

Haier 海尔

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

Stock Code: 01169

* for identification purpose only

**BOUNDLESS IS THE OCEAN WHERE
WE SAIL WITH THE WIND**



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

CONTENT



I. PREFACE	3
II. DIALOGUE WITH CHAIRMAN	4
III. HAIER'S DOCTRINES	6
i. Business Strategy	7
ii. Governance Strategy	9
iii. Pursuit of Responsibilities	13
IV. RENDANHEYI — BECOMING ONE'S OWN CEO	18
i. Employees	19
ii. Safeguarding Employee Rights and Interests	20
iii. Fostering Employee Development	21
iv. Enhancing Employee Satisfaction	24
V. GREEN OPERATION — BUILDING AN ECOLOGICAL CIVILISATION	26
i. Green Management	27
ii. Green Operation	29
iii. Green Storage and Transportation	35
VI. HEALTH AND SAFETY — ESTABLISHING A HARMONIOUS WORKING ENVIRONMENT	38
i. Safe Production Management	38
ii. Occupational Health Management	39
iii. Promotion of Safety and Health Culture	40
VII. WORKING TOGETHER — CREATING A MUTUALLY BENEFICIAL ECOSYSTEM	43
i. Establishing a Mutually Beneficial Ecosystem	44
ii. Social Responsibility Management of Ecosystem Members	45
iii. Enhancing the Effectiveness of Ecosystem	51
iv. Realising Ecosystem Income	55
VIII. WHITE GOODS — LEADING AN INTELLIGENT LIFESTYLE	56
i. Leading Technology	56
ii. Leading Quality	62
IX. INTELLIGENT LOGISTICS — SERVING DREAM HOMES	66
i. Intelligent Warehousing and Logistics	66
ii. Promoting Industry Development	68
X. CONNECTION NETWORK — REACHING EVERYONE	69
i. Users Come First	69
ii. Charity	75
APPENDIX	81
i. Hong Kong Stock Exchange ESG Reporting Guide Content Index	81
ii. Compliance with Major Laws and Regulations	84



I. PREFACE

i. About this Report

This is the third Environmental, Social and Governance Report (hereinafter referred to as the “ESG Report”) of Haier Electronics Group Co., Ltd. (hereinafter referred to as “Haier Electronics”, the “Group” or “we”), demonstrating the efforts made by the Group from 1 January to 31 December 2018. This report comprehensively illustrates Haier Electronics’ environmental and social performance and management approach in 2018, focuses on the matters that stakeholders are interested in or concern about, and describes the way by which the Group achieved economic, environmental and social sustainable development.

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

ii. Scope of Report

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

iii. Basis of Preparation

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

iv. Source of Information and Reliability Assurance

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

v. Confirmation and Approval

With the confirmation from the management, this report was approved by the Board of Directors on 27 June 2019.

vi. Access and Response to this Report

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

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

Contact: +852 21690000

Email: ir@haier.hk

Address: Unit 3513, 35/F., The Center,
99 Queen’s Road Central, Hong Kong



“ BOUNDLESS IS THE OCEAN WHERE WE SAIL WITH THE WIND. ”

Looking back on 2018, while the market was changing rapidly with both opportunities and challenges arose, Haier Electronics took the initiative to make steady progress and achieve continuous growth in revenue and profit. We have always upheld the core value of “RenDanHeYi” for achieving win-win outcomes, the development vision of “entrepreneurship, innovation and creativity” as well as the dichotomy of “users are always right, while we need to constantly improve ourselves”. We have ardently responded to user’s demand and persisted in product and channel innovation. Giving full play to our industry edges, we have created wondrous interactive living solutions for all consumers around the world. According to statistics from Euromonitor, an authoritative global market researcher, in 2018, among large-format home appliances brands, Haier ranked first in the global market in terms of retail volume for the tenth consecutive year. Haier is establishing a globally-leading eco-brand of smart home appliances that will continuously deliver the best experience for the pleasurable life of our users.

We have encompassed sustainable ideology into our corporate strategy and embraced it into all aspects of business operations. On top of our ESG concept of “green, lifestyle and caring”, we are committed to fostering a harmonious environment and society as well as creating sustainable long-term values for our stakeholders and the society by dint of veering from the traditional pursuit of “maximising corporate interests” to always prioritising human values.

We have sprinkled green colours on the establishment of an ecological civilisation. The “green development” strategy has been deeply embedded into the daily operations of Haier Electronics, pervading major procedures including product design, raw materials procurement, production and manufacturing as well as logistics and transportation. Through the smart energy platform independently developed by Haier, the whole process of energy production, transmission, distribution and consumption in the manufacturing process can be managed digitally, and thus the use of energy and efficiency of utilisation can be continuously optimised. In 2018, Haier Electronics’ energy consumption per product reduced by 9.55% as compared to the previous year, and carbon dioxide emissions per product reduced by 9.05% as compared to the previous year, demonstrating the accomplishment of remarkable results. Leveraging on big data technology, we have promoted green warehousing and logistics to purvey an environmental friendly and efficient logistics experience. In the future, Haier Electronics will introduce the recycling of time-worn appliances to explore green management in the entire life cycle of products. Meanwhile, we are committed to completing the construction of a low-carbon and environmentally-friendly industrial park in 2020 to further lead the industry in energy conservation and environmental protection.



We have created wondrous living scenarios for consumers around the world. By contriving smart living scenarios, we are committed to providing consumers with diverse and personalised solutions. Our ten R&D centres over the world and open innovation system have provided a ceaseless source of momentum for technological innovation. In 2018, we obtained 742 new patents, of which 194 were invention patents. By the end of the year, we had a total of 3,762 patents, continuously providing consumers with a pleasurable living experience by virtue of our excellent technological innovation. Meanwhile, we have attached great importance to creating a mutually innovative and mutually profitable ecosystem to foster the sustainable development of the entire industry chain. Through the development and use of the Haidayuan supply chain management platform, we have pooled, integrated and optimised our global supplier resources. We have developed COSMOPlat with Chinese proprietary intellectual property right, which is the first industrial Internet platform in the world enabling users to participate in the entire process of manufacturing, thereby achieving zero-distance interaction with users and continuously producing high-quality and revolutionary technological products. We have also established the “Smart Ecological Logistics Brand Alliance” to provide users with high-standard, one-stop and customised logistics services.

We cherish every employee and fulfil corporate citizenship commitments for the society. We have assured the rights and interests of every employee by providing employees with diversified development channels and formulating targeted training courses, so that employees can accumulate sufficient knowledge for their future development. The “RenDanHeYi” model has embodied the values of each employee and users to fully motivate employees’ creativity and enable employees to create user values while also realising their own values. We actively fulfil social responsibilities. In 2018, Haier Group invested a total of more than RMB100 million in the construction of Hope Primary Schools. Haier Electronics has also profoundly engaged in undertaking activities and ideology related to social responsibilities, establishing a public welfare network to spread and convey the warmth of society through outstanding public welfare projects. During the year, the “Gooday Logistics maker training camp” public welfare project was organised for the third consecutive year, providing opportunities for college students with dreams to join the enterprise and nurturing outstanding entrepreneurial projects. The “Let’s hug, dad” public welfare event, which aimed to help left-behind children to reunite with their parents, reached 59 regional branch centres and 118 cities across the country covering a distance of 104,200 kilometres, and has become the strongest, most powerful and most warm-hearted platform for left-behind children to reach their parents.

In 2018, Haier Electronics, together with its stakeholders, have accomplished inspiring achievements in business development and social responsibility commitments. On behalf of the Board, I would like to express my sincere gratitude to all shareholders, partners and customers for their long-term concern, support and assistance to the Group, and to all employees for their fruitful efforts and contributions to the Group in the past year. Looking back to look forward, as a responsible corporate citizen, we will continue to undertake our responsibility and business commitments and remain devoted to our mission of “always be sincere”. We will persist in the sustainable development path of “green, lifestyle and caring” and pursue an open and transparent strategy with immense enthusiasm. By further strengthening communication between the Group and the community as well as enhancing mutual trust, we will together create a brighter future.

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

III. HAIER'S DOCTRINES

Successful enterprises move with the times. The initiative is always in the hands of users, and thus the only thing an enterprise can do is to change itself. From the “three highs” (i.e. high-quality products, high-quality systems and high-quality people) to the “three ecologicals” (i.e. ecosystem, ecological revenue and ecological brands), Haier Electronics persistently explores the road to efficient development in the Internet of Things era from innovating products to innovating business models. In 2018, the sales volume of Haier’s products continued to lead the industry with rising brand awareness.

Haier Electronics is able to achieve sustainable operation only when all stakeholders constantly maintain a win-win situation. We have encompassed our corporate social responsibility as an integral element of our business model and embraced it into our operational development.

The aim of Haier Electronics is to become the embodiment of a tropical rainforest ecosystem, so that all stakeholders can create a win-win situation in such ecosystem. When every member in the rainforest grows, such ecosystem will gain an inexhaustible momentum.



Key Performance Indicators

SALES PERFORMANCE

Revenue of RMB**85.25** billion, representing a year-on-year increase of **8.3%**
 Gross profit of RMB**15.18** billion, representing a year-on-year increase of **9.9%**
 Profit for the year of RMB**3.99** billion, representing a year-on-year increase of **14.2%**
 Among large-format home appliances brands, Haier **RANKED FIRST** in the global market in terms of retail volume for the **tenth** consecutive year



ETHICAL BUSINESS PRACTICE

Provided incorruptness education to **3,236** people
 Coverage of incorruptness education for management personnel reached **100%**



ESG MANAGEMENT

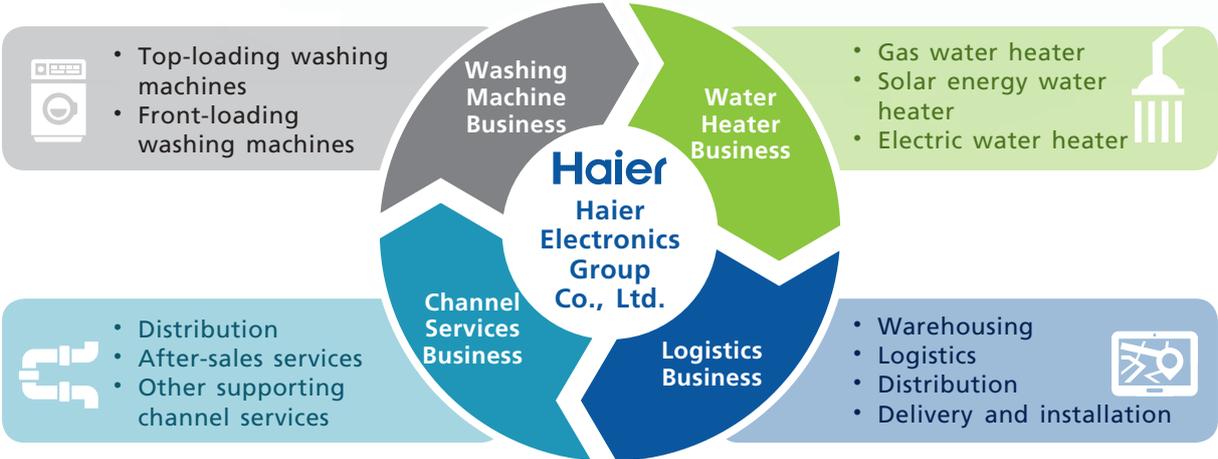
Identified **eight** major categories of stakeholders
 Collected nearly **2,000** valid questionnaires
 Interviewed with more than **50** stakeholders from different fields



i. Business Strategy

Haier Electronics Group Co., Ltd. (stock code: 01169), a subsidiary of Haier Group, is listed on the Main Board of the Hong Kong Stock Exchange. The Company and its subsidiaries are principally engaged in: the research, development, manufacture and sales of washing machines and water heaters under Haier Group’s brands (including “Haier”, “Casarte” and “Leader”); the distribution of electronics products of Haier Group in the PRC; and logistics services under the brand of Gooday in the PRC for large-format items, including but not limited to home appliances, furniture and fitness equipment.

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

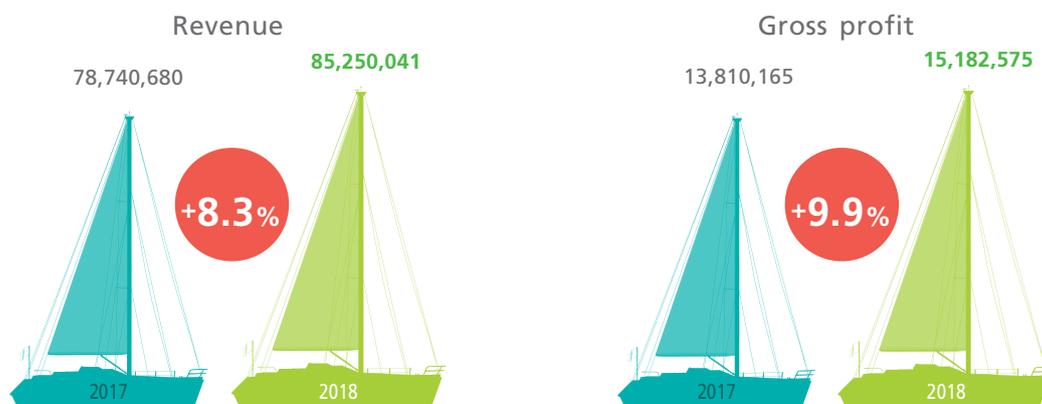


The headquarters and main office of Haier Electronics are situated in Qingdao, Shandong Province, the PRC, and production sites have been established in Qingdao, Hefei, Foshan, Chongqing, Wuhan and etc. Haier Electronics’ channel services business manages stores and cloud stores in every villages and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

Haier Electronics' business philosophy



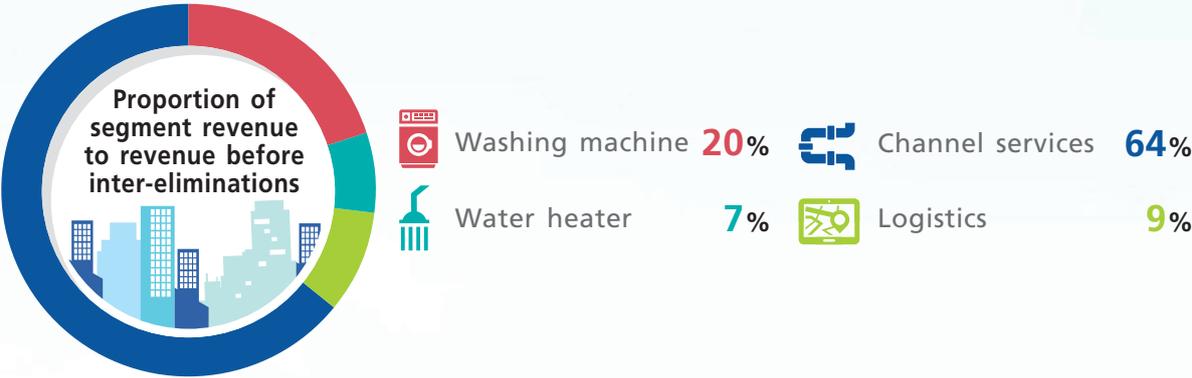
We are devoted to Haier Electronics' business philosophy which embraces brand commitment, dichotomy and intrinsic value, and endure the changes and uncertainties of the macro environment with a positive attitude. In 2018, our operating results scaled new heights*:



Unit: RMB thousand

(*Due to the adoption of IFRS 15 and the application of consolidated accounting treatment, the previous reported operating results of Haier Electronics for the year ended 31 December 2017 have been restated to include the operating results of Jushanghai.)

Among which, the proportion of each business segment to revenue was as follows:



According to the data released by Euromonitor, a market researcher, in 2019, among large-format home appliances brands, Haier ranked first in the global market in terms of retail volume for the tenth consecutive year. Among which, Haier Electronics’ washing machines ranked first for the tenth consecutive year with a global market share of 14.9%.

ii. Governance Strategy

We believe that it is critical to balance the Group’s ESG management performance with its business development goals by formulating effective strategies. The Board of Haier Electronics ensures the investment of sufficient resources, the formulation of ESG management strategies, the establishment of ESG governance structure, the identification of ESG risks and the implementation of ESG related management and control. We have developed extensive measures for corporate governance and ESG governance to effectively reduce operational risks and safeguard the interests of the Group and its shareholders.

1. Corporate governance

The Board and the management of Haier Electronics recognise that sound corporate governance is crucial to its efficient operation and to the protection of shareholders’ interests. The Board continuously enhances corporate governance standards with emphasis on transparency, accountability and independence in order to enhance the long-term value of Haier Electronics’ shareholders.

We have established the Nomination Committee, Audit Committee and Remuneration Committee as well as the Strategic Committee in accordance with the requirements of the Corporate Governance Code of the Hong Kong Stock Exchange and delegated each committee specific and detailed responsibilities and obligations. In order to strengthen independence, the chairmen of the Nomination Committee, Audit Committee and Remuneration Committee are independent non-executive Directors. Each committee has adopted clear terms of reference, including its duties, powers and functions, which will be reviewed by the Board from time to time.

We attach great importance to our Board diversity policy. All appointments of the Board are based on the principle of meritocracy, taking into consideration of factors such as the gender, age, education and cultural background, professional skills, industry experience and independence of the Directors to continuously complement and expand the overall skills, knowledge and experience of the Board.

