting and Reporting for Public Building Operation Enterprises (Trial)" | $tCO_2e$ | 16,449.88 |
| **Energy indirect GHG emissions: Scope 2** | | | |
| Purchased electricity | • Grid emission factor as set out in the Ministry of Ecology and Environment of China's "Notice on the Release of National Electricity Carbon Footprint Factor Data for 2024" | $tCO_2e$ | 141,218.29 |
| **Other indirect GHG emissions: Scope 3** | | | |
| Category 1: Purchased goods and services | • Please refer to "Scope 3 reporting boundary". | $tCO_2e$ | 519.86 |
| Category 5: Waste generated in operations | | $tCO_2e$ | 29.18 |
| **Total GHG emissions** | | **$tCO_2e$** | 158,217.21 |
| **GHG emissions intensity** | | **$tCO_2e$ / total revenue (RMB million)** | 5.27 |

### Scope 3 reporting boundary

| Scope 3 category | Relevance to the Group | Methodology and emission factors |
|---|---|---|
| **Category 1: Purchased goods and services** | | |
| Emissions arising from treated freshwater consumption | The primary emissions source is the GHG emissions from electricity consumed by the water supplier in producing treated freshwater. | • A supplier-specific method is adopted for assessment.<br>• Emissions are calculated by multiplying the Group's freshwater consumption by the corresponding emission factor.<br>• Emission factor source: Water Supplies Department of Hong Kong, Annual Report 2023/24. |
| **Category 5: Waste generated in operations** | | |
| GHG emissions from the disposal and treatment of waste generated in operations | Among the waste generated, the primary emissions source identified is wastewater. | • A waste-type-specific method is adopted for assessment.<br>• Emissions are calculated by multiplying the Group's wastewater volume by the corresponding emission factor, based on the disposal method.<br>• Emission factor source: Drainage Services Department of Hong Kong, ESG Report 2023–24. |

## Our Approach

| Our Approach | |
|---|---|
| Standards | • The GHG Protocol Corporate Accounting and Reporting Standard (2004), published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)<br>• "Global Warming Potentials (GWPs)" as set out in the IPCC Sixth Assessment Report<br>• The Stock Exchange's How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs |
| Measurement approach | The operational control approach is adopted, as relevant operational information is available. |
| Operational boundary | The reporting scope of this Report serves as the basis for the calculation boundary. |

## GHG Emissions Targets

The Group attaches great importance to GHG emissions management. Prior to listing, we made the following commitment in the prospectus: GHG emissions (Scope 1 and Scope 2) in 2025 would increase by no more than 20% compared with 2024. Through rigorous controls, the Group successfully achieved this target during the Reporting Year, keeping the increase within 20%.

To comply with Part D (climate-related disclosure requirements) of the ESG Reporting Code updated by the Stock Exchange on 1 January 2025, the Group has set new GHG emissions targets with reference to the Stock Exchange's Practical Guidance for Net Zero Emissions. Details are set out below:

| Target information | | Target setting | | |
|---|---|---|---|---|
| Target setting | By 2030, the Group's short-term target is to reduce Scope 1 and Scope 2 GHG emissions by approximately 14.62% compared with the base year 2025. | | Scope 1 and 2 ($tco_2e$) | Reduction compared to the baseline year (%) |
| Target type (absolute / intensity) | Absolute | Total emissions — base year (2025) | 157,668.17 | / |
| Purpose of target | In align with the Stock Exchange's Practical Guidance for Net Zero Emissions, the Group has set this target after conducting an in-depth analysis of its GHG reduction potential and identifying all feasible actions. | Total emissions — target year (2030) | 134,616.72 | ▼ 14.62% |
| Progress monitoring | The Board regularly reviews the targets and performance for Scope 1 and Scope 2 GHG emissions and assesses whether any revisions are required. | | | |
| Target boundary | The reporting scope of this Report serves as the basis for the calculation boundary. | | | |

| Current progress | | |
|---|---|---|
| | Scope 1 and 2 ($tCO_2e$) | Reduction compared to the baseline year (%) |
| 2025 | 157,668.17 | / |

## Carbon Offsetting

The Group believes that prudent and high-quality carbon offsetting can help reduce our carbon footprint. At the same time, to drive real emissions reductions, we are actively increasing our share of renewable energy use. We have advanced and installed solar panels at multiple plants to expand the proportion of green electricity generated and consumed on-site. As committed at the time of listing and as stated above, we will strive to increase our green electricity usage to 30% by 2030.

In parallel with strengthening our renewable energy deployment, the Group will also, where necessary and appropriate, explore purchasing RECs to offset GHG emissions. In addition, we will continue to review our carbon offsetting strategy, including procurement standards, appropriate platforms and execution arrangements, with a focus on exploring investment opportunities in long-term carbon removal projects to gradually reduce reliance on carbon offsetting.

## Internal Carbon Pricing

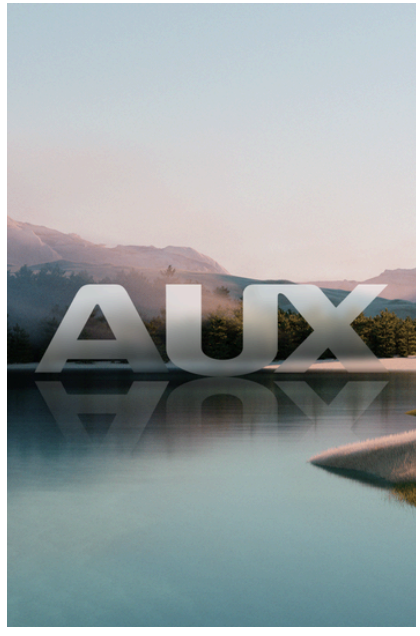
The Group has not yet formally incorporated an internal carbon pricing mechanism into its decision-making processes. To further enhance its capability in identifying and managing climate-related risks, and to support its long-term sustainability objectives, the Group is prudently exploring the feasibility of establishing a relevant internal carbon pricing framework, as well as examining appropriate ways to take carbon emission considerations into account in capital allocation decisions. When assessing potential investment projects or expansion plans for existing operations, the Group may, where appropriate, take into consideration the long-term implications associated with GHG emissions to support investment decision-making, with a view to balancing carbon emissions, resource efficiency and environmental sustainability considerations to the extent practicable.

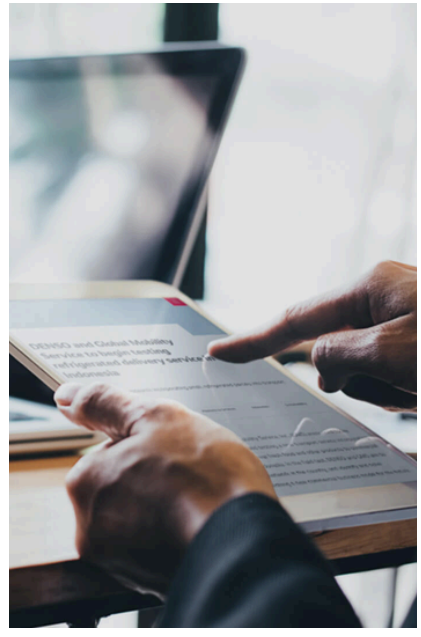
To mitigate risks arising from carbon price volatility and regulatory changes, we will also conduct multi-scenario analysis to simulate operating conditions and financial performance under different carbon price trajectories. This forward-looking analytical framework will strengthen the Group's strategic planning capabilities and support proactive adjustments to our business model.

Our future internal carbon pricing approach will be based on the following four core parameters:

- Systematically monitor developments in international carbon markets to ensure our approach remains aligned with mainstream market foundations
- Continuously track changes in domestic carbon policies and regulatory frameworks to ensure compliance
- Adjust relevant strategies based on the Group's operating scale and business portfolio
- Assess decarbonisation technologies to develop a marginal abatement cost curve and guide investment priorities

Once this framework is formally embedded in the Group's governance processes, we will disclose the corresponding detailed methodology and specific internal carbon pricing indicators as appropriate.



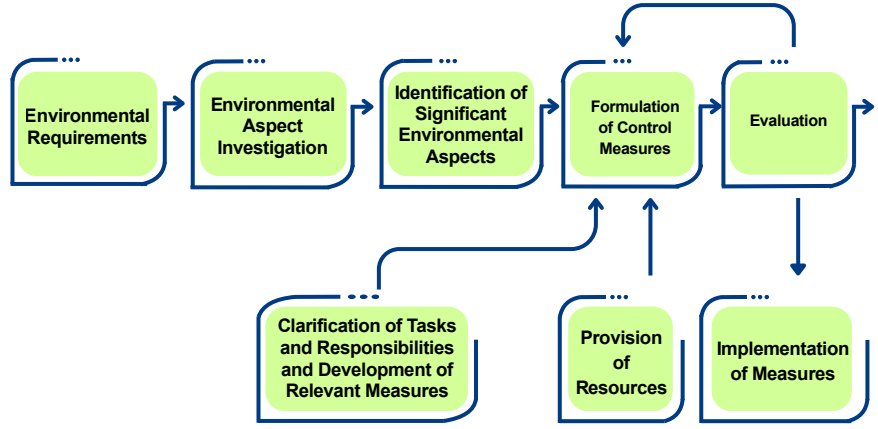
## Advancing Environmental Protection

AUX Electric is committed to advancing green and low-carbon development. We continue to enhance our environmental management system and improve energy efficiency and resource utilisation. We integrate environmental protection principles throughout our production and operational processes, strictly comply with applicable environmental laws and regulations in the jurisdictions where we operate, and continuously refine relevant systems in response to different operational needs to ensure the effective functioning of our management system. During the Reporting Year, the Group did not experience any material environmental incidents. Nor was it subject to any material administrative penalties arising from environmental matters.

### AUX Electric Environmental Management System

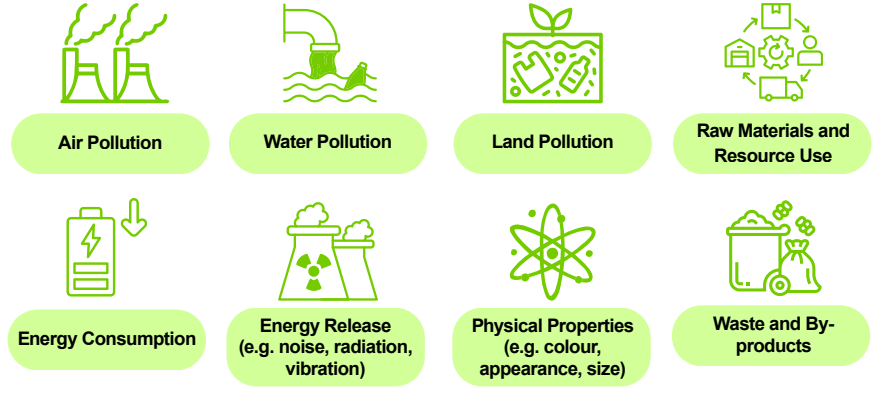
AUX Electric has established a comprehensive environmental management system, and identifies, evaluates and continuously controls environmental aspects through standardised procedures. We designate the Operations Department as the coordinating function for the identification and evaluation of environmental aspects, while each department and branch plant is responsible for identifying environmental aspects arising from day-to-day operations, with support from other relevant departments as required. During environmental management, information is collected through on-site identification, questionnaires and other methods, covering legal and regulatory requirements, product and process information, historical incidents and stakeholder feedback, among others, and comprehensive identification is carried out based on various circumstances relating to internal activities, products and services.

**Workflow Diagram for Environmental Aspect Identification and Evaluation Control Procedure**




The scope of environmental aspect identification covers all operational activities, including materials procurement and use, equipment operation, testing activities, transportation activities, production processes and routine office operations. Environmental aspects are assessed under three operational states (normal, abnormal and emergency) and across three timeframes (past, present and future).

In addition, our identification of environmental aspects also considers the eight forms through which environmental aspects may manifest in the Group's activities, products and services. Where there are material changes to our management system or business scope, we will also re-conduct an initial environmental condition assessment.



To determine the significance of environmental aspects, we apply a combination of qualitative judgement and scoring methods. Based on factors such as the severity, scale and duration of environmental impacts, legal and regulatory requirements and stakeholder concerns, we identify significant environmental aspects. The Operations Department consolidates the assessment results from each department and prepares the "List of Significant Environmental Aspects", and the relevant departments develop and implement specific control measures in accordance with the list.

The Group has also established a dynamic update mechanism for environmental aspects. We will re-conduct environmental aspect identification and evaluation in the event of changes in laws and regulations, updates to process technologies, adjustments to sites and workflows, or where any omissions are identified. At the same time, we pursue continual improvement through environmental performance reviews, internal and external communications and incident retrospectives. We formulate environmental policies, objectives and management measures based on significant environmental aspects to ensure the long-term effective operation of our environmental management system. All records relating to environmental aspect identification, evaluation and control are retained as required to support ongoing improvement.