We have established an independent internal audit system to continuously strengthen our internal audit functions. The Internal Audit Department formulates annual review plans on internal control for the major internal control systems, covering operation control, financial control and compliance control. The Internal Audit Department adheres to the spirit of accountability and performs regular audits to provide independent safeguard and objective consultation for the Group so that its business can be value-enhanced and improved, and assists Haier Electronics to systematically and prudently assess and enhance the effectiveness of risk management, control and governance procedures so that goals can be achieved.

In respect of risk management, an enterprise-wide risk assessment with the Group's management and key-process owners had been embedded into our system to identify major risks of all aspects, and the effectiveness of the key controls and mechanisms in place are reviewed to provide reasonable assurance that the internal control measures are effective within their respective scope. The Internal Audit Department also plays a significant role in the implementation of risk management. The Group has identified and assessed major risks of all levels, and the Risk Management Committee ultimately reviews the results of identification and assessment of such risks. Mitigation strategies and plans with respect to each risk identified are formulated and implemented, which include establishing or enhancing internal controls with regular review and update. The work procedures performed are reported regularly to the Audit Committee and the Board.

For further details, please refer to the "Corporate Governance Report" section in Haier Electronics' 2018 Annual Report.

2. Governance with integrity

We are committed to building a business environment of integrity and ethics with zero tolerance towards fraud. We have strictly followed national laws and regulations relating to anti-bribery, fraud, blackmail and money-laundering to safeguard the reputation of Haier Electronics and establish an ecosystem of internal and external integrity. In 2018, we optimised our anti-fraud management strategies and strengthened anti-fraud risk identification by effectively embedding big data and intelligent monitoring technologies into the risk identification process, so that a closed management system from precautionary work to consequential work can be formed.

For employees: We have established the practice of “compliance all along his career in Haier” and formulated systems such as the “Staff’s Code of Conduct” and “Code of Business Conduct”;

For suppliers: We have established the practice of “compliance all along his life cycle in Haier”. All of our suppliers are required to sign an incorruptness agreement.

The authorities and duties of various business segments and operational units are clearly delineated; We have established a comprehensive internal control system and risk control procedures; We audit for matters with possible risk according to the audit plan periodically.



For employees: We have provided compliance training for employees through online and offline training and produced anti-fraud educational videos to provide employees with cautionary trainings through typical fraud cases. In 2018, we organised two case trainings and provided incorruptness education for 3,236 people covering 100% of management personnel;

For suppliers: We hold annual supplier meetings to provide incorruptness education for suppliers regularly. In 2018, we signed a declaration of good faith with our suppliers to promote compliance in Haier’s ecological supply chain.



3. Fair competition

We strictly follow the principle of fair competition and resist all activities that limit market competition in accordance with relevant laws and regulations such as the “Company Law of the People’s Republic of China” and “Anti-Unfair Competition Law of the People’s Republic of China”. The Group strictly enforces legitimacy on market promotion activities, and to build a sustainable industrial development model.

4. ESG governance

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

The roles and responsibilities of each unit under the ESG management system is as follows:

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

iii. Pursuit of Responsibilities

1. ESG concept

By adherence to the concept of Haier Group, Haier Electronics has established and developed an industry chain featured with environmental friendliness and social harmony through integration of user resources and supply chain resources across the globe. We incorporate ESG concept into the Group’s business operations as part of our corporate development strategy to create more values for our stakeholders.



Green: We have established a green enterprise aiming at “producing green products, establishing green factories, maintaining green platforms and providing green interconnection”. We have established an environmental management system to incorporate environmental considerations throughout the life cycle of our products, so that resource consumption and environmental pollution can be reduced and an environmental friendly industrial chain can be created.

Caring: We believe that Haier should make a pertinent contribution to society and humanity. We cherish and care about every employee and provide assurance of resources and mechanisms for them to reify the spirit of innovation and entrepreneurship through the “RenDanHeYi” model, so that all employees can become their own CEO. Leveraging on the “Green Sail” long-term public welfare strategy of Haier Group, we have enhanced our public welfare system and continuously strengthened our support in education, poverty alleviation and child care to foster the development and progress of social undertakings.

Lifestyle: We are committed to providing outstanding living solutions for consumers around the world. We maintain communication and intimate interaction with users, and integrate and manage global supply chain and R&D resources to deliver different user groups with the best experience that meets their individual needs.

2. Communication with stakeholders

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

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

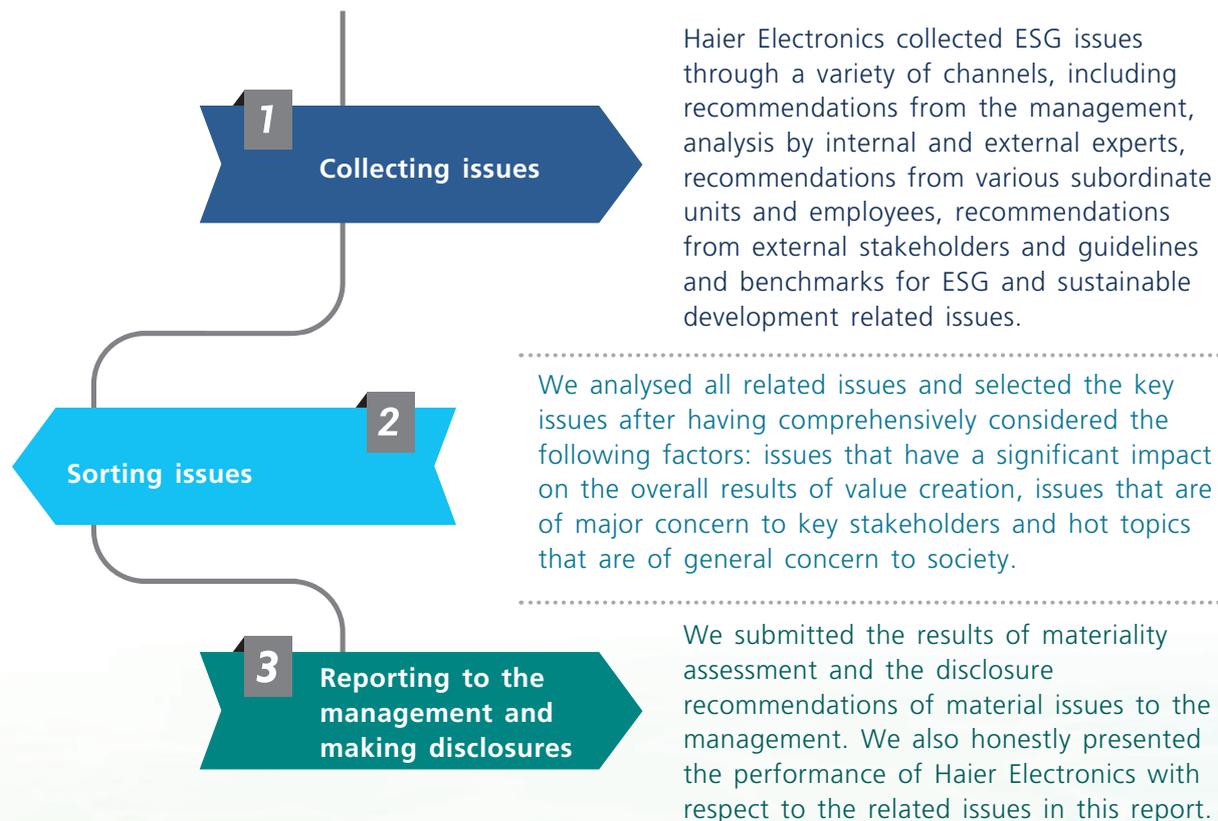
Category of stakeholders	Issues concerned	Communication channels/ ways of feedback	Frequency of communication
Shareholders/ investors	Compliance operation Business performance Anti-corruption	General meetings/ extraordinary general meetings	Annually
		Disclosure in reports	Annually/semi-annually
		Investor conferences	Annually
		Results announcement meetings	Annually
		Press release/ announcements	From time to time
		On-site visits	From time to time
		Instant messaging software	From time to time
		Investor relations section in our official website	From time to time

Category of stakeholders	Issues concerned	Communication channels/ ways of feedback	Frequency of communication
Employees	Employment	Interviews on employees' performance appraisal	Annually
	Health and safety	Internal publication "Members of Haier" (《海爾人》)	Weekly
	Development and training	Staff investigation	From time to time
	Labour standards	Employee representative congress	From time to time
		Feedback mailbox	Permanently opened
		Instant messaging software	From time to time
		Team-building activities	Monthly/from time to time
Suppliers/ partners	Business performance	Supplier meetings	Annually
	Anti-corruption	Tender invitation	From time to time
	Product responsibility	On-site research and investigation	From time to time
	Supply chain management	Exhibition	From time to time
		Talks	From time to time
		Instant messaging software	From time to time
Distributors	Business performance	Distributor meetings	From time to time
	Supply chain management	On-site research and investigation	From time to time
		Talks	From time to time
		Instant messaging software	From time to time
Consumers	Product responsibility	Instant messaging software	From time to time
		Social network platforms	Normally updated daily
		Customer services channels	From time to time
Government and regulatory authorities	Compliance operation	Interactions	From time to time
	Business performance	Disclosure in reports	Annually/semi-annually
	Emissions	On-site investigation	From time to time
	Use of resources	Communication through conferences	From time to time
	The environment and natural resources	Working letters	From time to time
	Employment	E-mail	From time to time
	Supply chain management		
	Product responsibility		
	Anti-corruption		
	Community investment		

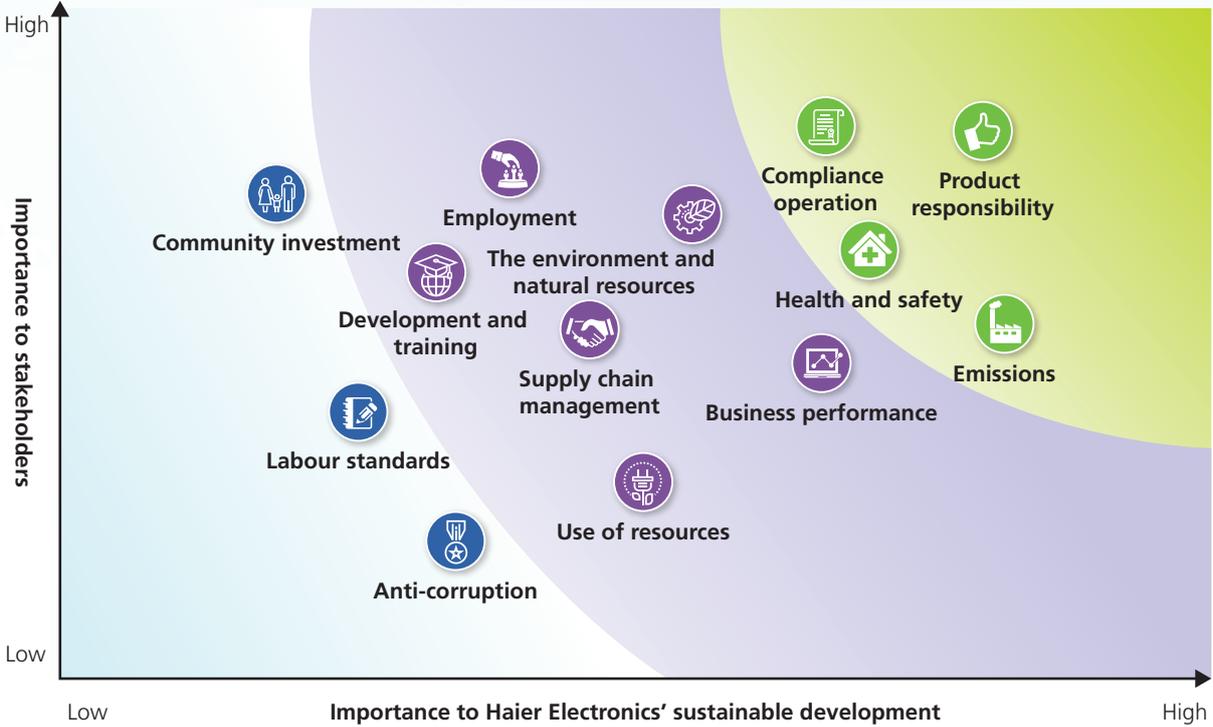
Category of stakeholders	Issues concerned	Communication channels/ ways of feedback	Frequency of communication
Surrounding communities	Emissions	On-site visit	From time to time
	Use of resources	Release	From time to time
	The environment and natural resources	Talks/notices	From time to time
	Community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

3. Assessment of material issues

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



In 2018, we continued to apply the two-dimensional matrix of “Importance to stakeholders — Importance to Haier Electronics” to analyse the material issues. A library on material issues of Haier Electronics has been formed to provide support and guidance for the implementation and disclosures of our social responsibility management work.



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

(*: refer to high materiality issues)

IV. RENDANHEYI — BECOMING ONE’S OWN CEO

“Expounding from one particle of dust, there are thousand rolls of scriptures”. Haier Electronics is committed to creating a platform where countless entrepreneurs can freely start their own businesses. Together with our suppliers and partners, we have formed a networked organisation and established communities of interests to achieve win-win outcomes, share mutual benefits and create values. In order to achieve this goal, Haier has continuously innovated its business model and gradually enhanced its characterised “RenDanHeYi” or the “Individual-Goal Combination” model. “Individual” refers to employees with the spirit of innovation and entrepreneurship, while “Goal” refers to user values. “Combination” refers to the combination of employee values and user values created. The “RenDanHeYi” model provides employees with a mechanism platform of fair opportunities and fair result and the assurance of resources and mechanisms for them to reify the spirit of innovation and entrepreneurship, so that all employees can become their own CEO.

Members of Haier have no boundaries; they are the embodiment of ecology. Members of Haier are not employees of controllers, but their own individual makers.

Key Performance Indicators

We have a total of **16,759** employees, representing a year-on-year increase of **8.29%**

Average training time per employee amounted to **47.96** hours



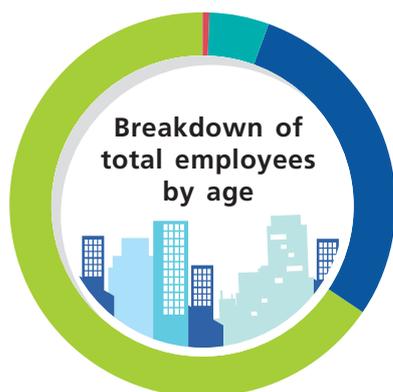
i. Employees

In 2018, Haier Electronics gathered a total of 16,759 outstanding employees, representing a year-on-year increase of 8.29%. Without the hard work and persistent pursuit for a better future of every employee, the Group is incapable of achieving its success.

We are an aggressive team full of power



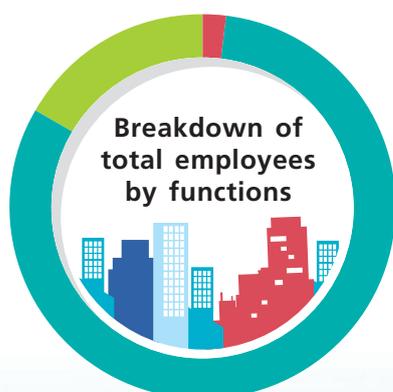
	Male employees	12,656
	Female employees	4,103



	≥ 50 years old	97
	≥ 40 and < 50 years old	837
	≥ 30 and < 40 years old	4,860
	< 30 years old	10,965

Unit: Person

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



	Administrative staff	345
	Junior employees/workers	13,633
	R&D staff	2,781

Unit: Person

ii. Safeguarding Employee Rights and Interests

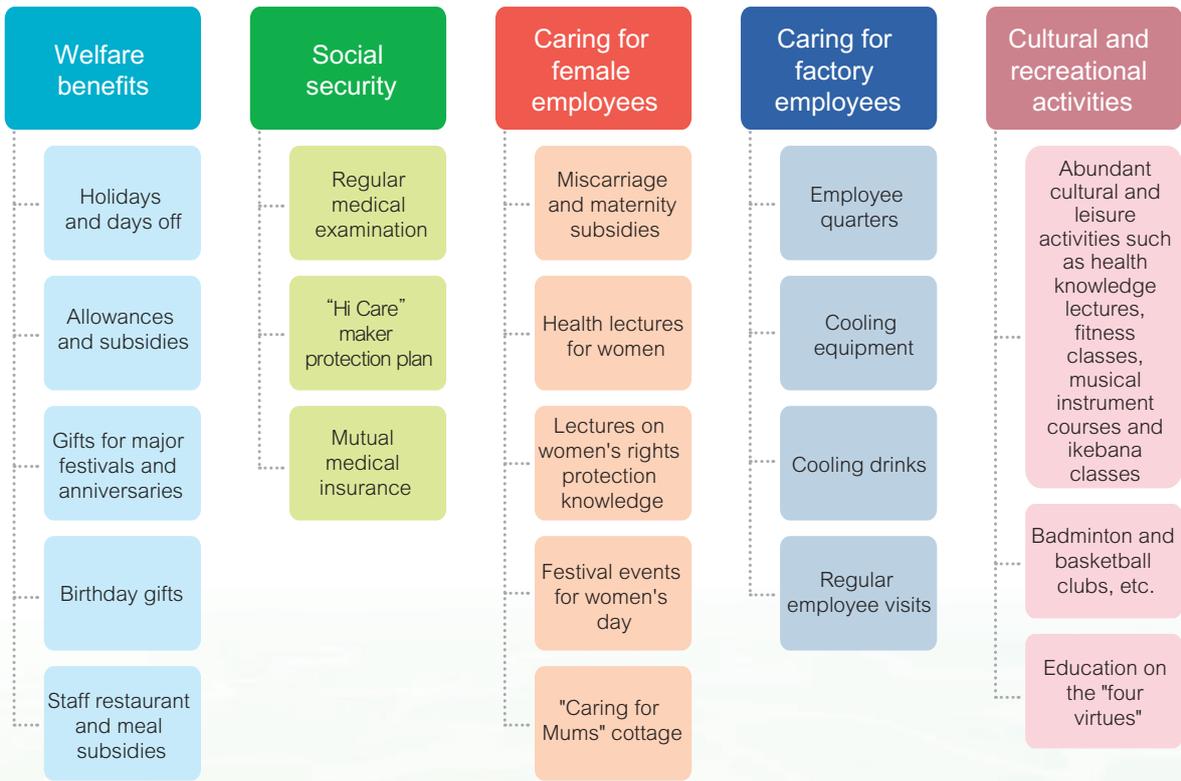
In compliance with relevant laws and regulations such as the “Labour Law of the People’s Republic of China” and “Labour Contract Law of the People’s Republic of China”, we continuously recruit and manage employees lawfully. We sign labour contracts with each employee and strictly abide by relevant laws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

Haier Electronics is committed to creating an equal working environment, respecting every employee and not discriminating anyone against race, gender, age or religious beliefs. We promise not to employ child labour and forced labour. In 2018, Haier Electronics did not employ any child labour and forced labour.

Haier Electronics provides a competitive remuneration and welfare system for all employees. Under the concept of “RenDanHeYi”, we provide employees with remuneration based on the market-based user payment model. Through the “three levels and four stages”^{*} valuation adjustment incentive mechanism and equity incentive mechanism, we continuously foster the development of Haier Electronics’ maker employees.

※“Three levels and four stages”: “Three levels” refers to the three-level incentive of, from low to high, “survival rights”, “benefit sharing” and “career achievement”. “Four stages” refers to the entire process of initiation, continuous and rapid adjustment, development of goal and achievement of goal, leading to the establishment of an integrated and differential remuneration standard.

Strictly in compliance with laws and regulations, Haier Electronics makes contribution to endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund for its employees, and provides maternity leave, breastfeeding leave and women’s day off for its female employees. We pay close attention to the work-life balance of employees. In addition, employees can enjoy the diversified welfare system provided by Haier Electronics.



iii. Fostering Employee Development

Pursuing the principle of “everyone can develop, everyone can be recognised”, Haier Electronics clearly defines the development path of each employee according to strategy, job ability and goals. We have designed non-linear career development channels 1+N (1 management channel + N professional channels) to open up development paths. Through the management channel, makers can discover new market opportunities and become micro business owners to grow together with its micro business. Through the professional channels, makers can enhance their comprehensive capabilities to achieve greater value development. Meanwhile, as each channel is interconnected, the development of makers is no longer a step-by-step progress, but can also be a leapfrogging progress across channels.

We have established a variety of training channels. Leveraging on learning platforms such as the Histudy online learning platform and Haier University, we provide employees with trainings in the form of online courses and offline open classes to meet the diverse and multi-level learning needs of employees.

In 2018, Haier Electronics Group offered various training programmes in combination with the standards of ISO10015 “Quality Management — Guidelines for Training” to enhance the overall quality and capabilities of employees and motivate employees. In addition, we have organised a variety of open classes, such as English corner for improving employees’ language skills, accounting foundation course for improving employees’ financial knowledge and traditional culture course for enhancing employees’ self-cultivation. Each employee can give feedback on the training effectiveness and problems to help improving the quality of training courses. In 2018, the average training time per employee of Haier Electronics amounted to 47.96 hours.

Expediting development — Establishing a fast track for talent development

Through the interpretation of our corporate strategy as well as the analysis and evaluation of talent capabilities, we have derived talent capability models. Through such models, we can enhance talent capabilities with focus on the strengths and weaknesses of each individual identified in the model, and strengthen key aspects of talent development such as leadership, teamwork and business mind-set. In order to nurture potential talents of different roles, we organised a series of talent echelon projects and training camps such as Maker Star (創客之星), Micro Business Star (小微之星) and Platform Star (平台之星) to enhance the capabilities of three types of makers in a tailored manner.



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

In order to effectively implement the “Eco-brand of Internet of Things” strategy to the market, on the one hand, we have identified the practice and experience of outstanding employees as a “model” for learning, and the learning and replication of which can directly contribute to the growth of our business; on the other hand, we have drawn on eminent industry resources to train our maker employees in the aspects of new media marketing and industry breakthroughs. In order to expedite the transformation of maker employees in various industries, we have built a transformation expedition training camp for each industry in different transformation directions, and enhanced talent capabilities focusing on their respective weaknesses.



Expediting growth — Creating a motor for the rapid integration of new makers

We have provided student makers with corporate experience training, including corporate culture training, business skills training, business etiquette training, entrepreneurial culture experience and rotation training, to help college students completing the transition period of identity change and improving their basic business skills, so that a foundation can be laid for their better future development. We have also organised innovative project competitions for newly-recruited makers to inspire their creativity and stimulate their enthusiasm.



Based on the “RenDanHeYi” strategy, we have established a fully transparent development and competitive model. Through continuous training and capability enhancement, we have formed a talent pool, of which maker employees who have passed the assessment are regularly admitted. When specific talent is required, we announce such required talent in the corresponding maker group in the talent pool, in which maker employees can seize the order and compete for the job.

At Haier Electronics, we have realised the concept of “RenDanHeYi” through the “pursuit of three rights” (human rights, distribution rights and management rights) and the sharing of excess profits. The concept of hierarchy has been broken, and only three roles existed, namely platform owner (establisher of the entrepreneurial team platform), micro business owner (founder of the entrepreneurial team) and maker (employee entrepreneur). Each employee joins the entrepreneurial team to enter into contracts with users, achieving “autonomy, self-governance and self-motivation” from self- management and self-operation instead of being managed and being operated. Through the “RenDanHeYi” model, employees are freed from the traditional bureaucracy and form “micro enterprises” that directly face the market and users. Such micro enterprises make rational use of global resources, actively discover market demand and spontaneously achieve their goals.

Pursuit of three rights and sharing of excess profits

- 

Manpower autonomy: At the beginning of each year, employees (micro business owners) explore opportunities to create user values, set target profit and direction, and use the internal “micro business review form” to estimate the number of members allocated to the team;
- 

Distribution autonomy: Micro business owners are given full authorisation to determine the salary of team members;
- 

Self-operation: Micro business owners self-operate with an aim to creating user values based on the target and direction;
- 

Sharing of excess profits: When value creation detonates user demand and values exceed profit, the team can directly share the profit and also invest in the virtual shares of such micro business to become the owner of such business.

http://www.haier.hk

Case: A treadmill spawned a micro business owner

In the first month joining Gooday Logistics of Haier Electronics, maker Xiao-chai (小柴) got a complaint from her friend, who planned to buy a treadmill online but realised that delivery was a problem. Keen Xiao-chai was mindful to such problem. Through follow-up interviews with typical users, she discovered a new user demand. Treadmills and large-format fitness equipment have been catalogued into the services of Gooday Logistics, and opened up Xiao-chai’s road to becoming a successful maker.

Xiao-chai studied logistics engineering, which, combined with actual practices, made Xiao-chai a promising maker. In the end, her friend bought the desired treadmill conveniently through the services of Gooday Logistics after continuous advancement of relevant proposals. From one to plenty of orders with dozens times of growth, Xiao-chai’s road to becoming a successful maker was more and more fruitful. Currently, such services receive a million of orders every year, and maker Xiao-chai has also successfully become a micro business owner.



iv. Enhancing Employee Satisfaction

In order to maintain a harmonious employment relationship, Haier Electronics has established employee communication channels such as iHaier, telephone, mail and face-to-face interviews, so that the voices of maker employees can be communicated in a timely manner and our incentive system and employee satisfaction can be enhanced. The issues reflected by the employees will be forwarded to each relevant department, which will analyse the causes of such issues and make improvement.

We give full play to the role of democratic decision-making, democratic management and democratic supervision of the employee representative meeting, so that the collective motivation of employees can be united and cohered. We organise employee talks on a monthly basis to collect rational suggestions from employees. At the end of each month, we convene the employee representative meeting to consider representative employee suggestions, and all rational suggestions from employees will receive feedback. We regularly collect information on employees and make visits to express condolences to employees in need.

We have established an internal system to manage the working hours of employees and paid close attention to the work-life balance of employees. We have set up employee activity clubs and actively organised activities such as quality development, sports competitions and skill competitions to relieve employee' stresses and enhance corporate cohesion.

The screenshot shows a webpage with a blue header containing the title: "Case: Small makers welcomed the Shanghai Cooperation Organisation (SCO) Qingdao Summit— Children painting a beautiful Qingdao". Below the header is a paragraph of text describing a children's painting event. At the bottom of the page, there is a 2x3 grid of six children's drawings. The drawings depict various scenes: a modern city skyline, a traditional pavilion, a colorful bird, a traditional landscape, a city skyline with a red spiral, and a child in a field.

Case: Small makers welcomed the Shanghai Cooperation Organisation (SCO) Qingdao Summit— Children painting a beautiful Qingdao

In 2018, on the occasion of the Children’s Day on 1st June, the SCO Qingdao Summit was also approaching. On this special day, the labour union of Haier Electronics organised the “Welcoming the SCO Qingdao Summit — Children painting a beautiful Qingdao” Children’s Day event, invited maker employees and their children to portray an impression of Qingdao through photos, paintings and calligraphy. The event allowed employees to show their warm and happy life from different perspective and demonstrate their love of family and life after work, creating a harmonious parent-child relationship and family atmosphere.

Other employee activities



Goddess Festival



Spring outdoor activities



Health seminars



Employee medical examination



Employee birthday parties



Team building and quality development



Year-beginning event



Spring Lantern Festival



Mid-Autumn Festival

V. GREEN OPERATION — BUILDING AN ECOLOGICAL CIVILISATION

In the era of establishing an ecological civilisation and protecting the environment, Haier Electronics not only moves at the forefront in terms of impelling the industrial ecosystem, but also puts words into actions in the aspects of sustainable development, energy-saving and environmental protection. Adhering to the green development strategy of Haier Group, Haier Electronics takes “going green” as the new means of corporate development. We embeds the concept of “green development” throughout the whole process of business operation covering R&D, design, manufacturing and logistics, hinging on green products, green factories, green platforms and green interconnection to establish a green enterprise. We consider the impacts of products on the environment in its full life cycle. In the stage of design, we consider the utilisation rate of raw materials and prioritise the use of green raw materials. In the process of production and manufacturing, through ongoing innovations, we strive to conserve energy and reduce emissions. In the stage of distribution and sales, we promote green warehousing and logistics to offer an environmental friendly and effective logistics experience.

Haier Electronics has always kept abreast with the trend of times and adhered to green development to establish an ecological civilisation.

Key Performance Indicators

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

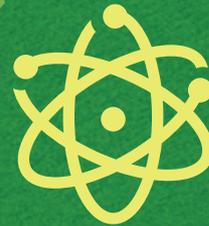
Comprehensive energy consumption per unit of product: **427.99** g of standard coal/unit

Water consumption per unit of product:
33.40 kg/unit

Use of packaging materials per unit of product:
1.44 kg/unit

Energy consumption per unit of product decreased by **9.55%** year-on-year

Carbon dioxide emission per unit of product decreased by **9.05%** year-on-year



i. Green Management

Haier Electronics actively responds to national environmental protection and green development policies, firmly practicing the development concept of environmental protection. With COSMOPlat, Haier's industrial Internet platform, we have achieved customisation, intelligentisation and ecologicalisation in production to support the green development of Haier Electronics further. We continuously strengthen precise management, actively study and introduce advanced energy-saving and environmental friendly technologies and encourage the development of projects on energy-saving and emission reduction to continuously enhance resource efficiency.

By formulating the three-year work plan on environmental production, we strive to complete the construction of a low-carbon and environmentally-friendly industrial park in 2020. We have established the Haier Group Environmental Protection Committee and formed a 3-tier environmental responsibility management network, specifying the responsibility undertaken on each stage, collaboratively promoting environmental protection work and continuously improving the environmental protection performance of Haier Electronics.

Our environmental management work principles

Complying with relevant laws and regulations, standards and requirements

“RenDanHeYi” management model

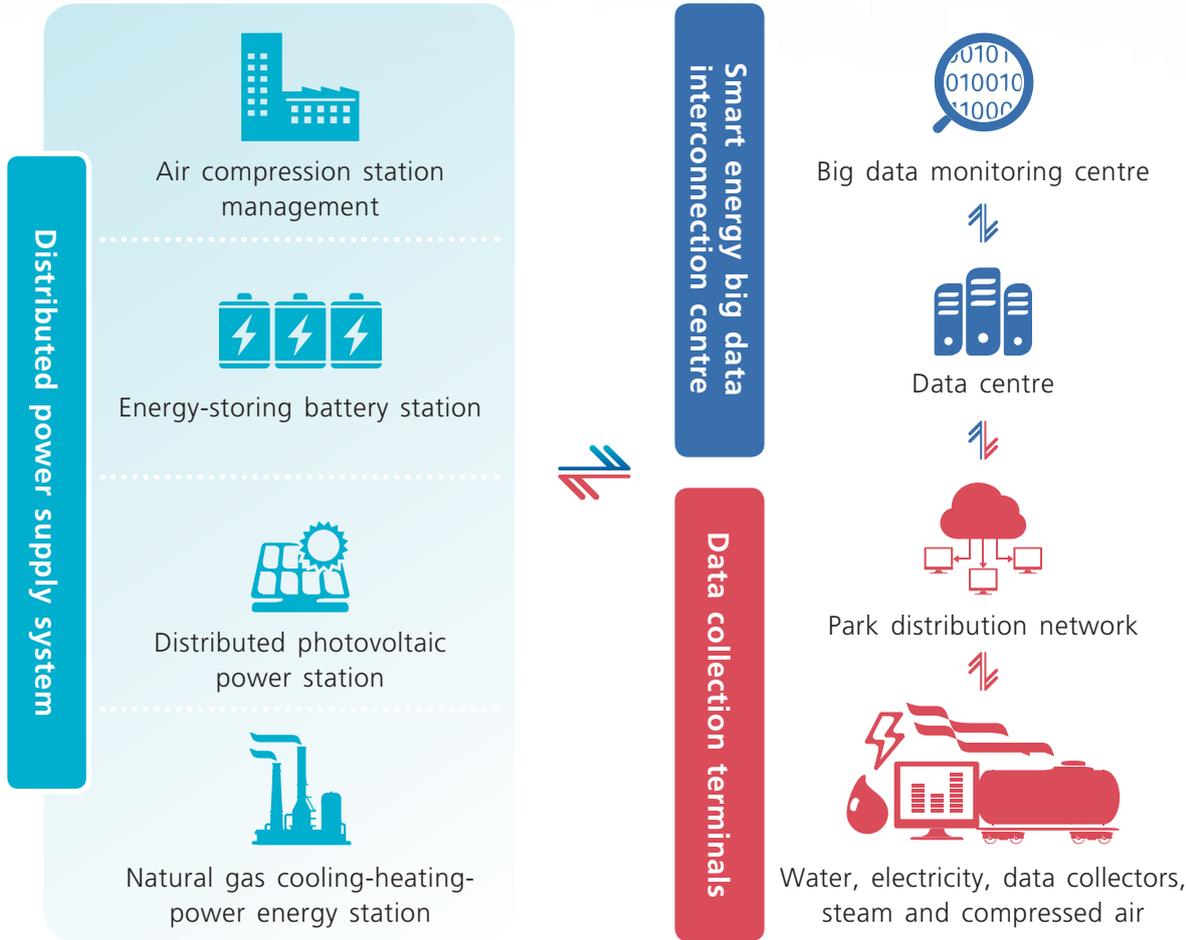
Focusing on prevention and continuous improvement

Building a platform and establishing an open and innovative ecosystem through parallel interaction

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

We actively promote the construction of clean ecological parks and engage professional institutions to monitor and assess the environmental management system every year. All factories of the Haier Electronics have obtained the certification of ISO14001 Environmental Management System. We have formulated internal procedures and policies such as the Environmental Monitoring and Measurement Procedure, and implemented a life-long environmental assessment accountability system for new, modified and expanded projects. We conduct overall inspection and management on production activities in every park and adhere to the standards of environmental production. In 2018, Haier Electronics had no violation of environmental matters.

We have established a smart energy platform to enhance the utilisation rate of clean energy and foster sustainable development. By using the network and big data monitoring centre of parks, we have established a smart park network integrating monitoring, collection, analysis and prediction and conducted centralised management on major energy sources such as water, electricity, natural gas and steam. The smart energy platform dynamically monitors the production, transmission and consumption, continuously optimises the use of energy, reduces energy maintenance costs and provides solutions to achieve energy-saving and low carbon production. Furthermore, the smart energy platform can improve the risk resistance capability on energy consumption of the industrial parks and safeguard energy consumption safety.



ii. Green Operation

1. Green discharge control

Haier Electronics actively promotes the establishment of an ecological civilisation and intensively implements green manufacturing projects to speed up the construction of a green manufacturing system in compliance with relevant environmental protection regulations such as the “Environmental Protection Law of the People’s Republic of China”.