## Environmental-related Certifications and Awards

| | |
|---|---|
| **Environmental Management System ISO 14001:2015** | A globally recognised environmental management standard used to establish an organisation's environmental management system, covering environmental aspect identification, emissions control, compliance management, pollution prevention and continual improvement. |
| **Energy Management System ISO 50001:2018** | An international energy management standard requiring the establishment of an energy policy to improve energy performance, reduce energy consumption and lower indirect carbon emissions. |
| **Hazardous Substances Process Management System Certification – IECQ QC 080000:2017** | Manages and controls hazardous substances in products and processes (e.g. substances restricted under RoHS) to ensure the use of environmentally friendly raw materials and green manufacturing practices. |
| **Recommended Catalogue of Energy-Saving and Carbon-Reduction Technologies for Refrigeration and Air-Conditioning Applications** | Published by the China Association of Refrigeration and Air Conditioning Industry, this catalogue includes products or technologies that meet energy-saving and carbon-reduction requirements, indicating higher energy efficiency and improved environmental performance.<br>• All-condition comfort inverter control technology<br>• DC inverter multi-split air-conditioning system (heat pump)<br>• Inverter wall-mounted split heat-pump room air conditioner |
| **Advanced Energy-Saving and Carbon-Reduction Technologies Catalogue for Key Sectors of Light Industry (2025 Edition)** | Recognises products with significant advantages in energy saving, carbon reduction and environmental performance, and is an authoritative list of environmental products for the refrigeration and air-conditioning industry.<br>• Energy-saving and comfort-oriented inverter control technology |
| **China Energy Conservation Association Science and Technology Progress Award for Energy Saving and Emissions Reduction** | Recognises enterprises or products that demonstrate innovation and practical results in energy saving and emissions reduction, energy efficiency enhancement and carbon-reduction technologies. |

Over the past three years, AUX Electric has continued to advance energy-saving and low-carbon technology upgrades, including distributed photovoltaic power systems; energy-efficiency upgrades for compressors and transformers; automated welding and intelligent process upgrades; enhancements to plastic exhaust-gas treatment equipment; additional environmental protection facilities; and the deployment of smart forklifts and AGVs, among other initiatives, with cumulative investment exceeding RMB 40 million. These investments have effectively improved energy efficiency, reduced various emissions, and advanced our production system toward greater energy efficiency, intelligence and cleanliness.

## Environmental Target Setting

Prior to listing, AUX Electric clearly disclosed and committed in its prospectus to a series of environmental protection targets for stakeholders, demonstrating the Company's long-term commitment to sustainable development. These commitments cover key areas such as energy use, emissions management, green electricity adoption and waste management, and are intended to progressively improve environmental performance through forward-looking strategic planning and institutionalised management. To maintain transparency and respond to stakeholder expectations, the Group continues to track and assess progress against its established environmental targets and discloses relevant updates on a regular basis. The following sets out the environmental targets established at the time of listing and those newly set from the Reporting Year, together with the latest implementation status.

| Environmental Area | Targets Set in the Prospectus | Progress |
|---|---|---|
| GHG Emissions | Please refer to the section “GHG Emissions Targets” for details. | |
| Energy Consumption and the Use of Green Electricity | • Using 2024 as the base year, we strive to keep the increase in total energy consumption (purchased electricity) in 2025 within 20%.<br>• Using 2024 as the base year, we strive to increase the share of green electricity to 18% in 2025, and further to 30% by 2030. | Successfully achieved two targets;The Group will continue to devote its efforts to promoting the optimisation of the energy structure,with the target of increasing the proportion of green electricity use to 30% by 2030,and gradually reducing reliance on non-renewable energy and the related energy consumption. |
| Water Consumption, and Waste Generated | • Using 2024 as the base year, we strive to keep the increase in total water consumption in 2025 within 20%. | Successfully achieved the target for water resource consumption;Looking ahead with 2025 as the baseline year, the Group aligns with the national “dual-carbon” development targets and commitsto continuing to maintain, by 2030, a compliance rate of 100% for water resource consumption and waste emissions. |

## Energy Consumption Management

AUX Electric strictly follows the national energy development strategy of “pursuing both development and conservation, with conservation as the top priority”, as well as the Energy Conservation Law of the People’s Republic of China. The Group has established an Energy Management Policy and independently developed an energy management system that has been rolled out across all manufacturing bases. Through comprehensive data collection and analysis, the system monitors and optimises energy use in real time, supports energy-efficiency improvements and operational decision-making, and ensures that energy consumption remains under continuous control and aligned with the Group’s low-carbon operating goals.

To ensure effective implementation of our policy, we have established a management system led by senior management decision-making, coordinated by specialised functions, and executed by frontline units, forming a closed loop covering policies and data, approvals and settlement, operations and upgrades.

### Energy Governance Structure

**General Manager**

- Organise and promote awareness of the importance of energy metering and the requirements of relevant laws and regulations;
- Set energy metering objectives and ensure the effective allocation of resources required to achieve those objectives;
- Decide on measures to improve energy metering management.

**Energy Section Head**

- Ensure that the energy metering management system is established and implemented in accordance with applicable requirements;
- Organise self-assessments of the implementation of energy metering work;
- Put forward recommendations to improve energy metering management.

**Energy Metering Administrator**

- Implement applicable laws, regulations, rules and standards related to energy metering;
- Establish and improve the energy metering management system and actively implement the energy metering management framework;
- Regularly organise verification of energy metering data to ensure accuracy and reliability;
- Support the development and implementation of training plans for relevant energy metering personnel to ensure they are qualified for their roles.

The Group places emphasis on capability building and culture development. In terms of staffing, each subsidiary is equipped with at least two energy metering personnel, who are included in the “Special Critical Position Management System”, hold the required certifications, and participate in relevant government training and continuing education on a regular basis to ensure certification validity. In terms of organisational enablement, we conduct at least one themed training session each year on energy management and energy-saving technologies. Each unit continuously promotes energy-saving policies and scientific knowledge through meetings, noticeboards and other formats, and shares application cases and best practices to enhance employees’ awareness of energy conservation and environmental protection.

## Energy Initiatives

| | |
|---|---|
| **Production Equipment**  | • Increase transformer loading and power factor, and phase out and upgrade to high-efficiency motors, pumps, compressors and fans, while optimising control to improve power efficiency. |
| **Heating and Steam**  | • Optimise operations by season and load; implement staged pressure utilisation; strengthen pipeline insulation and condensate recovery; and improve steam-trap integrity.<br>• Prohibit exposed steam pipelines and prioritise high-efficiency insulation materials to reduce system heat loss. |
| **Lighting**  | • Strengthen lighting management and promote behavioural energy saving, including “turn off lights when leaving”. |
| **Air Conditioning**  | • Set operating standards for office-area air conditioning:<br>  ○ Summer: cooling may be switched on only when the temperature reaches 30°C or above, with the set temperature not lower than 26°C.<br>  ○ Winter: heating may be switched on only when the temperature falls to 6°C or below, with the set temperature not higher than 20°C. |

### Feature – R&D and Application of Environmentally Friendly Refrigerants

From the product design stage, we integrate safety, environmental sustainability, and socio-economic factors into our core considerations, with a strong focus on technological innovation to accelerate the R&D and application of environmentally friendly refrigerants. Since 2014, we have systematically advanced the adoption of environmentally friendly refrigerants and continuously optimised product system design to align with refrigerant characteristics while meeting or exceeding national environmental standards. These efforts aim to reduce energy consumption and environmental impacts at source, including preventing refrigerant leakage, improving energy efficiency, and ensuring product safety.

Supported by sustained R&D investment, we successfully launched a product line using environmentally friendly refrigerants in 2017 and subsequently upgraded our product portfolio on a comprehensive basis to respond to evolving national energy-efficiency regulations, reinforcing our industry position in the green transition. To ensure the safety of products using flammable refrigerants, we introduced sealed electronic control boxes and explosion-proof designs, and developed small-diameter, multi-path heat exchangers to further improve energy efficiency and reduce energy consumption.

## Water Resource Management

AUX Electric regards water resources as an important component of sustainable development. We strictly comply with applicable national and local laws and regulations, including the Water Law of the People’s Republic of China, and have established a water resources management system covering source control, water saving throughout processes, reuse and recycling, and pollution reduction. We take process water saving and recycling as core principles, aiming to reduce reliance on freshwater while maintaining product manufacturing quality and energy efficiency.

The Group’s water resource management covers manufacturing, domestic use, fire protection, and other supporting facilities, and operates on the principle of “separate use by category, separate discharge by category, and cascading use of water”. Freshwater is used only for necessary process make-up water and domestic use, and closed-loop circulation water systems are prioritised in process design to minimise once-through consumption. Each site has established robust water metering, ledger and monitoring systems to ensure that water withdrawal, process consumption and discharge activities fully comply with national regulatory requirements.

For process water use, we strengthen water-saving upgrades for water-intensive steps in line with the manufacturing characteristics of air-conditioning and HVAC products. For example, in the production of components such as heat exchangers, evaporators and condensers, we use closed-loop cooling-water circulation systems to replace traditional open cooling methods, avoiding waste caused by continuous make-up water. For die casting, injection moulding and metal processing, cooling water is likewise operated in a recirculating chilled-water system, enabling reuse after heat exchange. In the coating workshop, by optimising spray water curtains, the ratio of water-wash stages and the capacity of circulation tanks, washing water is reused in multiple stages, effectively reducing wastewater discharge and extending make-up water intervals.

In terms of governance and compliance, the Group strengthens approval and monitoring mechanisms for water withdrawal and discharge. All newly added water-using equipment and connection points are subject to the energy and water-use approval process and must be metered at designated locations to prevent unauthorised connections or modifications. Each water-using unit maintains comprehensive original ledgers, recording water-use data, test results and analysis reports in detail, and strictly complies with monitoring requirements under water withdrawal permits or as required by local authorities. The Group also conducts regular self-inspections of water systems, including leakage ("drip, leak and seep"), valve sealing, pipeline insulation, circulation system efficiency, pump energy performance and other items, to promptly eliminate waste and risks.

In day-to-day management, we continue to promote water-saving communications and employee training to strengthen water conservation awareness among production, maintenance and management personnel. We also cooperate with local governments on water resource supervision, water-efficiency evaluation, and compliance inspections of water withdrawal and discharge, and submit annual water-use volumes, water-efficiency analyses and water-saving retrofit results to the relevant authorities as required, ensuring that our management practices and operations align with China's water conservation policy direction.

## Waste Management

AUX Electric strictly complies with applicable laws and regulations, including the Environmental Protection Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. In accordance with the Group's internal Hazardous Waste Management Requirements and the Management Requirements for Waste Gas, Wastewater and Noise, we have established a comprehensive end-to-end pollutant management mechanism covering hazardous waste, waste gas, wastewater and noise, among other environmental elements. We have put in place systematic arrangements across organisational structure, operating procedures, annual management, external disposal, incident response and professional competency requirements to ensure that all types of discharges are handled in a lawful, compliant and safely controlled manner.

### Hazardous Waste Management

For hazardous waste management, the Group has clarified departmental responsibilities and established a collaborative management model involving the Manufacturing and Materials Department, relevant departments and branch plants, and the EHS Office.



In managing hazardous waste disposal service providers, the Group selects qualified disposal parties with the appropriate licences based on the directory of hazardous waste disposal entities published by local environmental authorities and the types of hazardous waste generated on-site. Hazardous waste disposal fees are implemented in accordance with relevant supply chain management requirements. Disposal contracts may be signed on a one- or two-year cycle as needed, while disposal volumes are determined jointly based on the annual hazardous waste management plan and the processing capacity of the disposal provider. After contract execution, environmental management personnel promptly update the Solid Waste Register and the Register of Solid Waste Disposal Providers to ensure internal records remain complete and consistent.