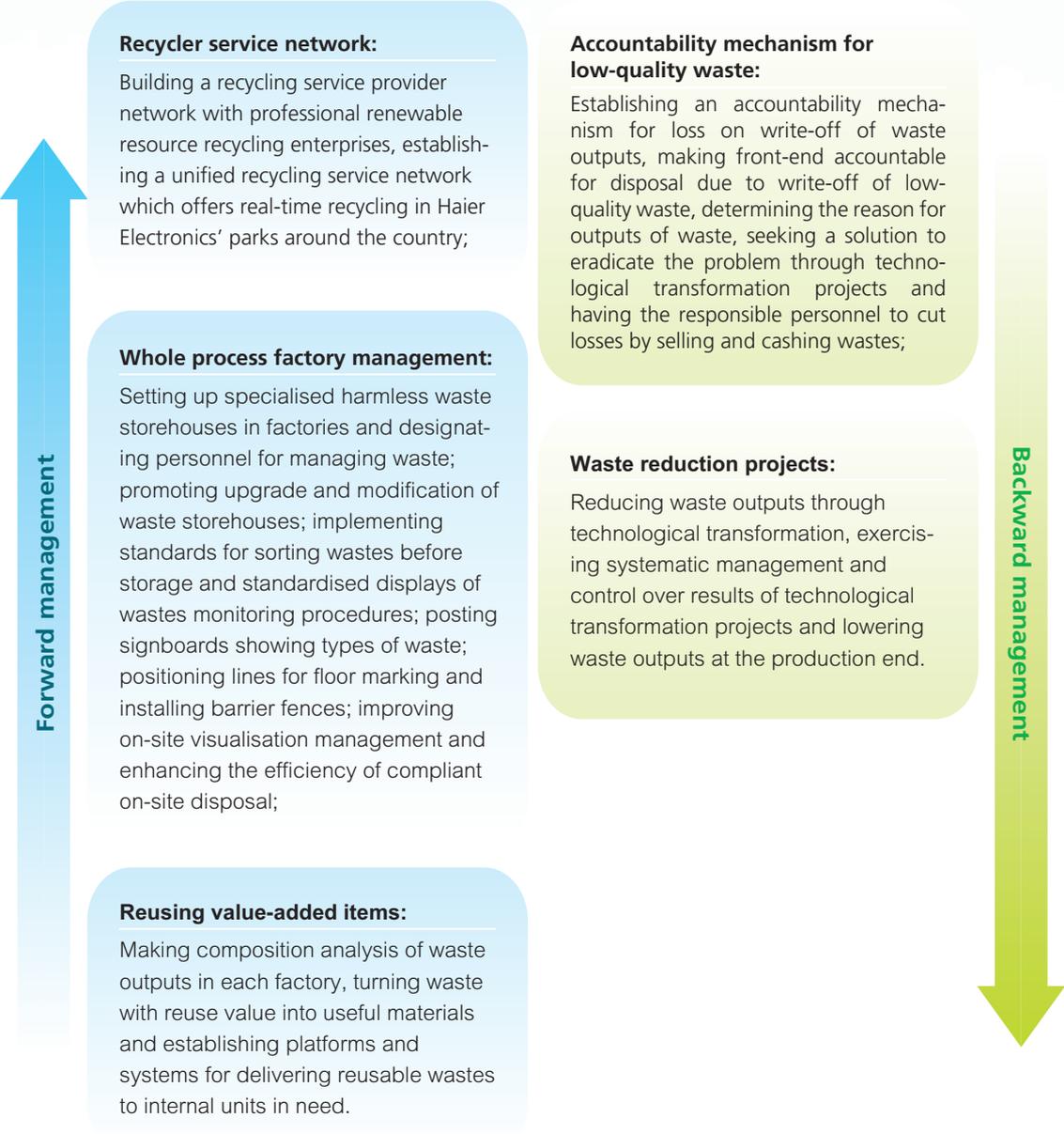
By formulating internal procedures and systems such as the Pollutant Control Procedures and Hazardous Waste Management Procedures, we have set up stringent internal monitoring standards and adopted monitoring and handling measures for various types of emissions. All hazardous waste such as waste oil, waste residue and waste liquid generated in our production process are stored together. For electronic waste, we have implemented a full life cycle electronic waste management system within the enterprise in strict accordance with the “Regulation on the Administration of Recovery and Disposal of Waste Electrical and Electronic Products, sorting and storing electronic waste generated during our production and circulation processes. We have cooperated with qualified entities for hazardous waste treatment such as Shandong Sino Renewable Environmental Services Co., Ltd. (山東中再生環境服務有限公司) to help us to treat hazardous waste in a compliant manner.

Furthermore, through the front-end control of generation of pollutants, Haier Electronics actively promotes clean production, technique upgrade and substitution of chemicals to reduce pollutant discharge.

Case: Hazardous waste reduction measures

Haier Electronics actively explores hazardous waste reduction solutions, integrates the resources of stakeholders such as suppliers and actively maintains inter-communications to encourage suppliers to deliver hazardous wastes (such as waste chemical containers) to factories for recycling, so as to promote hazardous waste reduction.

We sort harmless waste and engage recycling companies with professional qualifications of renewable resources for recycling. In 2018, we strengthened the management on harmless waste. Through forward and backward management models, we established the whole process management and control operation model for factory waste and promoted technological transformation and reuse projects. Through the control in three critical aspects, namely production, collection and disposal, we achieved the transformation from “waste management and control” to “decreasing the cost accordingly”, effectively increasing the recycling rate of waste while simultaneously achieving cost reduction and efficiency enhancement.



Case: Promoting green manufacturing and enhancing utilisation rate of raw materials

Qingdao Economic and Technological Development Zone Haier Water Heater Co., Ltd. has established a green product design development model, performed an environmental impact analysis on the properties of the entire life cycle of its products and comprehensively assessed the technical, economic and environmental attributes. It has formed a complete whole process of carbon environment assay database for aspects such as design, production, use and recycling, so as to optimise product design and continuously enhance the environmental performance of products. For the design of products, we consider the optimisation of parameters such as utilisation rate, volume-capacity rate and quality-capacity rate of product materials, energy consumption in standby mode or for powering off, energy consumption of product use and noise limits. For the manufacturing of products, the standardisation, generalisation, recyclability, reusability, zero-failure operation and recyclability of emitted exhaust gas of tie-in components are considered. For usage by users, the impact of product materials on human health, the environment and the economical use of energy is considered. In the whole process from product design and development to raw material sourcing, manufacturing, sales, use and recycling, all data enters the ecological design platform for the benefit of environmental protection, sustainable development and reasonable use of resources. Currently, the raw material utilisation rate of water heaters of Haier Water Heater Co., Ltd. has reached around 90%.

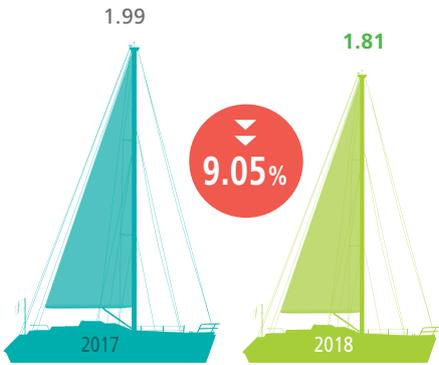


In 2018, the emissions in the Group’s production and operation were as follows:

Indicator	2018 data
Total wastewater discharge (tonnes) ¹	787,734.00
Total discharge of hazardous wastes (tonnes)	241.39
Hazardous waste produced per unit of product (g/unit)	3.76
Total recycled harmless waste (tonnes)	108,874.00
Recycled harmless waste per unit of product (g/unit)	1,695.84
Total greenhouse gas emissions (tonnes of carbon dioxide equivalent) ^{2, 3}	115,934.12
Scope 1 greenhouse gas emissions (tonnes of carbon dioxide equivalent) ⁴	17,251.38
Scope 2 greenhouse gas emissions (tonnes of carbon dioxide equivalent) ⁴	98,682.74
Greenhouse gas emissions per unit of product (kg of carbon dioxide equivalent/unit)	1.81

Notes:

1. Wastewater includes production wastewater from each factory;
2. Due to the business nature of Haier Electronics, its gas emissions are mainly greenhouse gas emissions derived from the use of electricity, steam and fuel converted from fossil fuels;
3. The greenhouse gases include carbon dioxide, methane and nitrous oxide, which are mainly derived from purchased power, steam and fuel. Greenhouse gas emissions are measured in carbon dioxide equivalent in accordance with the China Regional Grid Baseline Emission Factors 2015 issued by the National Development and Reform Commission of China and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change (IPCC);
4. Scope 1 greenhouse gas emissions are greenhouse gas emissions directly arising from consumption of natural gas, gasoline and diesel in the manufacturing of washing machines and water heaters by the Company. Scope 2 greenhouse gas emissions are greenhouse gas emissions arising from consumption of purchased electricity and steam;



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

2. Energy-saving

In compliance with the “Law on Conserving Energy of the People’s Republic of China”, we strengthened the management of the use of energy and resources by formulating internal systems such as the “Energy Management Handbook”. We explored new energy supply and enhanced the utilisation rate of clean energy to foster sustainable development.

http://www.haier.hk

Case: Photovoltaic power generation projects

Haier Electronics actively promotes photovoltaic power generation projects in parks, which currently cover parks in regions such as Qingdao, Jiaonan, Hefei and Foshan, with a total installed capacity of 62MW, daily photovoltaic power generation of 210,000 kWh and annual power generation of 120 million kWh.



Taking Jiaonan water heater factory as an example, phase I of 1MWp photovoltaic power generation equipment has been installed, with an annual power generation of over 650,000 kWh, effectively reducing carbon dioxide emissions.

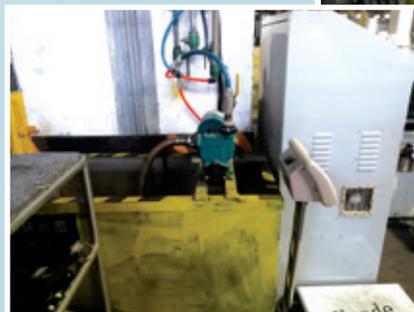


We have promoted water conservation and strengthened the use of recycled water. Some recycled water and treated water have been used in flushing toilets and greening. Each factory also actively carries out technological transformation to reduce water consumption.

http://www.haier.hk

Case: Water-saving upgrade of Chongqing Water Heaters

In 2018, Chongqing water heater factory upgraded enclosure longitudinal soldering equipment and welding equipment and retrofitted a circulating tank. Through the self-made circulating tank, the recycling of cooling water can be achieved to prevent waste of ongoing running water. The water tap of soldering furnace cooling equipment can be turned on and off automatically through the liquid level float switch, which prevents dry burning of equipment or waste of overflowing water.



In 2018, the amount of saved water in total was approximately 850 tonnes.

Case: Optoelectronic improvement of second-tier water injection machine of Jiaonan Washing Machines

Jiaonan washing machine factory originally used general optoelectronic-detection transparent lids. Misoperation occurred due to low precision, which resulted in malfunctions such as hollow plate water injection, insufficient injected water volume and zero water injection. These led to an increase in repair rate of washing machines, accumulation of water on the floor and, therefore, severe waste of water resources.

In 2018, the factory replaced the equipment with high-precision optoelectronic reflector sheets. With high precision of detection, precise detection can be performed with transparent lids as well, which significantly reduced malfunctions of water injection and, to a great degree, prevented repairs caused by problematic water injection. Repeated water injection was also prevented to save water resources.



We have actively developed green technologies, endowing products with better performance of environmental protection. In 2018, the "chassis heat exchange tube fastening structure, water tank and heat pump water heater" of Qingdao Economic and Technological Development Zone Haier Water Heater Co., Ltd. was awarded with the second prize of the 2nd China Energy Conservation Environmental Protection Patent Award by the China Energy Conservation Association.

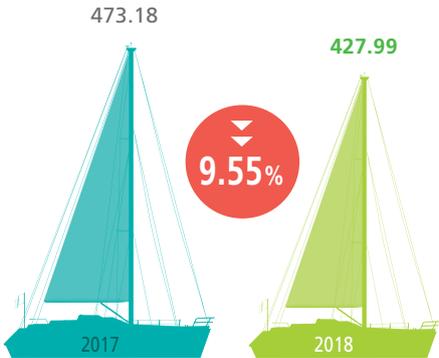


We encourage green office and manage resource consumption in office operation. We have made full use of sun light, retrofitted a smart lighting system and divided light controls by zones. Conference rooms are checked regularly so that the “no people, no light on” principle can be achieved. We manage the use of air-conditioners in office areas, limiting summer cooling to not lower than 26°C and winter heating to not higher than 19°C . In 2018, the use of resources in the Group’s production and manufacturing was as follows:

Indicator	2018 data
Total comprehensive energy consumption (tonnes of standard coal) ¹	27,477.01
Total direct energy consumption (tonnes of standard coal)	9,955.87
Total indirect energy consumption (tonnes of standard coal) ²	17,521.14
Energy consumption per unit of product (grams of standard coal/unit)	427.99
Total water consumption (tonnes)	2,144,295.43
Water consumption per unit of product (kg/unit)	33.40
Total consumption of packaging materials (tonnes)	92,455.68
Total consumption of packaging materials per unit of product (kg/unit)	1.44

Notes:

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



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

iii. Green Storage and Transportation

The logistics business of Haier Electronics involves the use of warehouses and logistics transportation. Among which, logistics transportation is completed by the transport fleet outsourced, and almost all warehouses are managed through outsourcing services. As an important component of the Group’s business, we also value the green aspects of our logistics business. In 2018, all self-built warehouses of the Company have passed the ISO14001 Environmental Management System Certification, except for a newly-built warehouse of the Company in Jiaonan which did not participate in the annual certification review. We also included energy conservation and emission reduction considerations in the warehousing and logistics process, actively creating a green storage and transportation system.

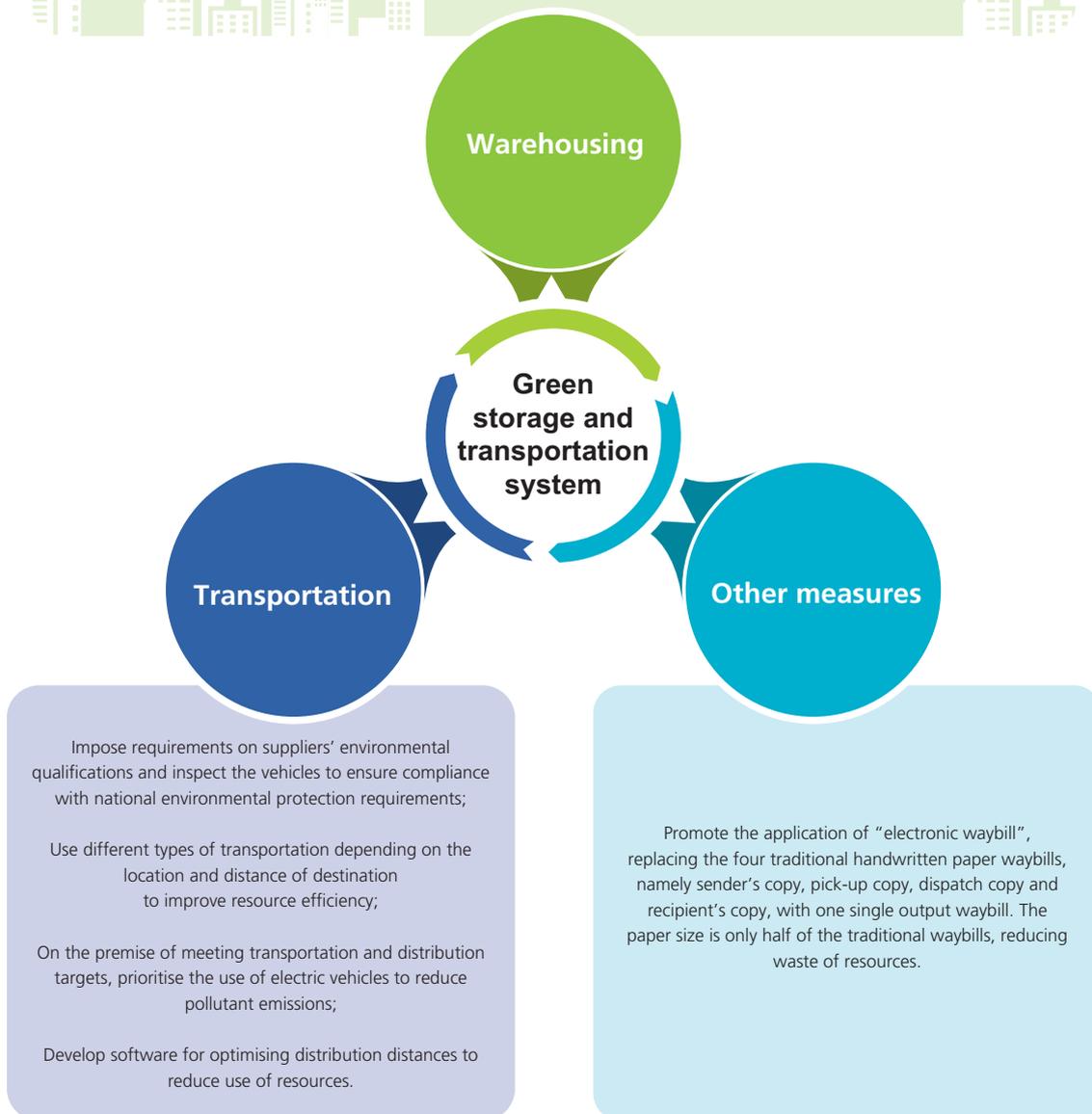
When selecting the location for self-built warehouses, analyze the route by making consideration to the transportation distance between each warehouse as well as between the warehouse and the distributors;

Carry out geographical and relic investigation before the construction of warehouses, and commence construction only upon the pass of investigation;

Improve the after-hours power-off system and roster system, with on-duty personnel checking whether all power sources are off daily;

Self-built warehouses and management suppliers sign a valuation adjustment contract setting a standard value of water and electricity costs. If the costs exceed such standard value, the management supplier shall pay for such costs, and if the costs are lower than such standard value, the supplier shall be provided with incentives proportionally;

The water and electricity costs of externally-rented warehouses are included into the loading and unloading management fee according to the monthly fixed value. If the costs exceed such fixed value, the management party shall pay for such costs, so that suppliers can be motivated to save energy and water.