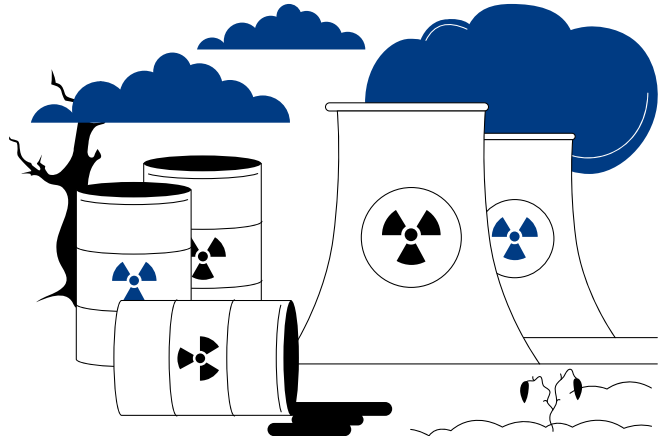
For collection, storage and transfer, waste-generating units are required to collect hazardous waste in a unified manner and store it by category in their designated temporary hazardous waste storage areas, with necessary protective measures in place. When hazardous waste reaches a certain volume, it must be transferred to the central hazardous waste warehouse for consolidated storage, and the transfer process must prevent safety incidents such as leakage or dropping. The hazardous waste warehouse administrator is responsible for handover procedures with waste-generating units and recording relevant information in the local-standard management ledger to ensure consistency between records and physical inventory. In addition, all hazardous waste must bear locally required hazardous waste labels prior to warehousing to meet management requirements.

The disposal of hazardous waste also follows strict procedures. Based on inventory levels, warehouse management personnel notify the Operations EHS Office (or EHS Section) in advance to initiate the disposal process. The EHS Office/Section initiates the transfer manifest in the local hazardous waste management platform and notifies the relevant disposal provider to coordinate the transfer schedule. At the same time, it informs the Manufacturing and Materials Department of the handling arrangements so that on-site handling personnel and vehicles can prepare in advance. After the hazardous waste is transferred out, we record the transfer in the management ledger. The disposal provider must return the Hazardous Waste Transfer Manifest within five days after the waste is shipped out; environmental management personnel stamp and file the document to ensure full traceability throughout the process.

The Group also emphasises the importance of professional capability and safety assurance. All relevant personnel are required to be familiar with the characteristics of hazardous waste, personal protection requirements and emergency response procedures. Appropriate protective equipment must be provided for the storage and transportation of hazardous waste to ensure safety throughout the management process.

**Non-hazardous Waste**

In waste management, AUX Electric follows the principles of “categorised management, reduction first, end-to-end control, and legal compliance”. In addition to strict hazardous waste management, we have established robust processes for the classification, collection, temporary storage, transfer and outsourced disposal of general non-hazardous waste to ensure that all solid waste is handled in a safe, environmentally responsible and compliant manner, reduce resource wastage, and minimise the environmental impact of our operations.



The Group treats non-hazardous waste management as an integral part of daily operations. All production, warehousing and administrative areas are required to classify waste in accordance with internal requirements, including but not limited to general domestic waste, recyclable waste and general industrial solid waste. Each department must perform classification and labelling at source and place non-hazardous waste in designated temporary storage areas.

For transportation and centralised collection, the Group requires designated management personnel to conduct regular inspections of temporary storage areas to ensure accurate classification and clear quantity records. When non-hazardous waste accumulates to a certain volume, designated personnel arrange unified transfer to the central collection point of the main plant. The entire transfer process must comply with safety requirements to avoid spillage, dispersion or mixing with other waste types. The Group also emphasises consistency between records and physical inventory, requiring records to be maintained at each collection and transfer step to ensure traceability for subsequent statistics, outsourced disposal and internal audits.

For external disposal, the Group, in accordance with applicable regulatory requirements, engages qualified recycling companies or municipal sanitation service providers to undertake the recycling and final disposal of non-hazardous waste. Recyclables such as cardboard boxes, plastic film and metal offcuts are prioritised for reuse and recycling to improve resource efficiency; general domestic waste is disposed of in accordance with municipal sanitation requirements through centralised municipal treatment.

AUX Electric will continue to enhance non-hazardous waste management measures, improve solid waste reduction and recycling performance, and ensure that waste disposal complies with relevant national and local environmental regulations through standardised processes and compliant management. We will further reduce the adverse environmental impacts of our operations and advance resource circularity and green manufacturing practices.

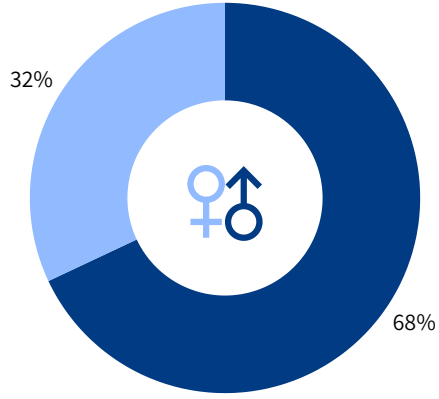


# Empowering Talent, Shared Prosperity

## Enhancing Talent Management

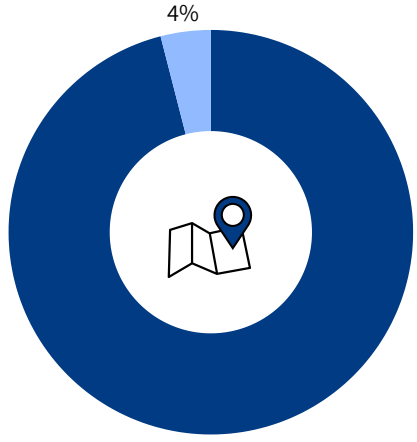
Total number of employees 15,631

### Employee Headcount by Gender



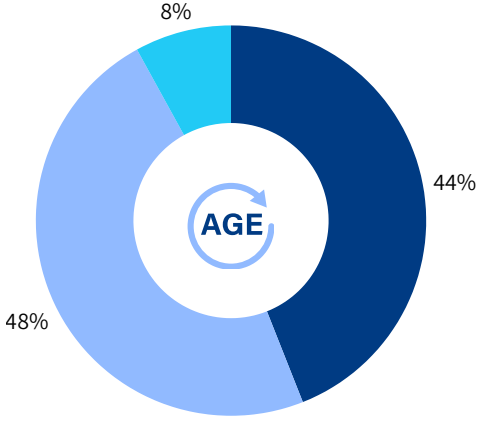

- **Male**
  **10,696, 68%**
- **Female**
  **4,935, 32%**

### Employee Headcount by Geographical Region



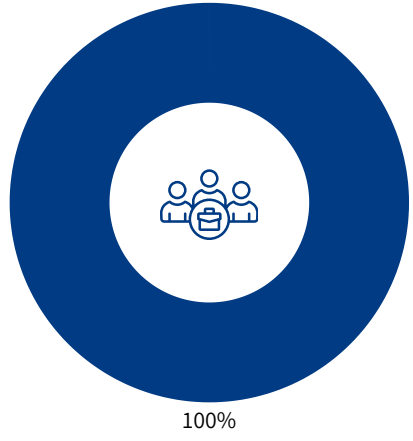

- **Mainland China, Hong Kong, Macau and Taiwan**
  **15,076，96%**
- **Overseas**
  **555, 4%**

### Employee Headcount by Age Group




- **30 or below**
  **6,801, 44%**
- **31–50**
  **7,526, 48%**
- **50 or above**
  **1,304, 8%**

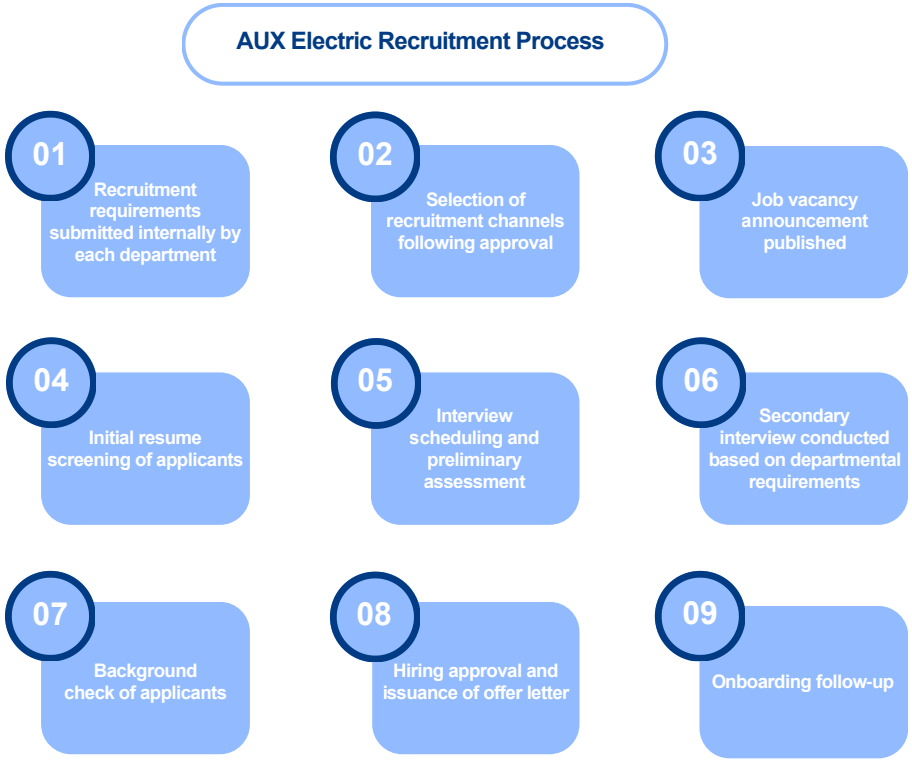
### Employee Headcount by Employment Type




- **Full time**
  **15,631, 100%**
- **Part time**
  **0, 0%**

## Talent Attraction and Workforce Deployment

AUX Electric regards talent as a core resource for the Company's sustainable development. In accordance with the Recruitment and Deployment Management Policy, we have established a standardised, transparent, and compliant recruitment management process to ensure that workforce deployment effectively supports the achievement of our strategic objectives. During recruitment, the Group strictly complies with national and local labour laws and regulations, clearly defining position requirements and hiring criteria. In line with our policies, we implement end to end procedures covering requisition approval, job posting, CV screening, interview assessment and hiring approval, ensuring the entire process is open, fair, non discriminatory, and respectful of all candidates' rights and privacy. To attract talent, the Group adopts diversified channels, including online recruitment platforms, campus recruitment, social recruitment, internal referrals and collaboration with universities, effectively broadening and improving the quality of talent sources. For key positions, R&D and technical roles, and smart manufacturing related talent, the Group also formulates dedicated talent attraction programmes based on business development needs to support technological innovation and capability enhancement.




In terms of workforce deployment, AUX Electric strictly implements management practices such as onboarding, job rotation, reassignment and position adjustments in accordance with our policies. All changes are subject to standard approval procedures to ensure smooth organisational operations, appropriate resource allocation, and alignment with the Company's development pace. To help new hires integrate quickly, we provide comprehensive onboarding guidance, including pre job training, policy orientation and work assignment arrangements, to strengthen employees' understanding of our corporate culture and role responsibilities, enhance retention, and improve role fit. At the same time, we focus on long term talent development. Through continuous training and capability development programmes, we provide employees with growth opportunities so they can fully leverage their professional expertise in suitable roles.

Throughout the recruitment and deployment process, the Group strictly protects the personal data of candidates and employees, ensuring that all information is used only for lawful and management purposes and is properly safeguarded, and that it is not disclosed or misused without authorisation. Through the above institutionalised, standardised and people centred management approach, AUX Electric continues to improve the efficiency of talent attraction and workforce deployment, build a robust and competitive talent pool, and lay a solid foundation for the Company's long term growth and sustainable development.

## Principles of Equality, Diversity and Inclusion

AUX Electric is committed to fostering a fair, respectful and inclusive working environment. In the Employment Relationship Management Policy, we clearly set out the "fairness principle" and pledge not to discriminate in any form on the basis of an employee's race, social class, nationality, religion, disability, sex, sexual orientation, or the right to join a trade union. We also safeguard equal opportunities for all employees in recruitment, promotion, transfer, compensation and benefits. To uphold employees' dignity and rights, we require that all personnel information handling follows the principles of authenticity, confidentiality and security, ensuring every employee can grow and realise their potential in an unbiased environment.

We believe that a diverse and inclusive culture is an important foundation for corporate sustainability. By encouraging employees from different backgrounds and with different perspectives to participate and collaborate, the Company can more effectively drive innovation, enhance teamwork, and continuously create value for stakeholders.

## Protection of Employees' Lawful Rights and Interests

AUX Electric consistently upholds the principles of lawful and compliant employment, respect for employees, and protection of employees' rights and interests. We fully implement the requirements of the Labour Law of the People's Republic of China, the Labour Contract Law and other relevant laws and regulations, and have established a sound and traceable employment management system in accordance with the Employment Relationship Management Policy, ensuring that all employees work in an environment that is fair, safe and respectful. The Group firmly believes that safeguarding employees' lawful rights and interests is not only a fundamental corporate responsibility, but also an important cornerstone of long term, stable development.