In 2018, the use of resources and emissions in the Group's warehousing and logistics business were as follows:

Indicator	2018 data
Use of resources^{1, 2}	
Total water consumption (tonnes)	800.00
Total comprehensive energy consumption (tonnes of standard coal)	28.70
Total direct energy consumption (tonnes of standard coal)	0.06
Total indirect energy consumption (tonnes of standard coal)	28.64
Emissions	
Total greenhouse gas emissions (tonnes of carbon dioxide equivalent)	162.67
Scope 1 greenhouse gas emissions (tonnes of carbon dioxide equivalent) ³	162.54
Scope 2 greenhouse gas emissions (tonnes of carbon dioxide equivalent) ³	0.13

Notes:

1. Including the Group's self-operated warehouses in Qingdao and Chongqing;
2. Water and electricity were mainly consumed for daily operation of warehouses, and diesel was consumed for storage forklifts;
3. Scope 1 greenhouse gas emissions are greenhouse gas emissions directly resulted from consumption of gasoline and diesel in the operation of warehousing and logistics by the Company. Scope 2 greenhouse gas emissions are greenhouse gas emissions arising from consumption of purchased electricity;

VI. HEALTH AND SAFETY — ESTABLISHING A HARMONIOUS WORKING ENVIRONMENT

Haier Electronics safeguards its safety standards and upholds the concept of accountability and united effective supervision, so that a safe and healthy production and office environment can be created for its employees. We adhere to production safety, earnestly fulfil the state and local requirements of the notices regarding safe production and implement the safety targets of the Group to establish a comprehensive safety management and emergency system. We attach great importance to employees' health, assess occupational and environmental hazards, provide employees with occupational health examination and use essentialised safety equipment. We have established a safe production culture and promoted the construction of the HSE&6S cloud platform safety management system to accommodate safety drills in the whole year and establish the safety culture of "6S for everyone, everything and everytime".

Key Performance Indicators

SAFE PRODUCTION

- 0 work-related injury
- 0 working hour lost due to work-related injury



SAFETY EDUCATION

- 256 safety drills
- 6,586 people participated in special production safety drills
- Over 40,000 people participated in safety drills



OCCUPATIONAL HAZARD MANAGEMENT

- 100% coverage of hazard assessment in occupational environment
- 100% occupational health examination rate
- 100% coverage of essentialised safety equipment

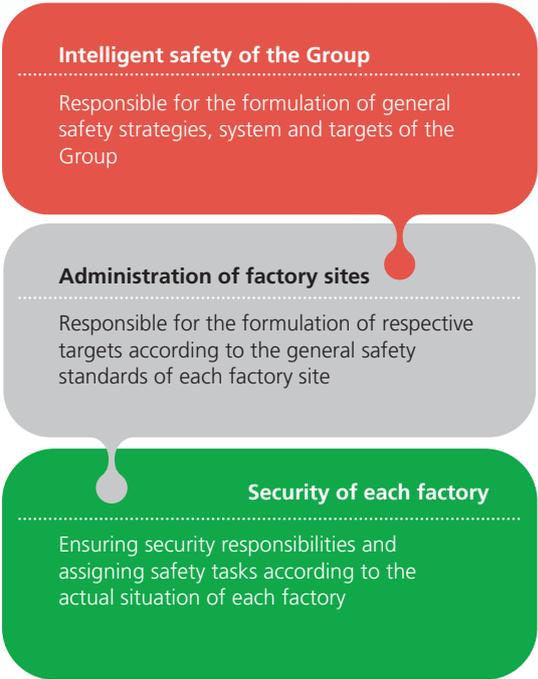


i. Safe Production Management

We have complied with relevant laws such as the "Production Safety Law of the People's Republic of China" and "Fire Protection Law of the People's Republic of China" and established safety management systems such as "Labour Safety and Hygiene Management", "Equipment Safety Management" and "Safety Accidents and Cases Evaluation and Investigation Management". We have implemented diversified safety control measures in departments, positions, engineering, technical upgrade, equipment, fire protection, protection, staff training and qualification. In respect of safety risks, we have implemented regulatory measures such as weekly joint inspection on safety performance, monthly safety performance evaluation and motivational appraisals for achieving monthly/yearly safety targets to ensure compliance in safety at all times.

In 2018, Haier Electronics fully promoted safety standardisation and OHSAS 18001 Occupational Health and Safety Management System Certification. All water heater and washing machine factories and self- built warehouses of the Company have passed OHSAS 18001 Occupational Health and Safety Management System Certification, except for a newly-built warehouse of the Group in Jiaonan which did not participate in the annual certification review. We upgraded 53 production safety management system process platforms, ensured the accountability of micro business owners of all factories and improved Haier Electronics’ three-level network of safe production.

Three-level network of safe production of the Group



Three-level network of safe production of factories



We have actively enhanced our capability to handle safety emergencies, established an organisational structure for safety emergencies and delineated duties at work. In 2018, we established a total of 16 categories of emergency plans. By establishing the first-level plan for the Group, second-level plan for factory sites and third-level plan for the region, a responsive emergency mechanism at every level has been established, and a regulated, unified and comprehensive three-level emergency system for practical operation has been formed.

In 2018, we had 0 work-related injury and 0 working hour lost due to work-related injury of employees for our washing machine and water heater businesses.

ii. Occupational Health Management

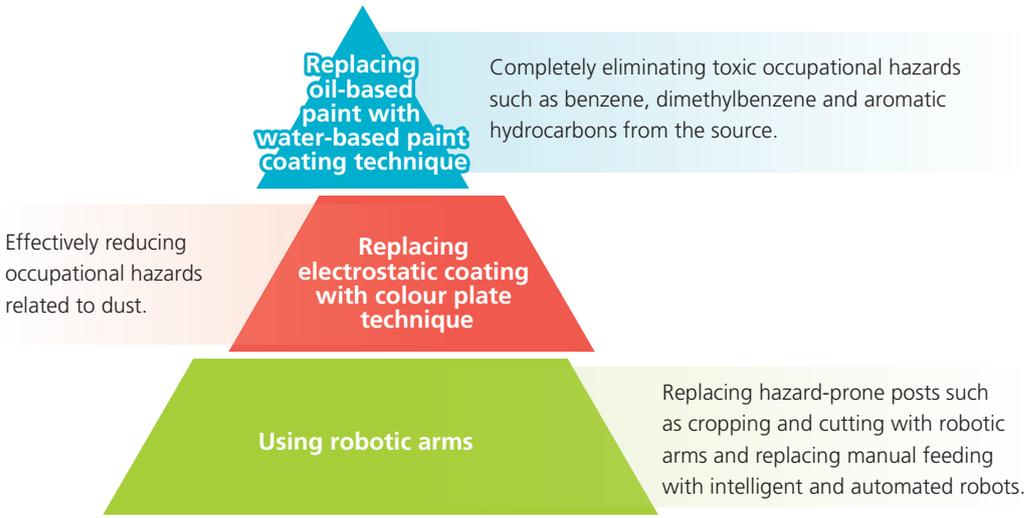
In compliance with the “Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases”, we continuously pay attention to the occupational health and safety of our employees to prevent occupational diseases.

We have engaged qualified third-party institutions to inspect on positions associated with occupational hazards and environments involving on-site hazardous operation and issue relevant reports. If hazards are beyond standard limits, rectifications will be made based on laws and regulations to ensure compliance in the occupational safety and health environment of on-site production. In 2018, the coverage of assessment of occupational environment hazards was 100%.

For employees exposed to occupational diseases, we have issued the Notice on Positions Associated with Occupational Diseases (《職業病危害崗位告知書》), which specifies the potential exposure to occupational hazards. We ensure that all employees exposed to occupational diseases have undergone the “pre-job, in-job and post-job” medical examination for occupational diseases. Employees whose results of medical examination do not satisfy the requirements of their respective positions will be re-designated to other positions in a timely manner to prevent occupational diseases or potential occupational diseases. In 2018, the coverage of medical examination for occupational hazards was 100%.

We have propelled equipment automation in production lines of interconnected factories. Unmanned, lights-out and automated factories have been promoted in highly hazardous work sites to achieve equipment automation and safety essentialisation. In 2018, the coverage of essentialised safety equipment was 100%.

In 2018, we gradually promoted the following engineering and techniques to enhance the occupational health assurance of employees:



iii. Promotion of Safety and Health Culture

We have earnestly embraced safety culture into our production and operation and promoted the construction of the HSE&6S cloud platform safety management system to establish the safety culture of “6S for everyone, everything and everytime”. We are committed to achieving the Six Zeros of safety.



In 2018, we heightened the requirements of the “Eight Must Do for Safety” model and enforced one-minute training on 6S before commencement of each shift, sharing of strengths and weaknesses on 6S by each shift and hand-over of safety responsibilities for employees. The security departments of each factory have established inspection teams to carry out joint inspections and on-site inspections to check the running of machinery, prevent employees from non-compliance and ensure that employees put on labour protective gear. Abnormal equipment operations were reported to the HSE&6S platform in a timely manner. Non-compliance actions were rectified in a timely manner, and severe cases were handled according to the provisions for non-compliance.

We provide safety trainings and lectures for employees to acquire sufficient knowledge on safety. Before employees engaging in special types of work or taking up hazard-prone posts, they are required to undergo pre-job trainings and pass relevant assessments, and are given protective gear for such position. All employees receive safety trainings on laws and regulations regularly to be familiar with safety regulations and systems.

Case: Safety Education Culture Centre of Chongqing Haier Washing Machine

Chongqing Haier Washing Machine values safety culture education. It has established the Safety Education Culture Centre at the front hall on the first floor and the third floor of the factory with a total area of 240 m², which is comprised of the HSE&6S employee safety handbook publicity area, production safety accident awareness education area, fire safety accident training area, multi-media training presentation area and simulation experience area. Since its establishment, the Safety Education Culture Centre of Chongqing Haier Washing Machine has become a powerful tool to promote education and training for factories and played a crucial role in continuously enhancing employees' awareness of safe production and achieving zero safety accident.



We enhance employees' safety awareness and emergency handling skills through safety drills. In 2018, we organised various types of safety drills and carried out special themed activities in relation to occasions such as the national safe production month and national fire prevention promotion month as well as other hot topics related to safety.

In 2018, Haier Electronics carried out a total of 256 safety drills. 6,586 people participated in special production safety drills and over 40,000 people participated in various safety drills.

VII. WORKING TOGETHER — CREATING A MUTUALLY BENEFICIAL ECOSYSTEM

One tree does not make a forest. Adhering to the concept of “Integrity Ecosystem Sharing Platform”, Haier Electronics leverages on the smart manufacturing cloud platform (COSMOPlat) and Haidayuan supplier platform to integrate supply chain resources and break the traditional manufacturing logic, forming a reticular ecosystem that allow zero-distance interaction between global resources. Suppliers’ resources are closely linked and integrated with users through the platform. Users participate in the entire design and production process, bringing the best experience of seamlessness, transparency and visualisation.

We strive to enhance the ESG management level of the entire value chain to develop a mutually beneficial ecosystem with the suppliers. We have assessed suppliers’ ESG level and urged them to fulfil their environmental and social responsibilities and conducted multidimensional trainings to boost their ability in value chain while stimulating the overall vitality of supply chain, driving the synergies between upstream and downstream of the industry chain and thus protecting the Group’s ability in rapidly reacting to the market and enhancing competitiveness.

Meanwhile, we expanded the mind-set of Internet of Things to more relevant industries on value chain, aiming to jointly develop an ecosystem alliance in the era of Internet of Things through exploring industrial integration, breaking industrial boundaries and strengthening cross-sector cooperation.

Key Performance Indicators

3,495 requests from users were received by the Haidayuan supplier platform

6,125 resource solutions were uploaded by suppliers through the Haidayuan supplier platform

102 new suppliers were reviewed online

68 suppliers passed the SRG (Supplier Responsibility Guideline) certification

22 trainings on enhancing management and control of hazardous substance were held

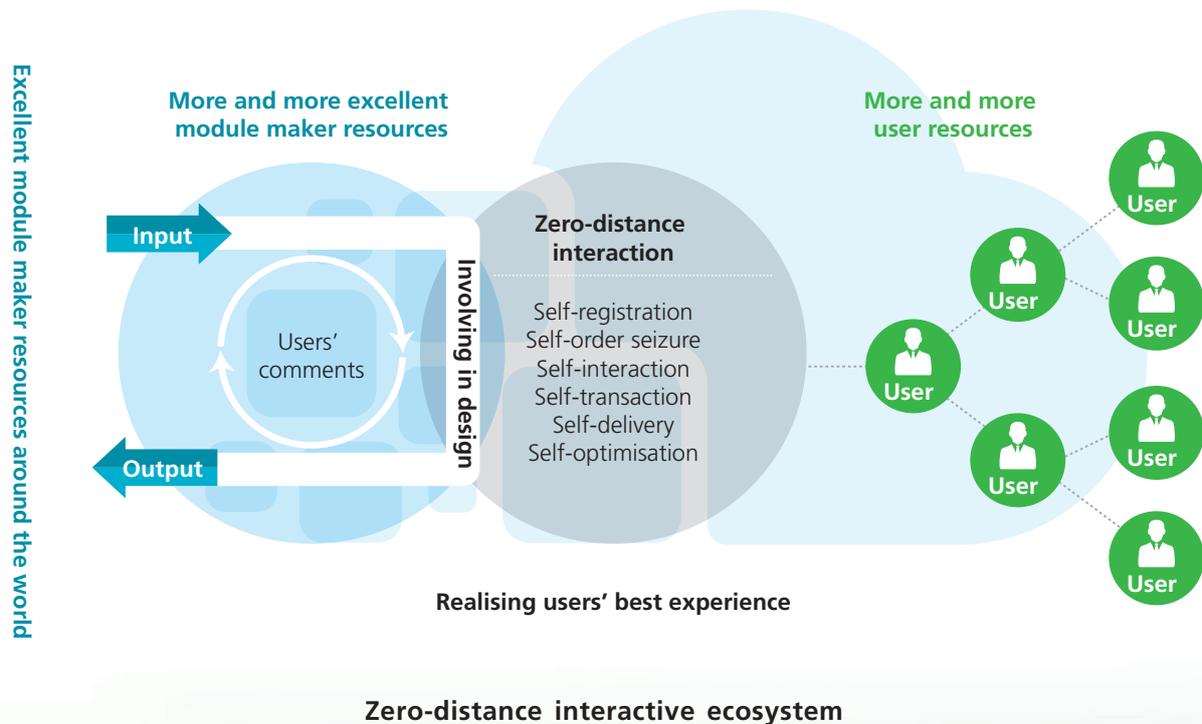


i. Establishing a Mutually Beneficial Ecosystem

In 2016, Haier Group initially launched the large-scale customised internet structure platform COSMOPlat based on users' experience. Consumers may publish their own needs and ideas on Haier's COSMOPlat platform and the global design resources thereof would interact with users and provide solutions. Currently, COSMOPlat has gathered 0.33 billion users and more than 3,900,000 supplier resources. It has broken the traditional manufacturing logic by greatly shorten the launching time of product, which brought the experience of seamlessness, transparency and visualisation to users while realising customisation on demand and allowing products to satisfy users' demand precisely.

Large-scale customisation requires numerous excellent suppliers to interact with users. We have leveraged on the Haidayuan platform to break the traditional home appliance industry model of selling components and raw materials with fixed location, price and contract. The management of the Haidayuan platform focuses on four objectives, namely "open-ended, zero-distance, transparent and user-evaluation". It has gathered excellent supplier resources around the world and thus can quickly match users' customised needs. Users, Haier Electronics and suppliers can be directly connected.