In recruitment and hiring, the Group strictly complies with national requirements on the minimum working age and strictly prohibits the employment of child labour or individuals without lawful work eligibility. To ensure compliance, all prospective hires must provide valid identification and relevant documents, which are rigorously reviewed by the Human Resources Department. In addition, the Group conducts background checks or home visits for certain positions to verify work experience, professional integrity and legal work qualifications, thereby preventing non compliant employment risks at source. If any non compliant employment is identified, the Group will handle it in accordance with internal review procedures and relevant policies such as the Accountability Management Policy.

In establishing and managing employment relationships, the Group requires that all labour relationships be built on the principles of equality and voluntariness, and on mutual agreement through consultation, with written contracts signed within one month of onboarding. The Group strictly prohibits forced labour in any form, including the retention of identification documents, restriction of personal freedom, or coercion to work. If any forced-labour concerns arise, the Group will immediately initiate an internal investigation; any suspected illegal conduct will be referred to the public security or labour inspection authorities in accordance with the law, and management accountability will be pursued concurrently.

In terms of working hours and leave, the Group strictly complies with the national standard working hours system—eight hours per day on normal working days—and provides statutory rest periods. For roles requiring special working hours arrangements (e.g. flexible hours or comprehensive working hours), the Group files the required records with the human resources and social security authorities as stipulated. Overtime must be applied for in advance and approved by management. Attendance records must be consistent with overtime applications, and the Group prioritises compensatory time off to safeguard employees' physical and mental well being. The Group also provides a comprehensive leave system, including annual leave, marriage leave, maternity leave, paternity leave, breastfeeding leave, childcare leave, sick leave, bereavement leave and work injury leave. For designated leave types, supporting documentation must be provided to complete internal approvals. If any breach occurs —such as violations of working hour rules, forced overtime or unreasonable denial of leave—the Group will require immediate rectification by the relevant departments and will pursue management accountability in accordance with disciplinary requirements. Where any matter involves a breach of labour laws and regulations, the Group will cooperate with the competent authorities in handling it.

Meanwhile, the Group has established systematic requirements for labour contract management. The signing, renewal, amendment and termination of contracts must all be processed through the internal human resources management system (the "EHR") workflow, and are subject to review and oversight by the Human Resources Department. Prior to contract expiry, the EHR system will automatically issue alerts to ensure that renewal or termination arrangements are carried out in a compliant manner. Offboarding procedures must also include exit interview records, handover of materials, confidentiality commitments and the termination of social insurance and housing provident fund contributions, in order to safeguard the completeness and transparency of both parties' rights and interests. If any non-compliance occurs—such as failure to sign contracts as required, unlawful termination of employment relationships, or other violations—the Group will rectify in accordance with the law and impose serious disciplinary actions on responsible persons.

AUX Electric will continue to optimise its policy framework, strengthen internal oversight and risk controls, and protect every employee's lawful rights and interests with a high level of responsibility. We firmly believe that compliant employment practices, fair treatment and respect for talent are critical to the Company's steady growth and sustainable development.

## Employee Welfare and Care

In terms of welfare and protection, AUX Electric purchases social insurance and housing provident fund contributions for eligible employees in accordance with the law, and provides a comprehensive, institutionalised benefits system in line with the Employment Relationship Management Policy. Benefits include annual health check ups, housing subsidies, meal subsidies, transportation subsidies, communication subsidies, festive benefits, birthday benefits, service anniversary benefits, accident insurance coverage, and an employee care fund established for employees whose families face significant hardship, ensuring employees' rights and interests are safeguarded. If any deviations arise in the implementation of social insurance, provident fund contributions or employee benefits, the Group will conduct reviews in accordance with internal management requirements and make timely corrections to ensure that employees' lawful entitlements are not adversely affected. For situations involving compliance risks, the Group will handle them according to established procedures and, where necessary, report to the competent authorities in accordance with applicable legal requirements to maintain compliant operations and protect employees' rights and interests.

## AUX Electric Employee Highlights

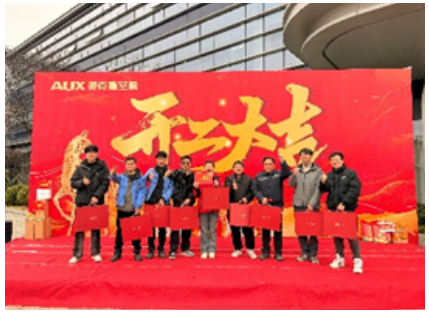






**AUX Electric Winter Food Festival**
**– Ring Toss, Shooting Game, Quiz Session and Lucky Draw**




**AUX Electric Kick-off Event**



**Tug of War**

## Talent Development and Growth

AUX Electric upholds its corporate mission of "cultivating outstanding talent" and regards the enhancement of employees' capabilities as a key driver of its sustainable growth. To accelerate knowledge accumulation and transfer and to strengthen the development of a robust talent pipeline, the Group has established a comprehensive training and development management system. This system provides a structured learning and growth framework for support staff and ensures that training activities are conducted in a standardised, orderly and effective manner through institutionalised processes.

In accordance with its internal policies, the Group has established a three-tier training system. The Human Resources Department centrally coordinates and plans all training initiatives, while each unit appoints a training liaison to support administration, forming a training management network jointly involving the business divisions, the Human Resources function, and other functional departments. Organisationally, each branch and subsidiary, depending on its size, is staffed with dedicated or part-time training specialists, and each functional department is also required to designate a training coordinator, ensuring clear accountability and effective on-the-ground implementation of training activities.

## AUX Electric offers diverse training formats

| | |
|---|---|
| **Management Talent Pipeline Training** | Continuously develop and cultivate a reserve pool of management talent to meet the Company's business and growth needs. |
| **Instructor-led Training** | Centralised instructor-led training delivered by external or internal trainers, based on the Company's business development needs and business unit requirements. |
| **External Training for Employees** | Nominate suitable employees to participate in various training programmes organised by external institutions, based on business unit needs. |
| **Internal Trainer Development** | A series of upskilling programmes for internal trainers, managed under a tiered framework (junior, intermediate and senior). |
| **Self-directed Learning** | Primarily covers essential "must-know" courses in the Group's course library, requiring employees to take the initiative to learn. |
| **New Employee Onboarding** | Regular, centralised training for social hires, as well as systematic programmes to help university graduates integrate into the Company. Content includes corporate culture, day-to-day office practices, human resources, integrity and compliance, and professional knowledge, among others. |

In developing training resources, we have implemented a course development and management mechanism. Courses are categorised by type into culture-related, general, and professional courses, and are reviewed in tiers based on the target audience. Only courses that pass the review are added to the course library and are regularly updated in the system. Courses that do not meet utilisation or evaluation standards are phased out to maintain course quality. Outstanding courses and instructors may also receive incentives, thereby continuously improving the quality of internal training.

Through the above institutionalised, process-driven and systematised talent training and development management mechanisms, AUX Electric is committed to providing employees with continuous learning and diversified growth opportunities, building a talent pipeline that supports the Company's long-term development, and achieving shared progress for both the Company and its employees.

## Safeguarding Employee Safety

AUX Electric places great importance on employees' occupational health and safety and is committed to strict compliance with the Work Safety Law of the People's Republic of China, the Law on Prevention and Control of Occupational Diseases, and other applicable laws and regulations, in order to continuously safeguard employees' safety and health in their day-to-day work. The Group regards safety as a critical foundation for stable operations and maintains ongoing attention to workplace risks to ensure that all production and management activities meet statutory requirements.

The Group requires each business unit to implement necessary safety management measures in daily operations and to provide employees with appropriate work instructions and operating requirements according to the nature of their roles, so as to reduce workplace risks. We also pay attention to employees' physical and mental well-being. Through legally compliant medical leave and work-related injury leave management mechanisms, we ensure that employees can obtain the corresponding leave entitlements and support in accordance with applicable laws when they experience illness or work-related injuries.

In the event of a safety incident or health-related event during operations, the Group will initiate the necessary internal handling procedures in accordance with the requirements of relevant national laws and regulations, and will report to the competent government authorities when required to ensure compliant and proper handling. Based on the actual circumstances, the Group will also review and improve relevant processes to enhance safety risk management capabilities and reduce the likelihood of recurrence.

AUX Electric will continue to uphold its commitment to occupational health and safety. We will progressively strengthen employees' safety awareness in daily management, improve risk management practices, and safeguard employee well-being, striving to create a healthy, safe, and sustainable working environment.

## Supporting Community Contributions

AUX Electric has always regarded the Company as an integral part of society and is committed to making positive contributions to the long-term development of the communities where it operates by leveraging its business strengths and investing resources. Upholding the philosophy of "from society, for society", the Group pays close attention to community livelihoods and public-interest needs, and continues to support community development, public welfare initiatives, and care for vulnerable groups through diversified approaches.

### AUX Electric partners with Red Top Charity to bring warm support to frontier education

During the year, AUX Electric once again participated in an education donation initiative organised by "Red Top Charity". Together with a number of caring companies, we travelled to Qigertai Primary School in Kalasu Town, Zhaosu County, Yili, Xinjiang to deliver public welfare support, contributing to tangible improvements in basic education in frontier regions.




Qigertai Primary School serves surrounding agricultural and pastoral areas, and many students come from Kazakh families. While basic teaching conditions are in place, there remains room for improvement in areas such as drinking water facilities, food storage, and living amenities. To enhance the learning and living environment for teachers and students, AUX Electric, together with members of the Red Top Charity volunteer group, donated a range of supplies, including refrigerators and freezers, washing machines, kettles, vacuum flasks, smart all-in-one devices, computers and printing equipment, books and stationery, as well as sports equipment such as footballs and badminton rackets, helping the school strengthen daily living support and teaching resources.

In addition, the initiative supported upgrades to the school's drinking water and kitchen facilities, further improving convenience and safety on campus. The team also arranged for an instructor from the "Girls' Protection" public welfare organisation to deliver a themed class, "Caring for Our Bodies", helping students strengthen self-protection and health awareness and providing more comprehensive support for children in remote areas.



AUX Electric has maintained a long-term partnership with Red Top Charity and continues to invest in education support across central and western China. Through initiatives such as donating home appliances and supplies, improving learning environments, and introducing safety education, we respond to the practical needs of basic education in frontier regions. We believe that corporate investment in education is not only about material support, but also about expectations for and commitments to children's future. Through collaboration with local governments, charitable organisations and other partners, AUX Electric hopes to rally broader social forces to promote equitable access to education, enabling more children to access better resources and broaden their horizons.

Looking ahead, AUX Electric will continue to deepen its public welfare engagement and support community development in a longer-term and more sustainable manner. We will continue to contribute corporate strengths in areas such as education support, livelihood improvements and social care, working with all sectors of society to bring more hope to children in remote areas and to help build warm and resilient communities.

# Craftsmanship in Quality, Service for the Long Term

## Leading the Way in Smart Living

### Innovation and R&D




AUX Electric is committed to building an efficient, robust, and forward-looking R&D system to support the Company's long-term competitiveness and technological leadership. We continue to invest in research platforms and strengthen our R&D organisation to support long-term competitiveness and technological leadership. We employ a large team of dedicated R&D professionals with a well-structured organisation, laying a solid foundation for AUX Electric's technological progress and innovation-driven development.

AUX Electric has established a global R&D network, with three major R&D centres in Ningbo, Zhuhai, and Japan. Each centre has clearly defined functions and positioning, forming a collaborative and highly efficient R&D layout. Among them, the Ningbo Centre serves as the core R&D base, responsible for product development and technology commercialisation; the Japan Centre focuses on cutting-edge research in central air-conditioning, covering areas such as control systems, ventilation ducts, and industrial design; and the Zhuhai Centre focuses on home appliances, inverter technologies, simulation, and modular technologies. This collaborative model enables us to balance basic research, applied development, and technological breakthroughs, strengthening our technology reserves and product competitiveness.

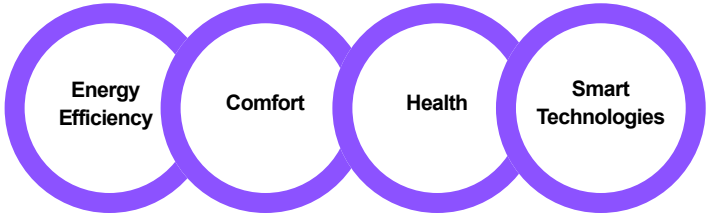
To enhance the scientific rigour and standardisation of our R&D processes, we have adopted a full product lifecycle R&D management model, covering the entire process from product planning and design/development to mass production and product discontinuation. We have established specialised research units for different R&D stages—including the Common Technology Research Institute, User Experience Research Institute, and Intelligent Research Institute—to support capability building and exploration of innovation directions, providing stable and ongoing technical support for product development.