The Haidayuan platform allows zero-distance interaction with users through the "Six Self models", namely "self-registration, self-order seizure, self-interaction, self-transaction, self-delivery and self-optimisation", forming a reticular ecosystem that allows zero-distance interaction between global resources and users. Users can express their needs on the Haidayuan platform based on their own needs while suppliers can also upload their excellent resource solutions on the Haidayuan platform for users' selection. In 2018, Haidayuan platform received a total of 3,495 requests from users that were related to Haier Electronics, while Haier Electronics' suppliers uploaded a total of 6,125 resource solutions.



ii. Social Responsibility Management of Ecosystem Members

1. Admittance of suppliers

The module suppliers are our major suppliers for the production process of Haier Electronics' washing machines and water heaters. We have gathered excellent supplier resources around the world through the Haidayuan platform and developed mutual trust with those suppliers. We have formulated systems such as the "Management Standards for Self Capability Commitments Made by Module Makers" (《模塊商能力自承諾管理標準》) and "Interconnection of On-Site Quality of Suppliers" (《供應商現場質量互聯》), aiming to review and manage various information of suppliers. All suppliers in the Haidayuan platform must undergo three stages of review, namely "self-commitments", interconnection and financial indicators.

The Haidayuan platform is open for registration to supplier resources around the world. All admittance of component and module suppliers of Haier Electronics must pass through the Haidayuan platform. We have added "capability commitments" into the "self-registration" section to examine and assess suppliers' eligibility and capability. We examine suppliers by setting detailed evaluation indicators under nine categories, namely basic qualifications, financial ability, modularised manufacturing capabilities, modularised design capabilities, modularised delivery capabilities, industry 4.0 interconnected factory, tier-2 and tier-3 supplier management capabilities, quality assurance capabilities and social responsibility. New suppliers are required to pass through requirements under such nine categories and submit relevant supporting information and material to complete the "self-commitments" stage. We have established a specific micro business team to answer suppliers' query towards the "self-commitments" section in real time, ensuring that all suppliers fully understand Haier Electronics' basic requirements on suppliers.

In order to realise the objective of zero defects in module quality and satisfying users' best experience, once the suppliers passed through "self-commitments", the SQE (Supplier Quality Engineer) of the Group and the Procurement Department would jointly conduct online on-site review on suppliers' quality and social responsibility. In order to ensure that suppliers in the Haidayuan platform can meet the requirement of Haier Electronics in all aspects, the suppliers would be graded by seven dimensions, including TQRDC (technology, quality, responsiveness, delivery and cost) evaluation elements, suppliers' management on environment and labour, bottom line of compliance, etc.



In 2018, we reviewed 102 suppliers who have completed “self-commitments”, and 52 of which passed the online and financial indicator review on suppliers and were admitted into the supplier database of Haier Electronics.

The screenshot shows a web browser window with the URL <http://www.haier.hk>. The page title is "Case: Labour risk management on supply chain". The main text reads:

Effective management and minimising labour risk in supply chain are some of the main concerns in admittance of Haier Electronics’ suppliers. Through formulating detailed management evaluation rules and concerning labour management performance of suppliers in multi-dilatational aspects, we have urged suppliers to develop a comprehensive and sound employee management system, conduct legal employment and provide safe working environment and reasonable working protection to its employees.

 To the right of the text are three icons: a hard hat, a pair of safety glasses, and a work jacket. Dotted lines are present below the text and icons.

Case: Labour risk management on supply chain (continue)

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

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

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

We have also raised out requirements on the human resource management of suppliers in warehousing and logistics business. We have urged them to comply with relevant laws and regulations while enhancing the security of service personnel. Suppliers are required to hold fire safety trainings and fire drills regularly and all of its employees have to sign letters of responsibility on safety and attend re-education on safety. Operation areas of warehouses are installed with loading and unloading safety ropes and hanging protection facilities. Operational workers that could assess to warehouses such as clamp truck workers must obtain a license. Logistics services providers need to prevent drivers from fatigue driving.



Case: Conflict minerals management

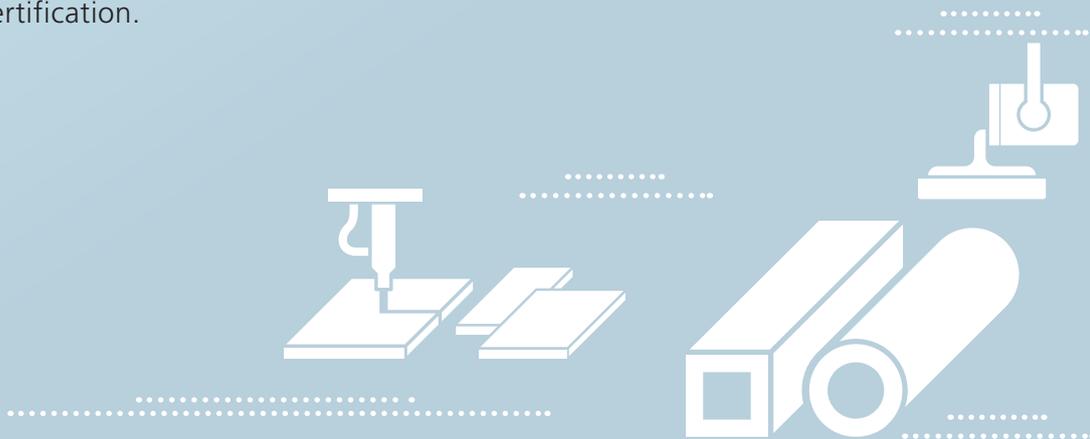
During the process of overseas expansion, Haier Electronics has insisted on taking global social responsibility as its objective, aiming to boost sustainable development of industry chain through ethical sourcing.



Metal materials like tin, antimony, tungsten and gold are used in the production process of Haier Electronics' products. We understand that the procurement and use of "conflict minerals" may cause social risk, and thus relative management measures have been established to regulate suppliers based on the governance requirements on conflict minerals in US Dodd Frank Act and EU Conflict Minerals Regulations, which will be implemented in 2021.

We have added suppliers' conflict mineral examination measures in the social responsibility module of "self-commitments", requiring the suppliers of GE brand product to comply with policies and develop procedures to avoid procurement and use of metal from conflict minerals in the Democratic Republic of the Congo. Suppliers are required to provide written statement and policy and track the metal source used by its component or module to ensure that its procurement process does not involve conflict minerals from unknown sources. In 2018, in order to meet the requirement of Euro-American market on supply chain management and conflict mineral management, we further required Haier's suppliers that manufactured GE brand product to pass through SRG (Supplier Responsibility Guideline) certification.

As at 31 December 2018, 68 suppliers had passed such certification.



2. Procurement and management

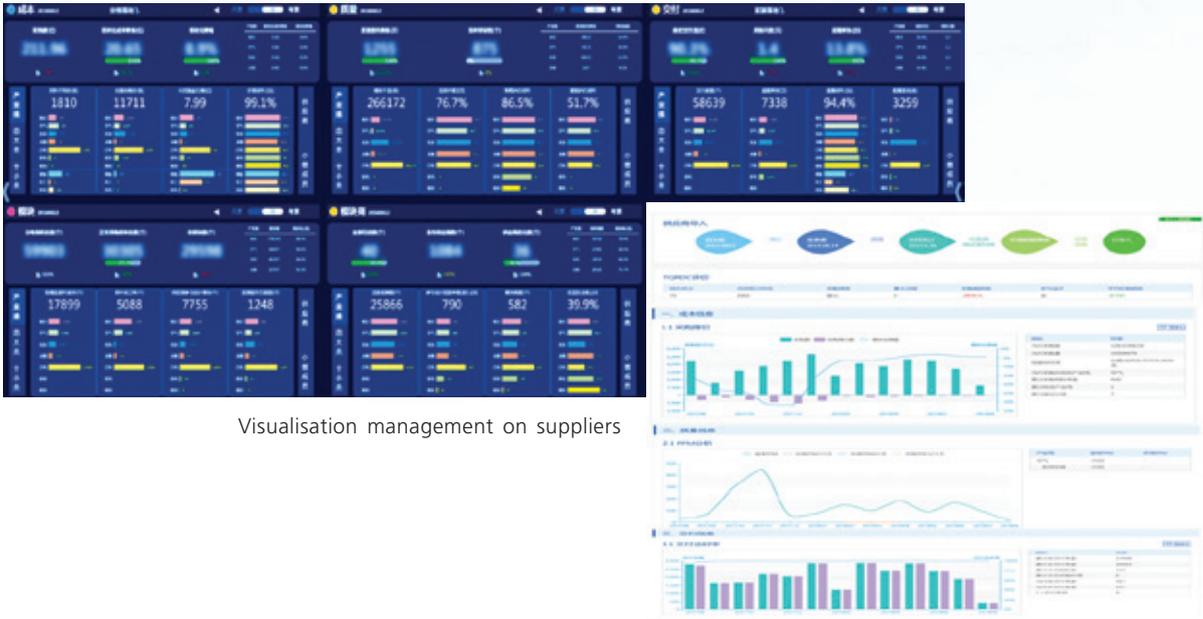
The Haidayuan platform has provided a fair competition mechanism and developed a dynamic partnership with parallel interaction between suppliers and enterprises while advocating the business mechanism of collaboration and share. Such partnership as well as the collaboration and share mechanism have been realised by the fair, open, honest, effective and orderly sunshine procurement.

For new products in the business of manufacturing washing machines and water heaters, module solution provided by suppliers who had completed the registration at Haidayuan may enter the final votes and subject to users' final choice, realising first-class resources with unhindered access. As for the resource replacement of old products, Haier Electronics has implemented digital authentication mechanism through system innovation and adopted online-tendering, which saved tendering cost and administration cost, enhanced transparency and efficiency and raised the competitiveness of the tender and chance of bidders. It could also hinder the possibility of colluded bidding and bid rigging by ensuring the confidentiality of name and number of potential bidders, which effectively cut the information chain for colluded bidding and bid rigging and thus eradicate these acts.

As for the warehousing and logistics business, we have complied with the "Bidding Law of the People's Republic of China" and formulated "Platform for Introducing and Interacting with Warehousing Resources" (《倉儲資源引入交互平台》) and "Platform for Introducing Delivery Resources" (《配送資源引入平台》) to provide standard and process for introducing supplier resources on warehousing and delivery sections. We usually seek potential suppliers by tracking the sources. Three and above suppliers that meet the requirements on qualification and hardware would be selected for tendering. The supplier with the highest aggregate score would be introduced as a partnering supplier.

The contracts entered into between us and suppliers included "Commitment on Security Responsibility", "Commitment on Environmental Protection" and other social responsibility requirements to ensure that suppliers could meet our social responsibility requirement on safety and environmental aspects during the process of providing services.

In 2018, we enhanced the daily monitoring and management on suppliers by forming a procurement big data system, realising the integration of big data and procurement operation, promoting procurement decision analysis and developing digital supplier management system. The system utilised Internet to collect feedback from users. Such user experience information can directly track back to modules and suppliers, forming a direct evaluation of users towards suppliers. We attempted to conduct visualisation management by developing supplier real time analysis model that include 76 indicators and more than ten billion data, realising entire life cycle data management on suppliers from phase in to phase out. We applied different supplier cooperation strategy to suppliers with different scores. Users' comment directly decided the development and dynamic optimisation of suppliers, boosting suppliers to continue their improvement.



Visualisation management on suppliers

Distribution of suppliers:



iii. Enhancing the Effectiveness of Ecosystem

Haier Electronics has taken construction of value chain ability as its objective, aiming to grow with our partners. We have launched supplier trainings and shared development experiences, guiding suppliers to actively fulfil their social responsibilities, so as to drive the synergies between upstream and downstream of the industry chain.

1. Suppliers' advocacy and encouragement

In 2018, Haier Electronics strengthened the training on suppliers to enhance product quality of suppliers. We organised regular supplier integrity meetings and issued integrity reminder during festivals to remind suppliers to comply with integrity requirement at all times. We also arranged environmental education for suppliers by providing training and advocating on the requirements of latest environmental policies promptly so as to enhance suppliers' ability on fulfilling social responsibility.

http://www.haier.hk

Case: Enlarging training scope and enhancing quality of suppliers' products

With the globalisation business layout of Haier Group, we sorted out international and national laws related to chemical management such as RoHS and EU REACH, and introduced higher requirements on management and control of hazardous substances in products to make our requirements on products be compatible with international standards. In 2018, in order to ensure that suppliers understood Haier's product standard on management and control of hazardous substances and requirements on module examination, Haier Group organised chemical substance management trainings for suppliers of washing machines and water heaters.

During the trainings, Haier Group invited experts to explain to the suppliers on the amendments on Q/HR 0603 001-2018 "Requirement on limited amount of hazardous substances in component and material Part 1: General requirement" and Q/HR 0603 003-2018 "Requirement on limited amount of hazardous substances in component and material Part 2: Specific requirement", new management and control requirement of Haier Group, as well as requirement on reporting, management and control of hazardous substances. Such activities ensured that component and module suppliers fully understood the regulations and thus helped suppliers to develop hazardous substance management system.

Throughout the year 2018, Haier Group conducted a total of 22 trainings on hazardous substance management and control upgrade for a total of 972 suppliers.



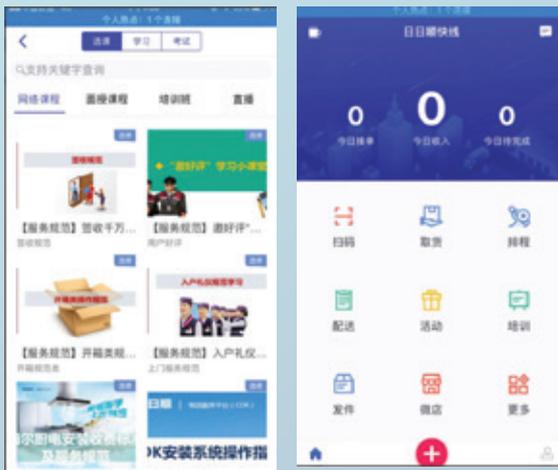
Supplier training

Case: Making use of fragmented time and providing micro courses to foster the growth of contract truck drivers

As a working tool for contract truck drivers (車小微司機), RRSKX.COM APP has currently accumulated hundred thousand of driver's registration, with more than ten thousand active drivers per day. With the work load of contract truck continued to increase rapidly and the expansion in the number of drivers, it is urgent to solve the traditional time, space and cost limitation on training. Gooday Logistics continuously optimised its system and the RRSKX.COM APP has realised diversified training methods such as online courses, face-to-face courses and broadcast trainings. Combined such training methods with offline training, a training ecosystem has gradually formed.

In 2018, leveraging on the RRSKX.COM APP, Gooday Logistics systematically launched micro courses which lasted for 5 to 7 minutes. Such courses solved the problem in drivers' learning time and enhanced learning interest.

Through the model of "online learning, online exam, obtaining work permits and continuous learning", the APP acted as a training tool to enhance the skill of contract truck drivers and thus further ensured service quality.



Interface of RRSKX.COM



We have established good cooperative relationship with suppliers, developed incentive and mutual learning mechanism and actively communicated with suppliers on development direction. Through convening regular supplier meetings to honour excellent suppliers, we aim to create mutual benefits through co-creation and achieve joint advancement.

Case: Supplier meeting

In March 2018, Haier Group convened an annual supplier meeting. The meeting summarised the progress of ecological transformation of module maker resource platform in 2017 and the ecological upgrade direction of module maker resource platform in 2018. Excellent module makers who actively designed and created users' best experience based on demand of Haier's products in 2017 were awarded the "Gold Magic Cube Award" during the meeting. Through the "Gold Magic Cube Award" mechanism, Haier Group actively engaged module makers in designing and creating users' best experience.



Supplier meeting



2. *Trainings and effectiveness enhancement of distributors*

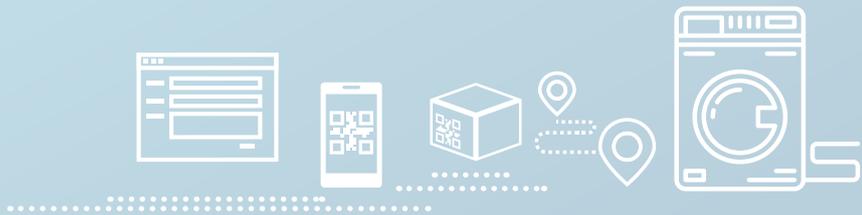
Distributors are the main component of Haier Electronics' downstream value chain. We have launched the "smart cloud stores" system to provide online trainings for distributors and their employees. Through comprehensive forms of presentation (text, graphics and videos) on television and mobile phone, the training function of "smart cloud stores" allows distributors and their employees to obtain knowledge from training at highest speed and learn product knowledge, marketing skills and user management in the Internet era at anytime and anywhere, thereby enhancing their abilities and realising continuous growth.



The image shows a screenshot of a web browser window. The address bar displays "http://www.haier.hk". The page title is "Case: 'Smart cloud stores' boosted product sales". The main content area contains a paragraph of text describing the success of the "smart cloud stores" system in training distributors. Below the text, there is a row of five icons: a computer monitor, a smartphone, a cube with a QR code, a location pin with a dashed line, and a washing machine.