For R&D project governance, we use a unified R&D project management system to manage the full lifecycle of new product development and research plans. The system sets clear objectives and standardised procedures, and centrally manages accountability, resource allocation, and schedule control. R&D projects are categorised into new product development, cost optimisation, quality improvement, and standardisation, and are subject to structured review and approval based on strategic importance and commercial value. This classification and tiered management system helps improve workload estimation accuracy, enhance resource utilisation efficiency, and optimise product launch cadence.

Our R&D strategy focuses on driving innovation, improving operational efficiency, and pursuing technological breakthroughs. The Group regularly evaluates and optimises R&D processes, incorporating feedback from project reviews and industry best practices into our R&D management framework to continuously enhance project management capabilities and innovation efficiency. Through ongoing monitoring of market movements and industry trends, our R&D efforts not only address current needs, but also prepare for future product iterations and technology directions, further reinforcing our competitive position in the air-conditioning sector.

AUX Electric regards R&D and technological innovation as a key driver of sustainable development. Through a well-established R&D framework, scientifically rigorous process governance, and sustained strategic investment, we continue to strengthen technological capabilities, drive product innovation, and improve operational quality, supporting the Company's long-term, steady growth in a rapidly evolving market environment.

## Four Core Pillars of AUX Electric's Product R&D




We advance product R&D across four key dimensions: energy efficiency, comfort, health, and smart technologies.

**Energy Efficiency**

Energy efficiency is a key focus of our R&D objectives. Our compressor can operate seamlessly across a wide frequency range from 1 Hz to 150 Hz, enabling rapid heating and cooling at high frequencies as well as precise temperature control at low frequencies. This allows us to improve energy efficiency by reducing the rate at which the compressor switches from high-frequency to low-frequency operation. In addition, through a high-efficiency heat exchange system and technologies such as optimised duct fans, we further enhance the performance parameters of condensers, evaporators, and indoor fan blades, thereby improving the overall energy efficiency of our air-conditioning products.

**Comfort**

We focus on developing multi-stage airflow delivery and high-efficiency air-duct fans to ensure comfort and health-related features. By applying advanced CFD simulation in product design and validation, we optimise blade design and air outlet configurations, achieving an airflow angle of up to 165°. By increasing the effective outlet area, our air-deflector design improves airflow velocity and uniformity throughout the space. These innovations enable us to enhance comfort while reducing noise.

**Health**

Our innovations in seamless disassembly and deep-cleaning solutions for air-conditioning cores enable the core to be quickly disassembled and thoroughly cleaned in as little as 30 seconds through a simple five-step procedure. Our advanced disassembly and cleaning technologies allow after-sales personnel and users to clean products efficiently, addressing key industry challenges and improving customer satisfaction. In addition, our products are equipped with health-related functions such as air purification, sterilisation, high-temperature disinfection, and more. We have registered multiple patents related to seamless disassembly technology and the optimisation of health performance indicators.

**Smart Technologies**

We are committed to developing intelligent and interactive products. To meet diverse voice-control needs, we have developed the HONN storage-driven offline voice-control technology, achieving over 97% recognition accuracy and a 30% improvement in response speed. This technology is designed to efficiently support and recognise regional dialects. Our Alink distributed centralised control technology addresses complexity in multi-device environments, including command latency, inconsistent feedback, monitoring accuracy, and gateway-related challenges. We will continue to develop a more comprehensive intelligent design strategy to strengthen real-time unit operation across scenarios, improve data accuracy, and enable broad-based centralised smart control.

## Intelligent Manufacturing System

AUX Electric continues to drive intelligent and digital transformation across its manufacturing operations to improve operational efficiency, product quality, and overall supply chain resilience. In response to rapidly changing market dynamics and rising consumer expectations for quality, we have progressively built a modern manufacturing system that is data-driven and underpinned by intelligent equipment, leveraging technological upgrades to comprehensively optimise production processes.

Through advanced data acquisition and monitoring systems (SCADA), we have achieved over 90% automated data collection across key processes—including production progress, workshop operations, quality inspection, equipment status, and materials management—enabling real-time monitoring and traceability of critical production indicators throughout the entire process. Meanwhile, all key equipment has been fully digitised with numerical control, ensuring high precision and stability in production operations and effectively improving product consistency and reliability.

To advance digitalisation of production management processes, we have established an integrated production information platform that includes an enterprise management solution (SAP), a manufacturing execution system (MES), an advanced planning and scheduling system (APS), and a warehouse management system (WMS). By interconnecting multiple systems, we have enabled efficient collaboration among R&D, production, supply chain, and warehousing functions, as well as transparent management from planning and scheduling to logistics and shipping. APS improves scheduling accuracy, WMS promotes automated materials handling, and MES provides end-to-end visualisation of production progress, enabling timely responses to exceptions and further improving manufacturing operational efficiency.

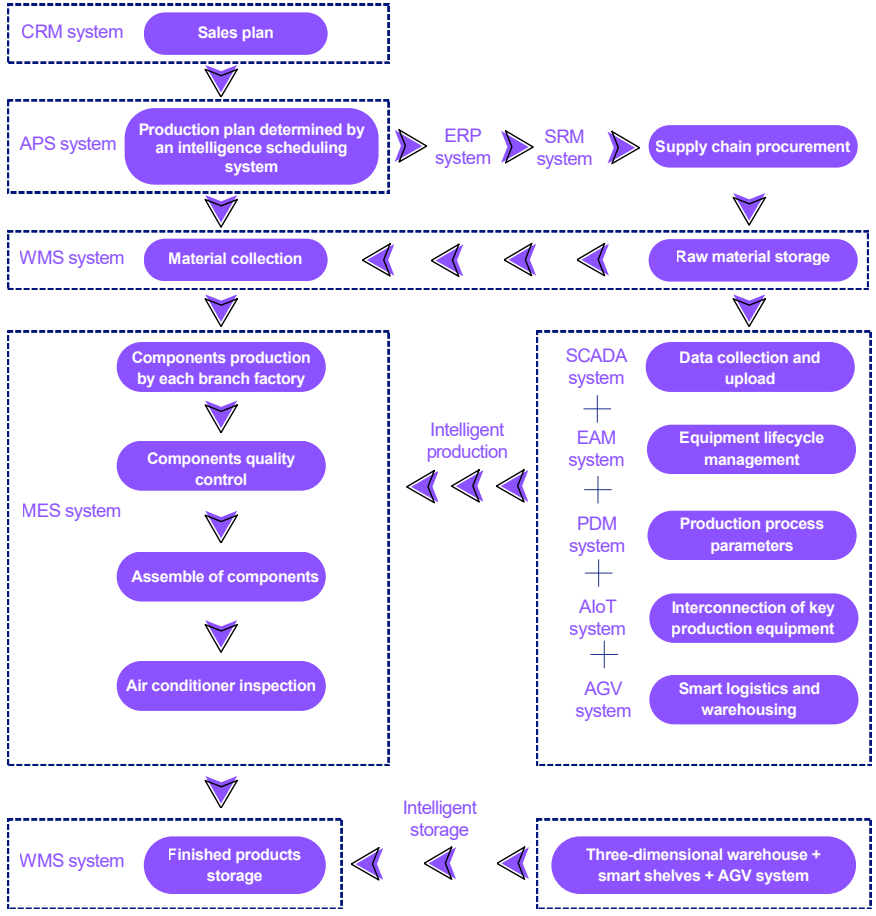
Our “One Flow” lean production layout further strengthens overall production-line coordination, ensuring seamless linkage across every step from assembly and logistics to warehousing. Our production lines are equipped with five major categories of intelligent equipment, including CNC machine tools, industrial robots, intelligent sensing and control systems, intelligent testing and assembly equipment, and advanced logistics and warehousing solutions. These enable continuous improvements across all manufacturing stages in terms of safety, efficiency, and accuracy.

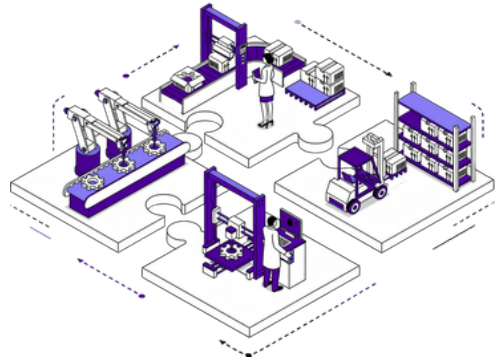
In the injection moulding stage, we have introduced a “lights-out factory” model, enabling automated production from raw materials to finished products. This covers processes such as production, warehousing, process transfer, and quality inspection, with intelligent robots and automated equipment executing high-precision operations based on system instructions. The lights-out factory model reflects the Company’s transformation from traditional labour-intensive manufacturing to intelligent, highly automated manufacturing, which not only improves production efficiency but also enhances the stability of product quality.

By continuously advancing intelligent manufacturing initiatives, we have strengthened the flexibility, traceability, and operational effectiveness of our production system, while laying a solid foundation for reducing waste, improving resource utilisation efficiency, and enhancing supply chain management. AUX Electric regards intelligent production as a key pillar for achieving high-quality development and sustainable operations. Looking ahead, we will continue to deepen investment in intelligent equipment, data platforms, and process optimisation to further improve efficiency and modernise our manufacturing operations.



**AUX Electric Air Conditioner Manufacturing Process**



## Quality Control

AUX Electric firmly believes that high-quality products are the cornerstone of brand trust and customer loyalty, and a fundamental basis for maintaining competitiveness in the air-conditioning industry. We maintain a quality management approach centred on reliability and safety, and are committed to ensuring that all products meet internal standards and relevant industry requirements, delivering outstanding quality that meets consumer expectations.

To maintain high-quality performance throughout the product lifecycle, we have established rigorous quality assurance processes covering all stages, including design, manufacturing, performance testing, and post-launch random sampling inspections. Each stage is subject to stringent internal quality sampling tests to ensure products meet defined design requirements and industry standards. We also adopt advanced testing methods such as automated quality inspection systems and real-time monitoring to enhance the accuracy and efficiency of quality assessments.

In laboratories accredited by internationally recognised certification bodies (e.g., CQC), the Group conducts extensive testing of product performance under simulated real-world operating conditions, with the aim of minimising factors that could lead to safety risks such as electric shock and fire. In addition, through pressure testing and service-life assessments, we ensure that products operate stably and reliably across various environmental conditions and real-world usage scenarios.

Our air-conditioning products have obtained a wide range of national and regional safety and quality certifications, including China Compulsory Certification (CCC), the EU CE certification, Brazil INMETRO certification, and Thailand TISI certification. In addition, all operating plants have obtained ISO 9001, ISO 14001, and ISO 45001 management system certifications, ensuring that our quality management, environmental management, and occupational health and safety management comply with international standards.

## Intellectual Property and Trade Secret Protection

AUX Electric recognises that a robust intellectual property management system is critical to safeguarding technological achievements, maintaining market competitiveness and supporting sustainable innovation. The Group has accumulated a substantial portfolio of intellectual property assets in both China and overseas markets. During the Reporting Year, the Group recorded 1,217 newly granted patents globally, including six granted patents overseas. As at 31 December 2025, the Group's total number of global patent applications exceeded 18,500, with more than 3,200 invention patents maintained in force. In addition, the Group has registered over 860 trademarks, 50 software copyrights and 220 domain names in China. The Group also holds a number of trademarks and patents in Japan, Malaysia and other countries and regions.

AUX Electric recognises that a sound intellectual property (IP) management system is essential to safeguarding technological achievements, maintaining market competitiveness, and supporting sustainable innovation. The Group has accumulated a substantial IP portfolio in China and overseas. As of March 2025, the Group held more than 12,000 registered patents globally, including over 2,800 invention patents. In addition, the Group has registered more than 860 trademarks in China, 50 software copyrights, and 220 domain names. We also hold multiple trademarks and patents in Japan, Malaysia, and other countries and regions.

To safeguard and effectively leverage these technology and brand assets, we have established an IP management framework covering creation, protection, risk identification, and maintenance. The framework is grounded in national standards and aligned with the Company's business development needs, ensuring that IP activities are governed through institutionalised management to consolidate our competitive advantages in the air-conditioning industry. IP management is coordinated by the R&D function, with a dedicated team of professional personnel, including qualified patent agents and lawyers, led by a senior professional with nearly 20 years of experience. In addition, we have designated part-time IP compliance supervisors within each R&D team to strengthen implementation. The team works closely with the legal department and, where necessary, engages external counsel to handle rights protection and disputes.