Case: "Smart cloud stores" boosted product sales

Prior to the launch of Yunxi washing machine (雲熙洗衣機), a series of trainings on such product was presented on "smart cloud stores", which showed every product parameter clearly by providing graphics that present products' shape, colour and other physical characteristics as well as uploading latest explanatory videos from trainers of the headquarters. Wang Yuefeng (王岳峰), a rural shop owner in Shenyang City, realised products' competitiveness and value to users through online learning. When users select washing machines at his shop, he applied the product function and sales techniques he learned on sales. Users were thereby delighted with the products and his services and thus purchased the product. "Smart cloud stores" have broken the limitation of time and allowed rapid transmission of training content between distributors and their employees, thereby enhancing their abilities.



iv. Realising Ecosystem Income

Along with the rapid development of Internet of Things technology, integrated development between different industries has become common. Based on the large-scale customisation capacity of COSMOPlat, Haier Electronics has actively raised its product profile. Leveraging on smart home appliances and Internet of Things technology, we have broken industrial boundaries and explored cross-sector alliance, aiming to provide users with more smart living choice and jointly develop a mutually beneficial ecosystem alliance so as to further realise ecosystem income.

On 8 August 2018, Haier took the lead in setting up the world’s first Internet of Clothing ecosystem platform and attracted more than 100 large and medium-scale apparel enterprises and more than 20 enterprises engaged in Internet of Things technology to join.

Through collaboration with Haier, apparel enterprises attach RFID chips to their clothing during production process, enabling digital management of the entire life cycle of clothing from delivery, sales to after sales. Apparel retail stores can customise featured styles according to purchase demand of users in the region and allocate products that are popular accordingly. On the other hand, Haier’s washing machines can identify clothing with RFID chips attached and adjust the washing mode automatically, bringing a truly smart and convenient laundry experience for users.

Leveraging on the new interactive ecosystem platform, Haier has provided resource providers such as apparel enterprises with entire life cycle solution on clothing while creating a whole process smart laundry experience for users that cover washing, protection, storage, collocation and purchase. It has realised win-win value added benefits for each stakeholder in the open and shared laundry ecosystem.

VIII. WHITE GOODS — LEADING AN INTELLIGENT LIFESTYLE

Focusing on smart household water ecosystem, Haier Electronics has relied on washing machines and water heaters to outline a beautiful living scene with healthy water usage and smart water usage for users. Adhering to the open and innovative concept of “World is My R&D Department”, we have overthrown traditional R&D process and developed a new process that is user-oriented and which allows users to make decisions, join in the R&D process and make use of global intelligent interaction. Through the zero-distance interaction between global users, makers and innovative resources, we have understood user demands and developed revolutionary products through continuous innovation. We are in the lead in R&D patent in the industry as we are actively involved in the formulation of standards. Haier Electronics has long been focusing on quality culture by selecting high-quality raw materials for its products and conducting inspections at different levels. We are fully aware that the final standard of inspecting quality is user experience. Thus, we turn customers’ potential demand into product quality demand, aiming to provide better products to users.

Key Performance Indicators

R&D capability

We obtained **742** new patents, among which **194** were invention patents

We owned a total of **3,762** patents, among which **903** were invention patents

We participated in the formulation and publication of **13** industry standards

The patents were promoted to **800** people



Quality assurance

No product was recalled during the year

All modules of washing machines met RoHS standard



i. Leading Technology

1. Gathering R&D resources

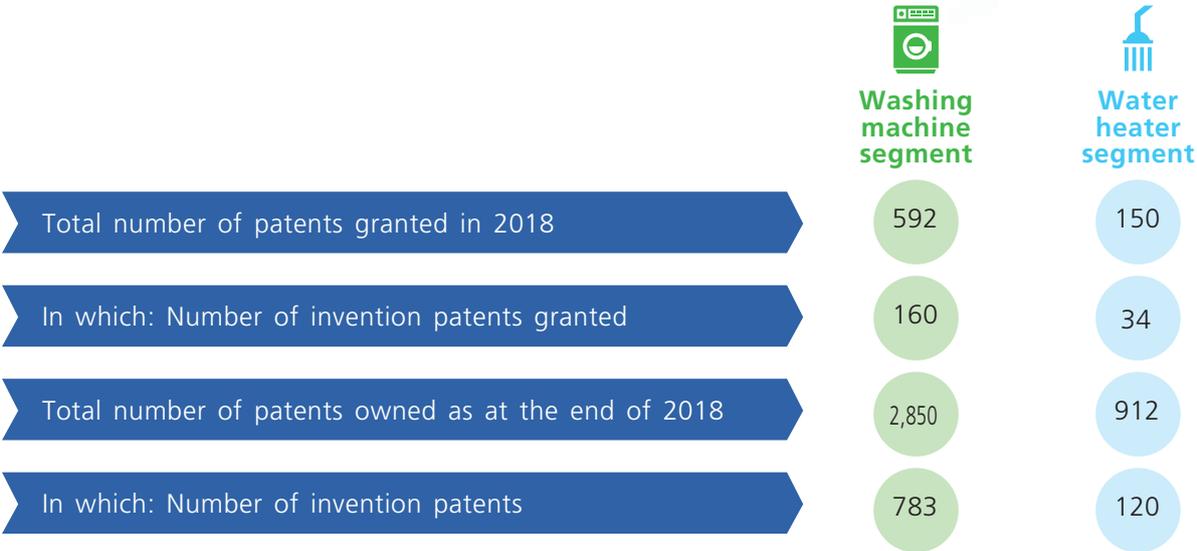
We have attracted global resources, users and corporates to interact and innovate through the fundamental concept of “World is My R&D Department”. An innovative ecosystem participated by global resources and users has been developed through revolution in model and mechanism. The sustainable output of revolutionary technological products has brought the best user experience and realised co-creation and mutual benefits within the ecosystem.

Based on ten R&D centres established by Haier Group in the PRC, Germany, the United States, Japan, South Korea, New Zealand, Mexico, Israel and India, Haier has gradually developed an open and innovative “10+N” system worldwide. A global innovative partnership social platform has been established based on the influence of global R&D centres. Global R&D forces opened for 24 hours with unlimited parallel interaction can develop the best solution according to different users’ need.

Each of our R&D centre is formed by the R&D Department, R&D platform and R&D testing centre. According to product classification, the R&D of Haier Electronics' washing machines and water heaters are conducted by independent professional R&D centres. We have also recruited lots of industry talents and formed our own R&D team. In 2018, the R&D Departments of both washing machines and water heaters had more than 100 core R&D personnel with master's degree and above.

2. Leading technological standards

In 2018, we continued our innovation in washing machine and water heater segments and produced innovative products and technology that lead the global market. Driven by the "RenDanHeYi" model, we insisted on taking users as the centre and implementing intellectual property strategy focusing on high-quality development. We created better products and higher user values through enhancing the actual values of the patent by means of optimising the production of high value core patents, intensifying the planning of patent in smart home sectors and strengthening the operation of patent related to key core technology. We also actively participated in the formulation of industry standards to lead the development of the industry.



Awards on R&D technology in 2018:



Washing machine segment

"The Study and Application of Two-drum Washing Machines Compatible with Washing in Separate Drums" (分區洗雙滾筒洗衣機的研究與應用) was awarded the China Light Industry Technological Advancement Award (First Class Prize)

"Key Technologies and Industrialisation of Front-loading Washing Machines Compatible with Laundry in Separate Drums" (滾筒洗衣機分區洗護關鍵技術及產業化) was awarded the 2018 National Technological Advancement Award (Second Class Prize)

"GB 12021.4-2013 The Study and Application of National Standard on 'Restricted Value and Grade of Energy Efficiency and Water Efficiency of Electric Washing Machine'" (GB 12021.4-2013《電動洗衣機能效水效限定值及等級》國家標準研究與應用) was awarded the 2018 Technological Advancement Award of Shandong Province (Second Class Prize)

Qingdao Haier Washing Machine Co., Ltd. was the only enterprise in the washing machine industry to be listed as the third batch of manufacturing enterprises under Single Champion Enterprises, representing the national recognition and acknowledgement of Haier's washing machines

C801 100U1 products earned the title of Green Designed Products



Water heater segment

"The Study and Industrialisation of Key Technologies in New Solar Water Heating System" (新型太陽能熱水系統關鍵技術研究與產業化) was awarded the 2017 Technological Advancement Award of Qingdao City (Second Class Prize)

"The Study and Industrialisation of Key Technologies in Energy-Efficient, Smart and Comfortable Electric Water Heater" (高效節能、智慧舒適電熱水器關鍵技術研究及產業化) was awarded the 2018 Technological Advancement Award of Shandong Province (Third Class Prize)

"Key Technologies and Industrialisation of Energy-Efficient and Low-Noise Air Source Heat Pump Water Heater" (空氣源熱泵熱水器高能效、低噪音關鍵技術及產業化) was awarded the 2018 Technological Advancement Award of Qingdao City (Second Class Prize)

"The Study and Application of Gradient Heating Technology with Customised Water Volume on Electric Water Heater" (實現水量定制的梯度加熱技術在電熱水器上的研究與應用) was awarded the 2018 Technological Advancement Award (Second Class Prize) from China Light Industry Council

"The Application of Frequency Conversion Energy-Saving Technology in Different Work Scenario with Different Mode on Air Source Heat Pump Water Heater" (面向模式可選的全工況變頻控制節能技術在空氣源熱泵熱水器中的應用) was awarded the 2018 Technological Advancement Award (Third Class Prize) from China Light Industry Council

We actively participate in the formulation of industry standards to foster the enhancement in overall level of the industry. In 2018, we participated in and published a total of 13 industry standards related to washing machines and water heaters:



Washing machine segment

GB/T 4288-2018 Household and Similar Use Electric Washing Machine (家用和類似用途電動洗衣機)

T/CAS 300-2018 Specification for High-End Clothing Laundry and Quick Washing Evaluation (高端衣物洗護及快洗評價規範)



Water heater segment

GB/T 35937-2018 Performance Testing Methods for Household and Similar Use Drinking Water Treatment Device (家用和類似用途飲用水處理裝置性能測試方法)

GB/T 36503-2018 Quality Inspection and Grading of Gas Appliances (燃氣燃燒器具質量檢驗與等級評定)

GB/T 13611-2018 Classification and Underlying Characteristics of City Gas (城鎮燃氣分類和基本特性)

GB 50364-2018 Technology Specification for Solar Water Heating System of Civil Building (民用建築太陽能熱水系統應用技術規範)

NB/T 34072-2018 Technology Specification for Weather Resistance of Heat Absorption Function in Solar Flat Plate Collector (平板型太陽能集熱器吸熱體耐候性技術規範)

NB/T 34071-2018 Testing Methods for Domestic Solar Water Heating System (家用太陽能熱水系統測試方法)

NB/T 34074-2018 Technology Specification for Solar Flat Plate Collector (平板型太陽能集熱器技術規範)

JB/T 13573-2018 Air Source Heat Pump Hot-Air Generators in Low Temperature (低環境溫度空氣源熱泵熱風機)

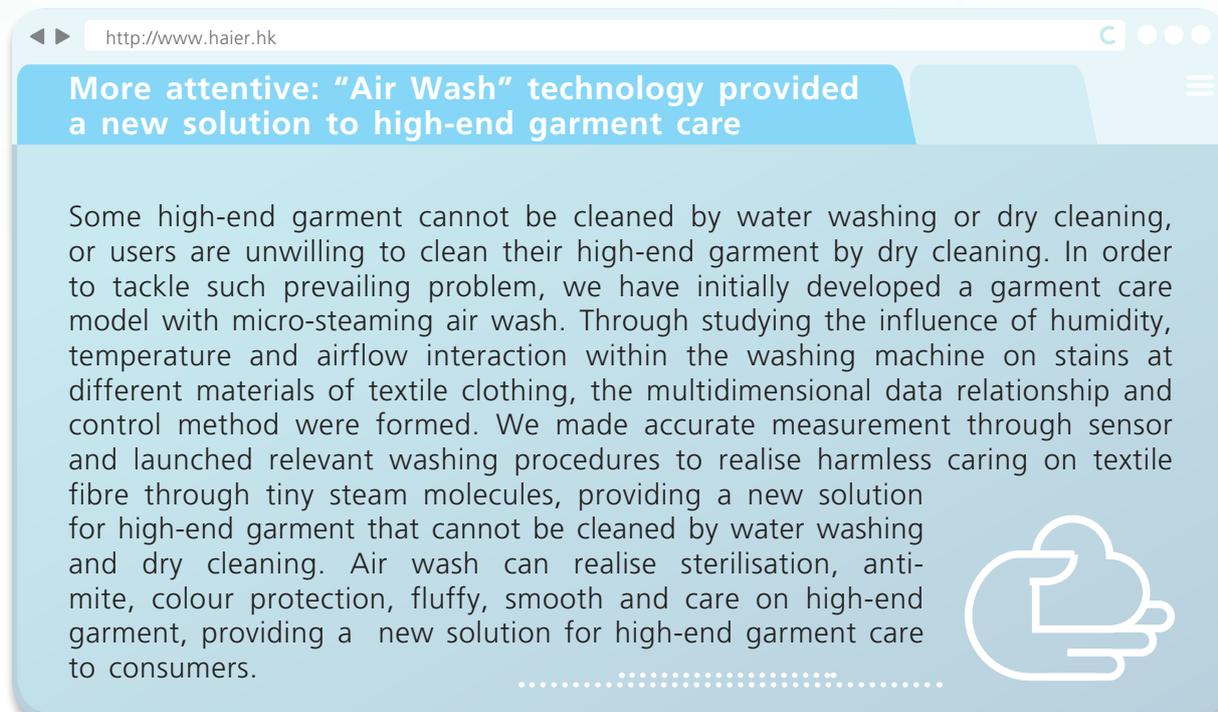
T/SDCT 001-2018 Air Source Heat Pump Hot-Air Generators in Low Temperature (低環境溫度空氣源熱泵熱風機)

T/CNHA 1005-2018 Professional Standard for Gas Appliance Installation and Maintenance Technicians (燃氣具安裝維修工職業技能標準)

T/CHEAA 0003-2018 Useful Lives of Electric Storage Water Heaters (儲水式電熱水器的安全使用年限)

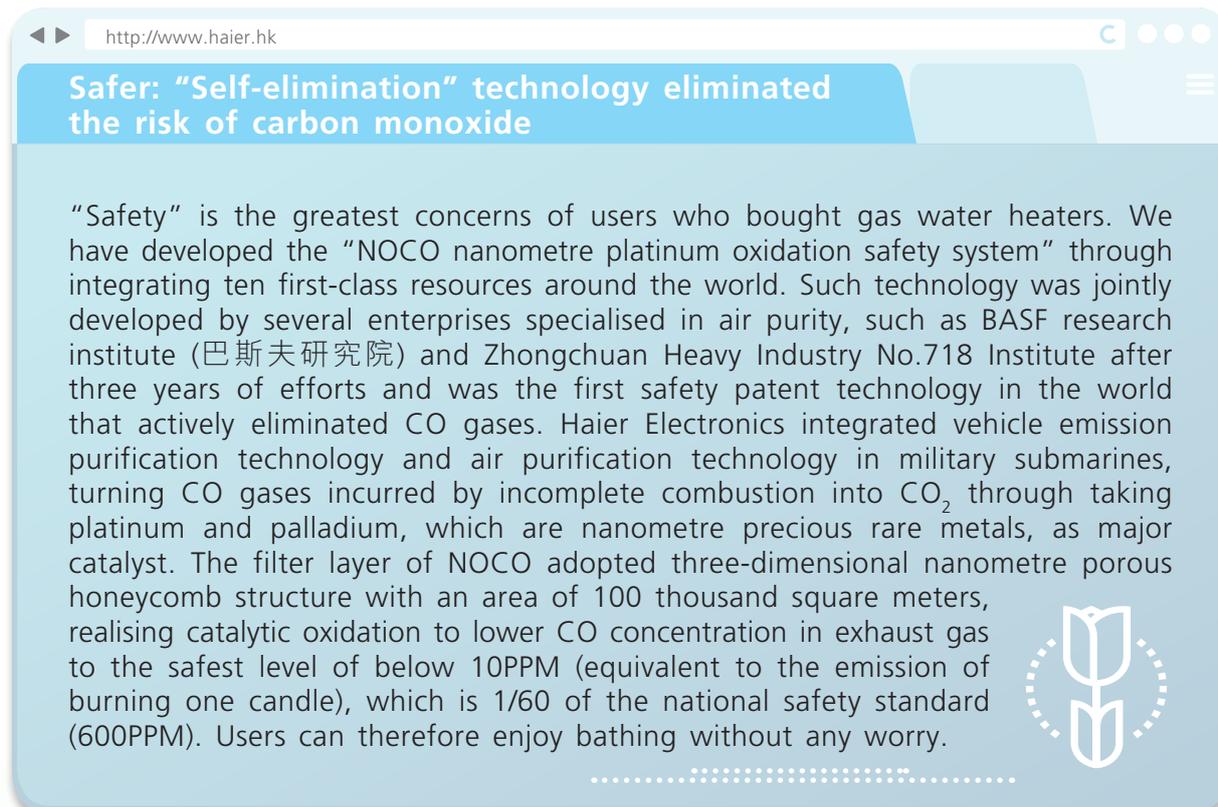
3. Development of innovative products

We provide more attentive, safer and more energy-saving design to customers through zero-distance interaction with users as well as module design and R&D.