AUX Electric continues to strengthen its IP management policies and has established a governance system covering patent application and grant, confidentiality, evaluation, risk management, and dispute handling. This includes internal policies such as the "Patent Management Regulations", "Confidentiality Control Procedure", "Patent Evaluation and Maintenance Procedure", "IP Dispute Resolution Control Procedure", and "Patent Risk Management Control Procedure", among others. We adopt a proactive risk management approach to identify and mitigate potential infringement risks. For example, where the design of a new air-conditioner model may involve potential conflicts related to appearance, structure, or packaging patents, the team conducts multi-level reviews and makes necessary design adjustments based on the assessment results to ensure compliance and keep product launch risks under control.

AUX Electric has also established a structured reporting mechanism for patent litigation matters to ensure timely activation of administrative and judicial response procedures in the event of IP disputes. The litigation analysis framework covers key matrices such as infringement assessment, patent stability review, and invalidation analysis. It includes a list of defence focus points across five dimensions—standing to sue, grounds for defence, infringement exemptions, patent validity, and damages defences—to help identify core issues and improve case-handling efficiency. This structured approach effectively strengthens the Company's response capabilities in patent litigation.

To ensure more systematic management and maintenance of IP, AUX Electric has established asset registers and classified archives for patents, copyrights, and other IP assets, and updates them regularly in accordance with records management policies to support technology decisions and strategic planning. To further strengthen risk control tools, we have also developed a “Patent Search Control Form” to analyse competitors’ patents, the scope of competing products’ components, and search strategies, thereby enhancing our risk identification capabilities.

The Group’s IP management system is certified each year by qualified third parties to ensure compliance with national standards such as GB/T 29490-2023. Before core products enter production, AUX Electric also engages professional institutions to conduct infringement risk analyses to safeguard compliance and freedom to operate when products are launched. By continuously advancing IP management system development, we can effectively protect innovation outcomes, reduce potential legal and commercial risks, and support the Company’s sustainable innovation capability and long-term value creation through institutionalised management.

## Enhancing Service Standards

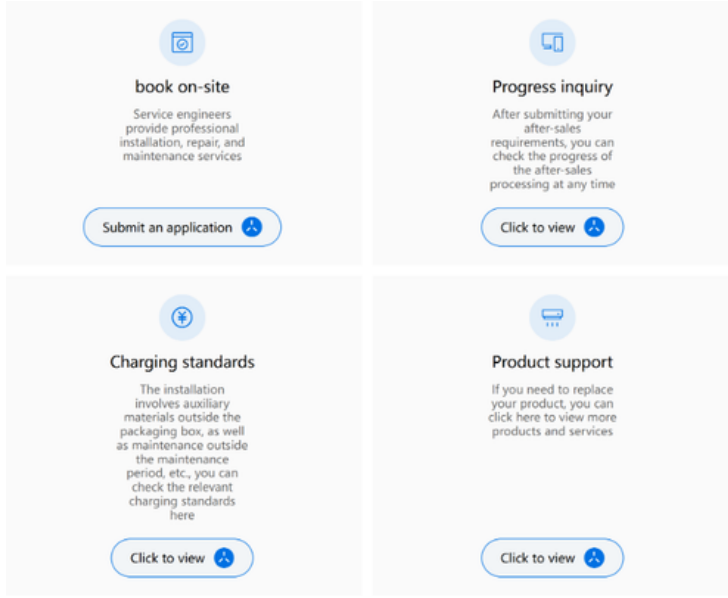
### After-sales Service

AUX Electric recognises that high-quality after-sales service is essential to maintaining customer satisfaction and brand loyalty, and is a key foundation for sustaining competitiveness in global markets. To ensure that customers receive timely and reliable support throughout the entire product lifecycle, we have established a global after-sales service system and continue to enhance service responsiveness and management standards.

The Group’s after-sales service network spans the globe, with more than 5,100 service outlets. Dedicated after-sales service teams are in place in most overseas sales companies to ensure broad market coverage. All service personnel are required to meet the Group’s internal service standards and are subject to regular performance monitoring and evaluations to ensure consistently high service quality.

In accordance with general sales terms and industry practices, the Group provides limited warranty services for its products, covering remedies such as returns/exchanges, repairs, and deductions/credits. Warranty periods vary by product type, customer segment, and market, typically ranging from one to six years. We also provide overseas distributors and customers with necessary spare parts support to ensure that customers worldwide can continue to use our products.

The Group provides comprehensive after-sales services, including installation, repair, maintenance, and product replacement. We support customers through multiple channels, including service outlets, on-site service, service centres, customer service hotlines, email, online platforms, and the WeChat Mini Program “AUX Official Service”. The online platform offers functions such as repair requests, service progress tracking, fee information, and FAQs, and provides a convenient 24-hour service entry point. Our installation and repair services are highly responsive, with a 24-hour response rate exceeding 90%.




To ensure service quality, the Group has established a comprehensive service quality control system covering regular service audits, customer feedback collection, and continuous improvement processes. We provide customers with a transparent, reliable, and convenient after-sales experience through multiple channels, and continuously enhance service standards based on customer feedback. During the year, the Group did not record any major product recall incidents or any material product health and safety complaints.

AUX Electric regards after-sales service as an integral part of its brand commitment. Going forward, we will continue to strengthen our global service network, enhance digital service capabilities, and support the Company’s sustainable development through high-quality and efficient services.

## Privacy Protection

AUX Electric places great importance on protecting the personal information of employees, customers, and business partners, and regards respect for and safeguarding privacy as a cornerstone of corporate operations. We recognise that the Company must process a significant volume of personal information in its day-to-day business activities, and that proper protection of such information is critical to maintaining market competitiveness and customer trust. To mitigate risks associated with data processing and ensure compliant operations, the Group has established a personal information protection management system covering the full lifecycle of collection, processing, management, and storage.

Before processing personal information, we present a privacy policy to data subjects. When collecting and processing necessary personal information, we follow the principles of legality, legitimacy, and necessity to ensure that all data-related activities have an appropriate basis. We also adopt a prudent personal information retention policy, retaining relevant information only for the shortest period necessary to achieve the purposes stated in the privacy policy, and deleting or anonymising personal information upon expiry.

The Group has appointed dedicated Data Protection Officers and Data Protection Representatives to oversee the implementation and continuous enhancement of data protection policies, and to ensure compliance with applicable laws and regulations, including the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, and the Personal Information Protection Law of the People's Republic of China. We implement robust administrative and technical measures to prevent unauthorised access, disclosure, alteration, or destruction of personal information. We apply strict access controls for sensitive information, authorising only personnel whose duties require such processing, thereby reducing potential data leakage risks.

Employees also play a critical role in data protection. We conduct regular training and awareness programmes to strengthen employees' understanding of personal information protection obligations, compliance requirements, and incident response procedures. In addition, we require third-party partners to adhere to the same high standards through data processing agreements and confidentiality agreements, ensuring that external cooperation does not increase personal information risks.

The Group has established comprehensive personal information security incident response procedures. In the event of an information leakage incident, we will promptly activate response mechanisms to mitigate potential impacts and ensure that related actions comply with regulatory requirements. We also continuously review and improve protective measures to address evolving regulatory requirements and emerging security challenges. During the year, we did not experience any material data leakage or data loss incidents and, in all material respects, we complied with applicable laws and regulations on cybersecurity, data privacy, and personal information protection.

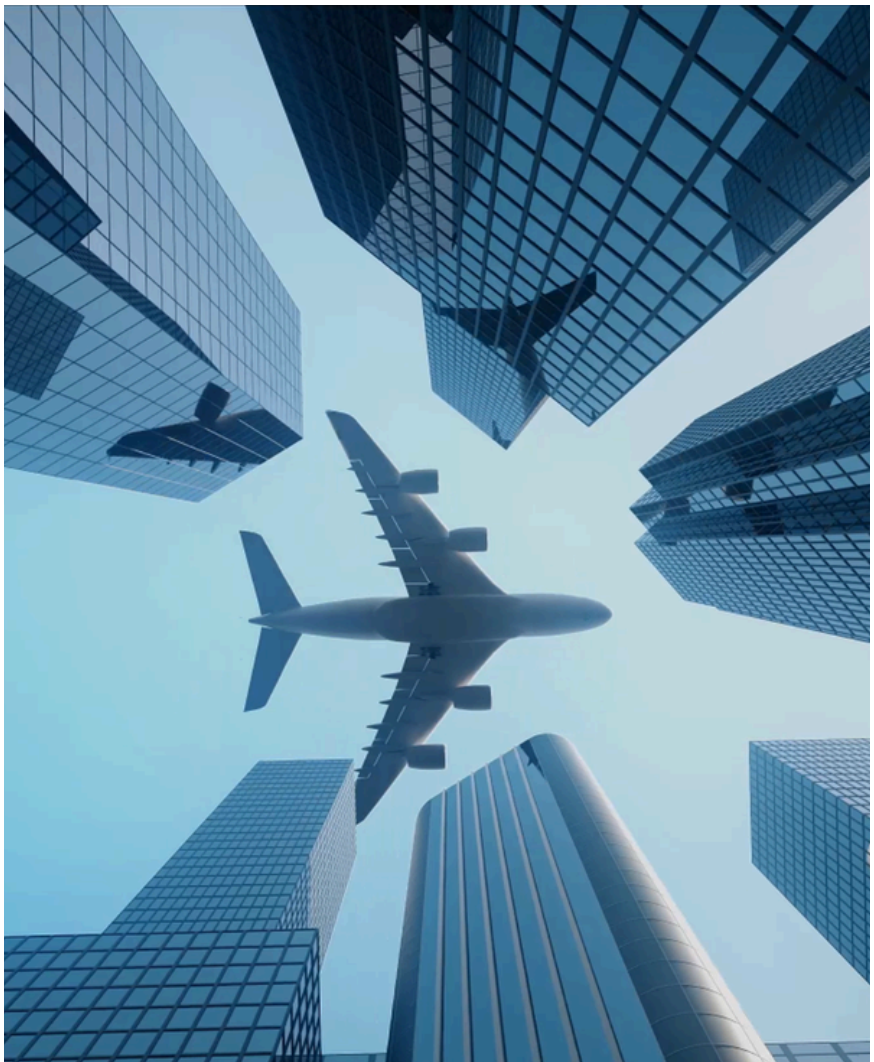
# Strengthening Supply Chain Management

## Supplier Management

AUX Electric is committed to building an efficient, low-cost, and high-quality supply chain management system. By promoting material standardisation, structural integration, and modular design, we improve production efficiency and support intelligent manufacturing and sustainable development from the source. In our production process, we primarily use key raw materials and components such as copper, aluminium, steel, plastics, compressors, and motors, and we partner with well-known suppliers capable of meeting stringent quality requirements to maintain a high level of product performance and reliability.

In terms of supply chain governance, we have established a sound supplier qualification system and procurement strategy, and maintain long-term, stable partnerships with core suppliers to jointly enhance supply efficiency and quality. We regard supply chain digitalisation as critical to improving operational transparency and integration. The entire process has been fully digitalised, covering sales demand forecasting, production planning, order release, supplier order confirmation, shipment, materials warehousing, and financial settlement. Through electronic systems and seamless data connectivity with suppliers, we can automatically share monthly, weekly, and daily raw material demand plans. Suppliers' inventory status and in-transit materials are also displayed in real time within the system, significantly improving supply chain collaboration, resource integration efficiency, and inventory turnover.

The Group has also established diversified cost estimation models that incorporate factors such as raw material market prices, capacity utilisation rates, and teardown analysis, ensuring procurement decisions are accurate and competitive. Meanwhile, we obtain information on new materials, new technologies, and innovative processes through industry exhibitions and technical exchanges, and work closely with our R&D teams and suppliers to continuously refine product design and manufacturing processes, improve automation, and reduce costs. To drive continuous improvement across the supply chain, we provide suppliers with professional assistance and on-site support to strengthen capabilities in quality management, efficiency improvement, cost reduction, and production processes, ultimately building a stable supply partnership model based on shared growth and mutual benefit.



Where a supplier fails to meet the Group's internal standards, we provide necessary guidance in accordance with internal requirements to facilitate improvement. If the supplier still cannot meet requirements in terms of quality, efficiency, or supply capability, we will terminate cooperation in accordance with our management procedures to ensure that supply chain quality and stability are not affected. This supplier exit mechanism ensures that the Group continues to work with suppliers that have sustained performance and strong delivery capabilities.

In procurement management, we actively incorporate ESG risks and environmental factors to advance green procurement practices. Suppliers are required to hold environmental management system certifications, including ISO 14001. We also prioritise suppliers that use renewable energy, adopt low-carbon production processes, or practise circular economy approaches, and we encourage local sourcing to reduce carbon emissions from transportation. To support the green transition, the Group has established dedicated procurement plans to purchase environmentally friendly equipment and materials, particularly facilities related to the application and handling of new refrigerants, further enhancing our products' environmental performance.

With respect to supplier environmental oversight, the Group conducts regular on-site inspections to assess the implementation of environmental measures such as wastewater treatment and clean energy use. We also require suppliers to provide real-time data on energy consumption and emissions to ensure that their environmental performance meets the Group's requirements.

## Distributor Management

AUX Electric adopts a prudent and systematic screening mechanism in distributor management to ensure that partners meet the Group's requirements for market expansion and brand management. When selecting distributors, we conduct a comprehensive evaluation against multiple criteria, including industry experience, market coverage capabilities, business reputation and credibility, financial condition, management capability, legal compliance, and their understanding of the Company's brand and business philosophies. We also consider their warehousing and logistics capabilities. Only candidates that meet the Group's requirements and pass the screening procedures may become officially contracted distributors of AUX Electric, thereby ensuring the operational quality of the distribution network and the reliability of our partners.

# Appendix

## Appendix I: Awards and Recognitions

| AUX Electric Brand Recognition | AUX Electric Product Technology and Design Recognition | ESG Awards and Certifications | |
|---|---|---|---|
| 2025 The 21st China Home Appliance Innovation Achievements – Most Innovative Home Appliance Brand<br>*China Household Electric Appliance Research Institute (CHEARI)* | 2025 iF DESIGN AWARD – Winner<br>*Germany iF Design Award Organising Committee* | ISO 9001 Quality Management System<br>*Beijing Zhongda Huayuan Certification Center; Beijing World Standard Certification Center* | CCC China Compulsory Product Certification<br>*China Quality Certification Centre Co., Ltd.* |
| Corporate Integrity Management System Certification (GB/T 31950-2015)<br>*Beijing Haide International Certification Co., Ltd.*<br>*Beijing Zhongda Huayuan Certification Center Co., Ltd.* | 2025 Red Dot Design Award – Winner<br>*Red Dot Design Award Organising Committee (Germany)* | ISO 14001 Environmental Management System<br>*Beijing Zhongda Huayuan Certification Center; Beijing World Standard Certification Center* | Energy-saving Product Certification<br>*China Quality Certification Centre Co., Ltd.* |
| National Commodity After-sales Service Standard Certification (Five-star)<br>*Beijing Wuzhou Tianyu Certification Center* | International Design Excellence Awards (IDEA) 2025 (Air Conditioner & AI Airflow-Sensing Product) – Bronze Winner and Finalist<br>*IDEA Design Awards Organising Committee (United States)* | ISO 45001 Occupational Health and Safety Management System<br>*Beijing Zhongda Huayuan Certification Center; Beijing World Standard Certification Center* | Product Quality National/Provincial/Special Supervision Sampling Inspection<br>*Zhejiang Fangyuan Testing; WEK Testing; Ningbo Customs Technology Center* |
| CTEAS After-sales Service System Maturity (Seven-star Excellence)<br>*Beijing Wuzhou Tianyu Certification Center* | International CMF Design Award (AUX Shusheng Air Conditioner)<br>*International CMF Design Award Organising Committee* | ISO 50001 Energy Management System<br>*Beijing Zhongda Huayuan Certification Center; Beijing World Standard Certification Center* | Recommended Catalogue of Energy-saving and Carbon-reduction Technologies in the Refrigeration and Air-conditioning Application Sector (Batches I and II)<br>*China Refrigeration and Air-Conditioning Industry Association (CRAA)* |
| CTEAS Certification (Twelve-star)<br>*Beijing Wuzhou Tianyu Certification Center* | Zhejiang Provincial Industrial New Product Certificate<br>*Zhejiang Provincial Department of Economy and Information Technology* | ISO 27001 Security Management System<br>*Beijing Haide International Certification Co., Ltd.; China Quality Certification Centre Co., Ltd.* | Advanced Energy-saving and Carbon-reduction Technologies Catalogue for the Light Industry (2025 Edition)<br>*China National Light Industry Council* |
| Five-star Service Certification (CTS WSF-TS014-2020)<br>*Beijing World Standard Certification Center Co., Ltd.* | 2025 The 21st China Home Appliance Innovation Achievements – Annual Product Innovation Achievement<br>*China Household Electrical Appliances Research Institute* | ISO 17025 Testing/Calibration Laboratory Accreditation<br>*China National Accreditation Service for Conformity Assessment (CNAS)* | Science and Technology Progress Award (Energy-saving/Carbon-reduction Related Technologies)<br>*China National Light Industry Council; China Power Supply Society; China Energy Conservation Association* |
| | The 4th Ningbo Patent Innovation Competition (Air Conditioner Patents)<br>*Ningbo Municipal Administration for Market Regulation* | ISO 10012 Measurement Management System<br>*Beijing Haide International Certification Co., Ltd.* | 2024 Energy-saving, Carbon-reduction and Environmental Protection Products Catalogue<br>*Chinese Association of Refrigeration (CAR)* |
| | Zhejiang Provincial Outstanding Industrial Product Certificate<br>*Zhejiang Provincial Outstanding Industrial Products Selection Committee* | Hazardous Substances Process Management System Certification – IECQ QC 080000:2017<br>*SGS* | Intellectual Property Management System Certification (GB/T 29490-2013)<br>*Zhongzhi (Beijing) Certification Co., Ltd.* |
| | "Two New" Product Quality Supervision Sampling Inspection Plan<br>*WEK Testing Technology Co., Ltd.* | ANSIESD S20.20-2021 ESD Anti-static Management System<br>*SGS* | IEC 61340-5-1:2016 ESD Electrostatic Discharge Protection System<br>*SGS* |

# Appendix II: Performance Overview

## Environmental

| Key Performance Indicators | Unit | 2025 |
|---|---|---|
| GHG Emissions (Scope 1 + 2) | $tCO_2e$ | 157,668.17 |
| GHG Emissions (Scope 1 + 2 + 3) | $tCO_2e$ | 158,217.21 |
| Total GHG Emissions Intensity | $tCO_2e$ / RMB million of total revenue[1] | 5.27 |
| Scope 1 GHG Emissions[2] | $tCO_2e$ | 16,449.88 |
| Scope 2 GHG Emissions[3] | $tCO_2e$ | 141,218.29 |
| Scope 3 GHG Emissions | $tCO_2e$ | 549.04 |
| Scope 3 – Category 1: Purchased Goods and Services | $tCO_2e$ | 519.86 |
| Scope 3 – Waste Generated in Operations | $tCO_2e$ | 29.18 |

| Key Performance Indicators | | Unit | 2025 |
|---|---|---|---|
| Air Emissions[4] | Nitrogen Oxides (NOx) | kg | 7,933.12 |
| | Sulphur Oxides (SOx) | | 4.07 |
| | Particulate Matter (PM) | | 27.05 |
| Waste Management | Total Hazardous Waste | tonnes | 1,716.91 |
| | Hazardous Waste Intensity | tonnes / RMB million of total revenue | 0.06 |
| | Total Non-hazardous Waste | tonnes | 67,570.73 |
| | Non-hazardous Waste Intensity | tonnes / RMB million of total revenue | 2.25 |
| Energy Use | Total Energy Consumption | MWh | 357,057.51 |
| | Total Energy Intensity | MWh / RMB million of total revenue | 11.88 |
| | Direct Energy Consumption[5] | MWh | 78,941.47 |
| | Indirect Energy Consumption | | 278,116.04 |
| Water Resources Use | Total Freshwater Consumption | tonnes | 2,030.70 |
| | Total Freshwater Intensity | tonnes / RMB million of total revenue | 0.07 |
| | Total Wastewater Discharge | tonnes | 132.66 |
| | Total Wastewater Intensity | tonnes / RMB million of total revenue | 0.004 |

1. During the Report Year, the Group's total revenue amounted to RMB 30,048.58 million. This figure is also used for the calculation of other intensity data.
2. Scope 1 GHG emissions mainly arise from fuel consumption by company vehicles, forklifts and generators, as well as natural gas used in welding and spraying processes during production. The emission factors are referenced from the National Development and Reform Commission's Guidelines for "Accounting and Reporting Greenhouse Gas Emissions of Public Building Operation Enterprises (Trial)" and the Stock Exchange's "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental Key Performance Indicators."
3. Scope 2 GHG emissions mainly arise from purchased electricity and photo-voltaic power generation. The emission factors are referenced from the Ministry of Ecology and Environment of China's "Announcement on the Release of National Power Carbon Footprint Factor Data for 2024".
4. The calculation method for waste emissions is referenced from the Stock Exchange's "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental Key Performance Indicators".
5. The unit conversion method for direct energy consumption is referenced from the International Energy Agency's "Energy Statistics Manual".

| Key Performance Indicators | | | Unit | 2025 |
|---|---|---|---|---|
| Employee Category | Total Number of Employees | | people | 15,631 |
| | By Gender | Male | | 10,696 |
| | | Female | | 4,935 |
| | By Age Group | Age 30 and Below | | 6,801 |
| | | Age 31–50 | | 7,526 |
| | | Above Age 50 | | 1,304 |
| | By Employment Type | Full-time | | 15,631 |
| | | Part-time | | - |
| | By Geographical Region | Mainland China, Hong Kong, Macau and Taiwan | | 15,076 |
| | | Overseas | | 555 |
| | By Employee Category | Management | | 333 |
| | | General Staff | | 15,298 |
| Employee Turnover Rate[6] | Overall Employee Turnover Rate | | % | 34.38 |
| | By Gender | Male | | 32.76 |
| | | Female | | 37.89 |
| | By Age Group | Age 30 and Below | | 36.14 |
| | | Age 31–50 | | 33.78 |
| | | Above Age 50 | | 38.49 |
| | By Geographical Region | Mainland China, Hong Kong, Macau and Taiwan | | 35.34 |
| | | Overseas | | 3.39 |

| Key Performance Indicators | | | Unit | 2025 |
|---|---|---|---|---|
| Occupational Safety and Health | Number of Work-related Fatalities[7] | | people | - |
| | Number of Lost Workdays Due to Work-related Injuries | | days | 558 |
| Employee Training and Development | Overall Employee Training Rate[8] | | % | 100 |
| | Training Participation Rate by Gender | Male | | 68.43 |
| | | Female | | 31.57 |
| | Training Participation Rate by Employee Category | Management | | 2.13 |
| | | General Staff | | 97.87 |
| | Total Employee Training Hours[9] | | hours | 97,332.25 |
| | Average Training Hours by Gender | Male | | 5.78 |
| | | Female | | 7.20 |
| | Average Training Hours by Employee Category | Management | | 8.87 |
| | | General Staff | | 6.17 |
| Suppliers | By Geographical Region | Mainland China | suppliers | 5,788 |
| | | Hong Kong | | 3 |
| Product Responsibility | Major Product Recall and Complaint Cases Due to Product Health and Safety | | cases | - |
| Anti-corruption | Concluded Litigation Cases Related to Corruption, Bribery or Fraud | | cases | - |
| | The Group regularly provides anti-corruption training to employees, and has incorporated such training into the onboarding programme for new hires. | | | |
| Community Investment | Hours Contributed to Public Welfare Activities | | hours | 102 |

6. The employee turnover rate is calculated as: total number of employees who left during the year ÷ the average total number of employees at the beginning and end of the year × 100%.
7. The Group had no work-related fatalities during the past three years (including the current year).
8. The overall employee training coverage rate is calculated as: total number of employees trained during the year ÷ total number of employees at the end of the year × 100%. The training coverage rate by employee category is calculated as: total number of employees trained in each category during the year ÷ total number of employees trained during the year × 100%.
9. The average training hours per employee are calculated as: total employee training hours during the year ÷ total number of employees at the end of the year.

## Appendix III: Laws, Regulations, and Key Internal Policies

| Category | Laws and Regulations | Internal Policies and Management Measures |
|---|---|---|
| **Corporate Governance** | Company Law of the People's Republic of China<br>Rules Governing the Listing of Securities on the Stock Exchange | Sustainable Development (ESG) Governance Structure |
| **Compliance Operations** | Criminal Law of the People's Republic of China<br>Anti-Unfair Competition Law of the People's Republic of China<br>Supervision Law of the People's Republic of China<br>Export Control Law of the People's Republic of China | Anti-Fraud Management Policy<br>Anti-Money Laundering Management Policy<br>Anti-Bribery Management Policy<br>Employee Integrity Commitment Letter<br>Integrity Agreement |
| **Environmental Protection and Climate Change Response** | Ecological Environment Code of the People's Republic of China<br>Environmental Protection Law of the People's Republic of China<br>United Nations Framework Convention on Climate Change<br>Paris Agreement | Environmental Management Policy<br>Environmental Incident Management Provisions<br>Environmental Protection Facilities Management Provisions<br>Environmental Aspects Identification and Assessment Control Procedure<br>List of Significant Environmental Aspects<br>Environmental Protection "Three Simultaneities" Management Policy for Construction Projects |
| **Energy and Water Consumption Management** | Environmental Protection Law of the People's Republic of China<br>Energy Conservation Law of the People's Republic of China<br>Renewable Energy Law of the People's Republic of China<br>Water Law of the People's Republic of China | Environmental Management Policy<br>Energy Management Policy<br>Measurement Management Policy<br>Energy Measurement Review Standard for Key Energy-Consuming Entities<br>Air Emissions, Wastewater and Noise Management Provisions |
| **Waste Management** | Environmental Protection Law of the People's Republic of China<br>Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste<br>National Catalogue of Hazardous Wastes<br>Measures for the Administration of Hazardous Waste Transfer | Hazardous Waste Management Provisions<br>Air Emissions, Wastewater and Noise Management Provisions<br>List of Solid Wastes<br>List of Solid Waste Disposal Entities<br>Hazardous Waste Transfer Manifest |

| Category | Laws and Regulations | Internal Policies and Management Measures |
|---|---|---|
| **Employee Rights and Occupational Health and Safety** | Labour Law of the People's Republic of China<br>Employment Promotion Law of the People's Republic of China<br>Labour Contract Law of the People's Republic of China<br>Work Safety Law of the People's Republic of China<br>Law of the People's Republic of China on the Prevention and Control of Occupational Diseases | Authorisation Manual<br>Delegation of Authority Manual<br>Recruitment and Staffing Management Policy<br>Employment Relationship Management Policy<br>Background Check Authorisation Letter<br>Notice of Intention to Terminate the Labour Contract |
| **Employee Development and Training** | Labour Contract Law of the People's Republic of China<br>Vocational Education Law of the People's Republic of China | Training Management Policy<br>Annual Training Plan Form<br>Training Agreement<br>External Training Agreement |
| **Product Responsibility** | Product Quality Law of the People's Republic of China<br>Trademark Law of the People's Republic of China<br>Copyright Law of the People's Republic of China<br>Patent Law of the People's Republic of China<br>Cybersecurity Law of the People's Republic of China<br>Data Security Law of the People's Republic of China<br>Personal Information Protection Law of the People's Republic of China<br>Law of the People's Republic of China on the Protection of Consumer Rights and Interests | Production Management Policy<br>Patent Management Regulations<br>Confidentiality Control Procedure<br>Patent Evaluation and Maintenance Procedure<br>IP Dispute Resolution Control Procedure<br>Patent Risk Management Control Procedure<br>Three Guarantees Policy Management Policy<br>After-sales Service Management Manual |
| **Supply Chain and Distributor Management** | Tendering and Bidding Law of the People's Republic of China<br>Civil Code of the People's Republic of China | Procurement Management Policy<br>Materials Receiving and Warehouse Management Policy<br>Home Appliance Materials Department – Process Manual |

# Appendix IV: Indicator Index

Stock Exchange ESG Code

| Mandatory Disclosure Requirements | Section |
|---|---|
| **Governance Structure** | Strengthen Governance Framework |
| **Reporting Principles** | About This Report, ESG Materiality Assessment |
| **Reporting Boundary** | About This Report |

## Environmental

| Aspect | Indicator | Description | Section |
|---|---|---|---|
| **A1 Emissions** | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Advancing Environmental Protection, Appendix III Laws, Regulations, and Key Internal Policies |
| | A1.1 | The types of emissions and respective emissions data | Appendix II: Performance Overview |
| | A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Appendix II: Performance Overview |
| | A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Appendix II: Performance Overview |
| | A1.5 | Description of emission target(s) set and steps taken to achieve them. | Environmental Target Setting |
| | 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. | Waste Management |
| **A2 Use of Resources** | General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Advancing Environmental Protection, Appendix III Laws, Regulations, and Key Internal Policies |
| | 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). | Appendix II: Performance Overview |
| | A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Appendix II: Performance Overview |
| | A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them. | Energy Consumption Management, Environmental Target Setting |
| | 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. | Water Resource Management |
| | A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | [x] |
| **A3 The Environment and Natural Resources** | General Disclosure | Policies on minimising the issuer's significant impacts on the environment and natural resources. | Advancing Environmental Protection, Appendix III Laws, Regulations, and Key Internal Policies |
| | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Advancing Environmental Protection |

## Social

| Aspect | Indicator | Description | Section |
|---|---|---|---|
| B1 Employment | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Enhancing Talent Management and Appendix III Laws, Regulations, and Key Internal Policies |
| | B1.1 | Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region. | Enhancing Talent Management |
| | B1.2 | Employee turnover rate by gender, age group and geographical region. | Enhancing Talent Management |
| B2 Health and Safety | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe working environment and protecting employees from occupational hazards. | Safeguarding Employee Safety, Appendix III Laws, Regulations, and Key Internal Policies |
| | B2.1 | Number and rate of work-related fatalities occurred in each of the past<br>three years including the reporting year. | Appendix II: Performance Overview |
| | B2.2 | Lost days due to work injury. | Appendix II: Performance Overview |
| | B2.3 | Description of occupational health and safety measures adopted, and<br>how they are implemented and monitored. | Safeguarding Employee Safety |
| B3 Development and Training | General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Talent Development and Growth, Appendix III Laws, Regulations, and Key Internal Policies |
| | B3.1 | The percentage of employees trained by gender and employee<br>category (e.g. senior management, middle management). | Talent Development and Growth |
| | B3.2 | The average training hours completed per employee by gender and employee category. | Talent Development and Growth |
| B4 Labour Standards | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour | Protection of Employees' Lawful Rights and Interests, Appendix III Laws, Regulations, and Key Internal Policies |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Protection of Employees' Lawful Rights and Interests |
| | B4.2 | Description of steps taken to eliminate such practices when<br>discovered. | Protection of Employees' Lawful Rights and Interests |
| B5 Supply Chain Management | General Disclosure | Policies on managing environmental and social risks of the supply chain. | Strengthening Supply Chain Management, Appendix III Laws, Regulations, and Key Internal Policies |
| | B5.1 | Number of suppliers by geographical region. | Appendix II: Performance Overview |
| | B5.2 | Description of practices relating to engaging suppliers, number of<br>suppliers where the practices are being implemented, and how they<br>are implemented and monitored. | Strengthening Supply Chain Management |
| | B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Strengthening Supply Chain Management |
| | B5.4 | Description of practices used to promote environmentally preferable<br>products and services when selecting suppliers, and how they are<br>implemented and monitored. | Strengthening Supply Chain Management |

| Aspect | Indicator | Description | Section |
|---|---|---|---|
| B6 Product Responsibility | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact<br>on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Leading the Way in Smart Living, Enhancing Service Standards and Appendix III Laws, Regulations, and Key Internal Policies |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for<br>safety and health reasons. | After-sales Service, Appendix II: Performance Overview |
| | B6.2 | Number of products and service related complaints received and how they are dealt with. | Enhancing Service Standards, After-sales Service |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Intellectual Property and Trade Secret Protection |
| | B6.4 | Description of quality assurance process and recall procedures. | Leading the Way in Smart Living |
| | B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored. | After-sales Service, Privacy Protection |

| Aspect | Indicator | Description | Section |
|---|---|---|---|
| B7 Anti-corruption | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering | Compliance Driven Operations, Appendix III Laws, Regulations, and Key Internal Policies |
| | B7.1 | Number of concluded legal cases regarding corrupt practices brought<br>against the issuer or its employees during the reporting period and the<br>outcomes of the cases. | Compliance Driven Operations, Anti-Corruption and Anti-Fraud and Appendix II: Performance Overview |
| | B7.2 | Description of preventive measures and whistle-blowing procedures,<br>and how they are implemented and monitored. | Compliance Driven Operations |
| | B7.3 | Description of anti-corruption training provided to directors and staff. | Compliance Driven Operations, Building a Culture of Integrity |
| B8 Community Investment | General Disclosure | Policies on community engagement to understand the needs of the communities<br>where the issuer operates and to ensure its activities take into consideration the communities' interests. | Appendix III Laws, Regulations, and Key Internal Policies |
| | B8.1 | Focus areas of contribution (e.g. education, environmental concerns,<br>labour needs, health, culture, sport). | Supporting Community Contributions |
| | B8.2 | Resources contributed (e.g. money or time) to the focus area. | Supporting Community Contributions |

| Dimension | Climate-related Disclosures | | Corresponding Chapter |
|---|---|---|---|
| **Governance** | 9. An issuer shall disclose information about:<br>(a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate related risks and opportunities; and<br>(b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities | | Board Statement,AUX Electric ESG Governance Structure |
| **Strategy** | **Climate-related risks and opportunities** | 20. An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. | Addressing Climate Change, Strategy, Risk Management |
| | **Business model and value chain** | 21. An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. | Addressing Climate Change, Strategy, Risk Management |
| | **Strategy and decision-making** | 22. An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making.<br>Corresponding Chapter: Climate Risks and Opportunities | Addressing Climate Change, Strategy, Risk Management |
| | | 23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods | |
| | **Financial position, financial performance and cash flows – Current financial effect** | 24. An issuer shall disclose qualitative and quantitative information about:<br>(a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and<br>(b) the climate-related risks and opportunities identified for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements. | Addressing Climate Change, Strategy, Risk Management |
| **Strategy** | **Financial position, financial performance and cash flows – Anticipated financial effect** | 25. The issuer shall provide qualitative and quantitative disclosures about:<br>(a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities; and<br>(b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities. | Addressing Climate Change, Strategy, Risk Management |
| | **Climate resilience** | 26. An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. | Addressing Climate Change, Strategy, Risk Management |
| **Risk Management** | 27. An issuer shall disclose information about:<br>(a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks;<br>(b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and<br>(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process. | | Risk Management |
| **Metrics and Targets** | **Greenhouse gas emission** | 28. An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of $CO_2$ equivalent, classified as:<br>(a) Scope 1 greenhouse gas emissions;<br>(b) Scope 2 greenhouse gas emissions; and<br>(c) Scope 3 greenhouse gas emissions. | Metrics and Targets |

| Dimension | Climate-related Disclosures | | Corresponding Chapter |
|---|---|---|---|
| Metrics and Targets | Greenhouse gas emission | 29. An issuer shall:<br>(a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions;<br>(b) disclose the approach it uses to measure its greenhouse gas emissions;<br>(c) for Scope 2 greenhouse gas emissions disclosed, disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and<br>(d) for Scope 3 greenhouse gas emissions disclosed, disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). | Metrics and Targets |
| | **Climate-related transition risks** | 30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks. | The Group will review its internal information and expand the scope of disclosure at an appropriate time. |
| | **Climate-related physical risks** | 31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks. | |
| | **Climate-related opportunities** | 32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities. | |
| | **Capital deployment** | 33. An issuer shall disclose the amount of capital expenditure, financing, or investment deployed towards climate-related risks and opportunities. | |
| | **Internal carbon price** | 34. An issuer shall disclose:<br>(a) an explanation of whether and how the issuer is applying a carbon price in decision making (for example, investment decisions, transfer pricing, and scenario analysis); and<br>(b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement if the issuer does not apply a carbon price in decision-making. | Metrics and Targets |
| | **Remuneration** | 35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. | Board Statement,AUX Electric ESG Governance Structure |

| Dimension | Climate-related Disclosures | | Corresponding Chapter |
|---|---|---|---|
| Metrics and Targets | **Industry-based metrics** | 36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS Sustainability Standards' disclosure topics (Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting standards). | The Group will review its internal information and expand the scope of disclosure at an appropriate time. |
| | **Climate-related targets** | 37. An issuer shall disclose:<br>(a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and<br>(b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. | Metrics and Targets |
| | | 38. An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target. | Metrics and Targets |
| | | 39. An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance. | Metrics and Targets |
| | | 40. For each greenhouse gas emissions target disclosed, an issuer shall disclose:<br>(a) which greenhouse gases are covered by the target;<br>(b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;<br>(c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer shall disclose the separate categories of greenhouse gas emissions and removals included in the target;<br>(d) whether the target was derived using a sectoral decarbonisation approach; and<br>(e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits. | Metrics and Targets |
| | **Applicability of cross-industry metrics and industry-based metrics** | 41. In preparing disclosures to meet the requirements in paragraphs 27 to 36 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and industry-based metrics (see paragraph 36). | The Group will review its internal information and expand the scope of disclosure at an appropriate time. |