More attentive: "Air Wash" technology provided a new solution to high-end garment care

Some high-end garment cannot be cleaned by water washing or dry cleaning, or users are unwilling to clean their high-end garment by dry cleaning. In order to tackle such prevailing problem, we have initially developed a garment care model with micro-steaming air wash. Through studying the influence of humidity, temperature and airflow interaction within the washing machine on stains at different materials of textile clothing, the multidimensional data relationship and control method were formed. We made accurate measurement through sensor and launched relevant washing procedures to realise harmless caring on textile fibre through tiny steam molecules, providing a new solution for high-end garment that cannot be cleaned by water washing and dry cleaning. Air wash can realise sterilisation, anti-mite, colour protection, fluffy, smooth and care on high-end garment, providing a new solution for high-end garment care to consumers.



Safer: "Self-elimination" technology eliminated the risk of carbon monoxide

"Safety" is the greatest concerns of users who bought gas water heaters. We have developed the "NOCO nanometre platinum oxidation safety system" through integrating ten first-class resources around the world. Such technology was jointly developed by several enterprises specialised in air purity, such as BASF research institute (巴斯夫研究院) and Zhongchuan Heavy Industry No.718 Institute after three years of efforts and was the first safety patent technology in the world that actively eliminated CO gases. Haier Electronics integrated vehicle emission purification technology and air purification technology in military submarines, turning CO gases incurred by incomplete combustion into CO₂ through taking platinum and palladium, which are nanometre precious rare metals, as major catalyst. The filter layer of NOCO adopted three-dimensional nanometre porous honeycomb structure with an area of 100 thousand square meters, realising catalytic oxidation to lower CO concentration in exhaust gas to the safest level of below 10PPM (equivalent to the emission of burning one candle), which is 1/60 of the national safety standard (600PPM). Users can therefore enjoy bathing without any worry.



http://www.haier.hk

More energy-saving: "Air source" heating realised a high energy-efficiency ratio (COP) of 6.0

Being the most energy-efficient and safest water heater, air source heat pump water heaters utilise heat energy from compressed air to heat the water. However, traditional air source water heaters have a constraint on the operation environment and the output temperature.

Through our innovation, air source technology has been optimised and thus water heaters can automatically match the optimal frequency according to the temperature of the environment, realising 80°C high water temperature solely by heat pump. Meanwhile, such technology can help water heater products to achieve a high energy-efficiency ratio (COP) of 6.0, far exceeding the national grade one energy-efficiency standard by nine levels.

In 2018, Haier's Tianmu POWER water heater product series has applied such technology and won the 2018 AWE Environmental Awards.



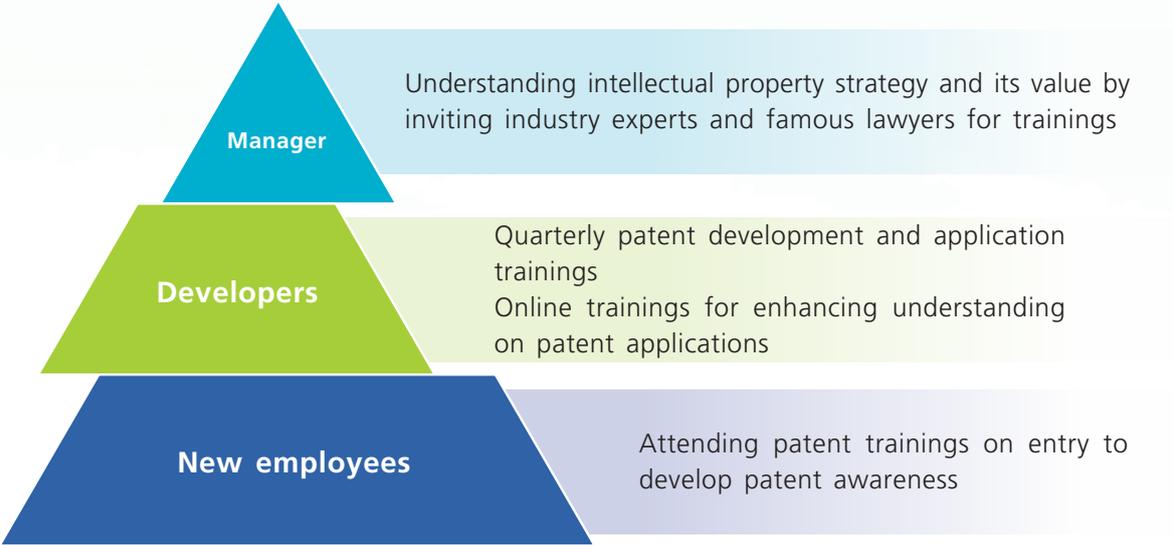
4. Protection of intellectual property

Haier Group was among the first enterprises in the PRC to set up a specialised department to manage intellectual property. Haier Electronics, upholding Haier Group's intellectual property strategy, also insisted on intellectual property strategy focusing on high-quality development and centred on accumulating high-value intellectual property assets and safeguarding global market freedom through adopting the "technology, patent and standard" linked model.

We emphasise the importance of respecting and protecting intellectual property and thus we have established a comprehensive and integrated intellectual property management process and system, developed an information system for intellectual property management as well as formulated and implemented trademark and brand management standards. We protect our intellectual property in accordance with laws and regulations related to intellectual property in the PRC such as the "Copyright Law of the People's Republic of China", "Trademark Law of the People's Republic of China", "Patent Law of the People's Republic of China" and "Measures for the Administration of Domain Names for the Chinese Internet" and other relevant laws and regulations of other jurisdictions, and initiated rights defence actions against infringement of intellectual property rights. We also pay respect to intellectual property of other parties and allied ourselves with outstanding intellectual property rights holders at home and abroad to establish a patent alliance with global competitiveness and influence, with a view to exploring new ways of patent operation and patent capitalisation, and to acquiring the power of discourse over global core and general technologies.

We encourage our employees to invent and create and have established systems such as the "Achievements Formation and Reward System" to provide incentives for patent and invention. We have also enhanced employees' awareness on intellectual property by trainings and publicity.

We have developed a multi-level intellectual property training system:



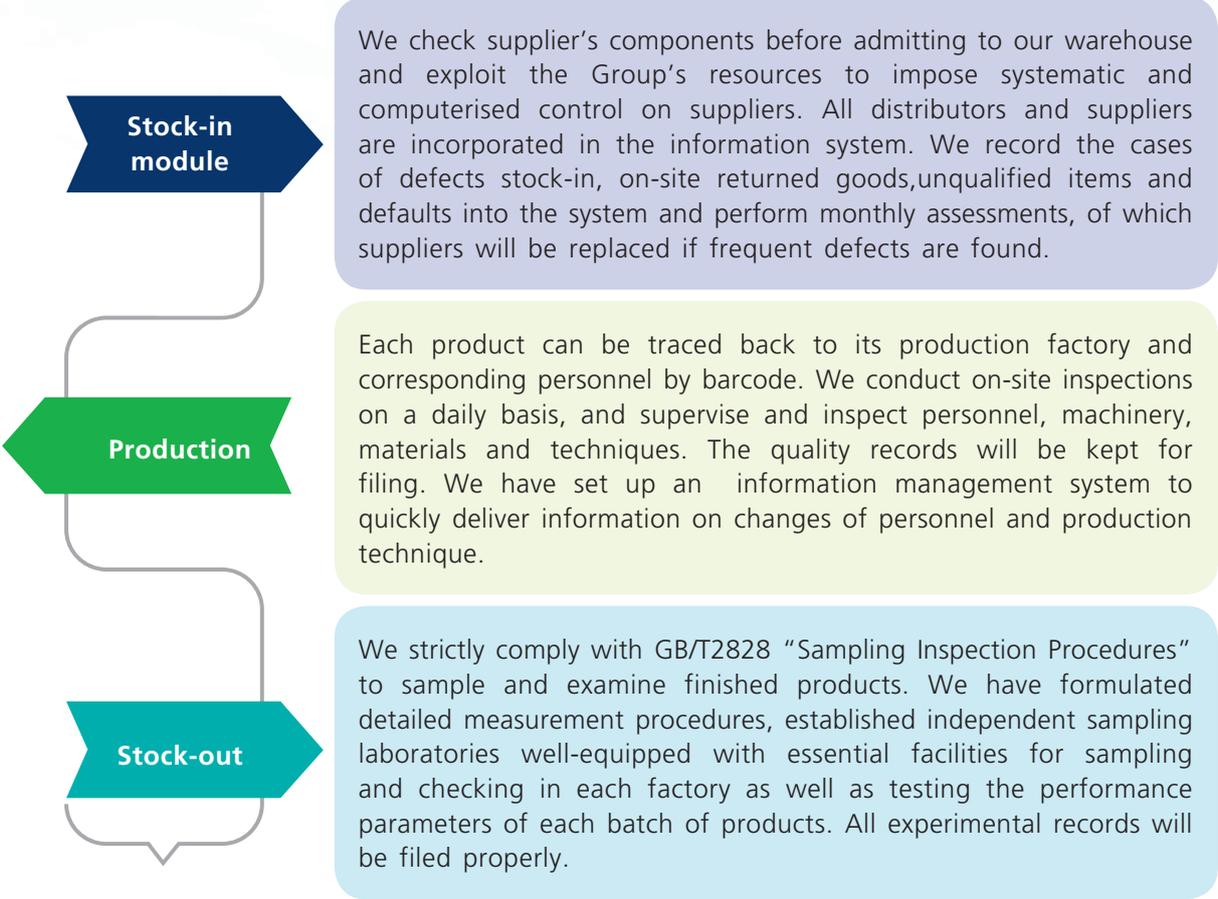
In 2018, more than 800 Haier Electronics' employees attended online or offline patent publicity.

ii. Leading Quality

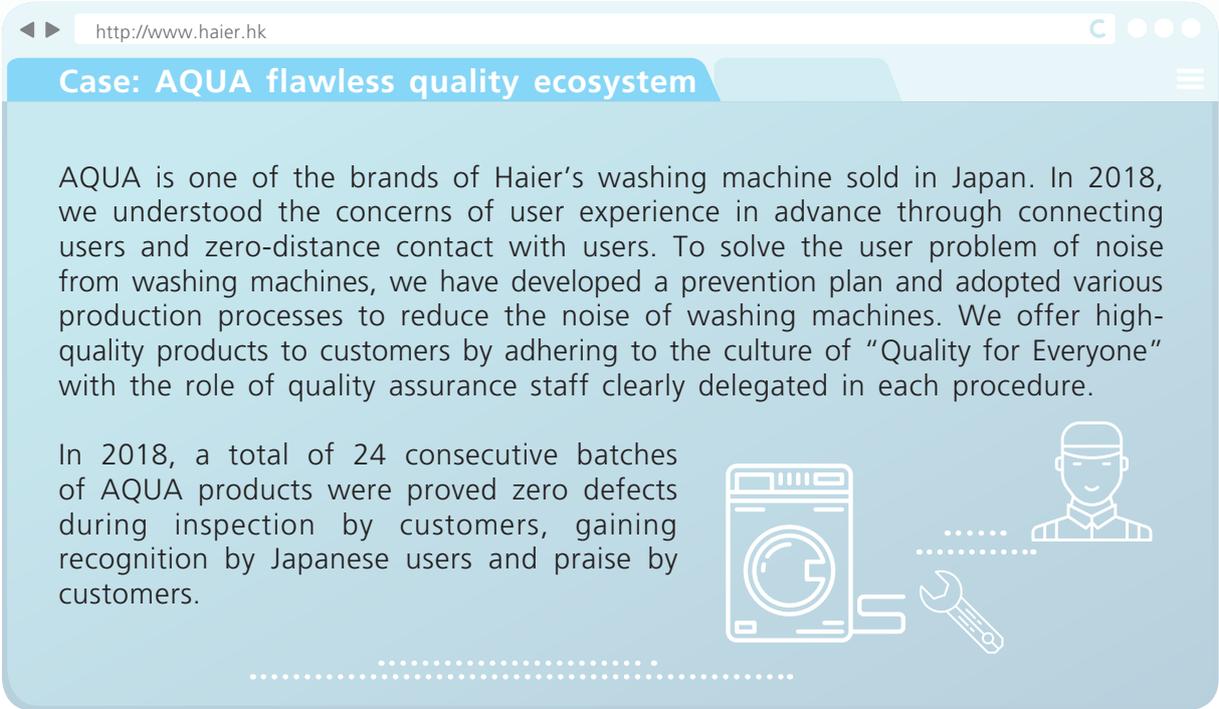
"The first is quality, the second is quality, and the third is also quality". Haier Group has long been concerning quality management and innovation, which has formed a unique Haier quality culture. All of our washing machine and water heater factories have obtained ISO9001 quality management system certification. Several factories that manufacture products for selling overseas have also passed relevant overseas quality system certification.



We have established quality management systems such as the module stock-in inspection procedures and random sample checking management procedures to embed the quality culture of “RenDanHeYi, Quality for Everyone” into the manufacturing process. In 2018, we continued to carry out system review and consolidation for the manufacture of washing machines and water heaters to further optimise the full process quality assurance system. By setting up multiple inspection procedures for the stock-in, production and stock-out of goods, we ensured the on-site quality accountability and implemented a penalty mechanism to ensure the quality of all finished products. We have enacted a sound product recall system and control process in compliance with the “Consumer Protection Law of the People’s Republic of China” and “Management Measures for the Management of Defective Consumer Goods”. In 2018, we achieved the target of zero product recall for our washing machines and water heaters.



We use high-quality materials as much as possible to manufacture products for improving product quality. All modules of Haier’s washing machines are in compliance with the RoHS (“Instructions for Restricting the Use of Certain Hazardous Components in Electrical and Electronic Equipment”). In addition to meeting national and international standards, we understand that users are the final judges of product quality. We transform the demands of customers as the requirements of product quality so that we are able to provide higher standard products to meet customer demands.



The screenshot shows a web browser window with the URL <http://www.haier.hk>. The page title is "Case: AQUA flawless quality ecosystem". The main text reads: "AQUA is one of the brands of Haier’s washing machine sold in Japan. In 2018, we understood the concerns of user experience in advance through connecting users and zero-distance contact with users. To solve the user problem of noise from washing machines, we have developed a prevention plan and adopted various production processes to reduce the noise of washing machines. We offer high-quality products to customers by adhering to the culture of “Quality for Everyone” with the role of quality assurance staff clearly delegated in each procedure." Below the text, it states: "In 2018, a total of 24 consecutive batches of AQUA products were proved zero defects during inspection by customers, gaining recognition by Japanese users and praise by customers." To the right of the text is an illustration of a washing machine, a wrench, and a person's head, connected by dotted lines, symbolizing the connection between the product, maintenance, and user experience.

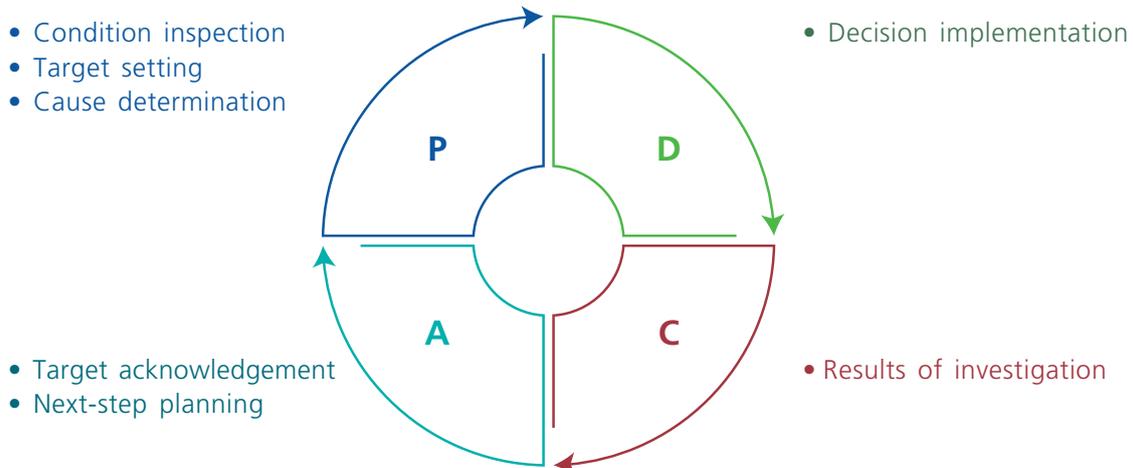
Case: Water heater flawless liner ecosystem

In 2018, with an aim to tackle user problems, Haier's water heaters integrated excellent external resources and continuously optimised liner techniques in the whole process of production. Water heaters were upgraded from three seams to one seam, and ultimately achieved seamless welding. Technological procedures such as etching technique were also upgraded. Meanwhile, we continuously improved our inspection methods. Water testing was upgraded to waterless pressure testing, and ultimately upgraded to non-destructive nitrogen and hydrogen testing technology to improve the efficiency of testing. Multi-channels and multi-dimensional techniques have been adopted to create an industry-leading flawless liner ecosystem.



We organise quality competitions regularly to enhance the quality awareness of our employees. We have established the Six Sigma quality improvement team to carry out quality improvement projects in respect of the issues reflected by the market. In addition, we provide quality trainings on Six Sigma to continuously improve the quality of Haier Electronics' products.

Workflow of Six Sigma team



IX. INTELLIGENT LOGISTICS — SERVING DREAM HOMES

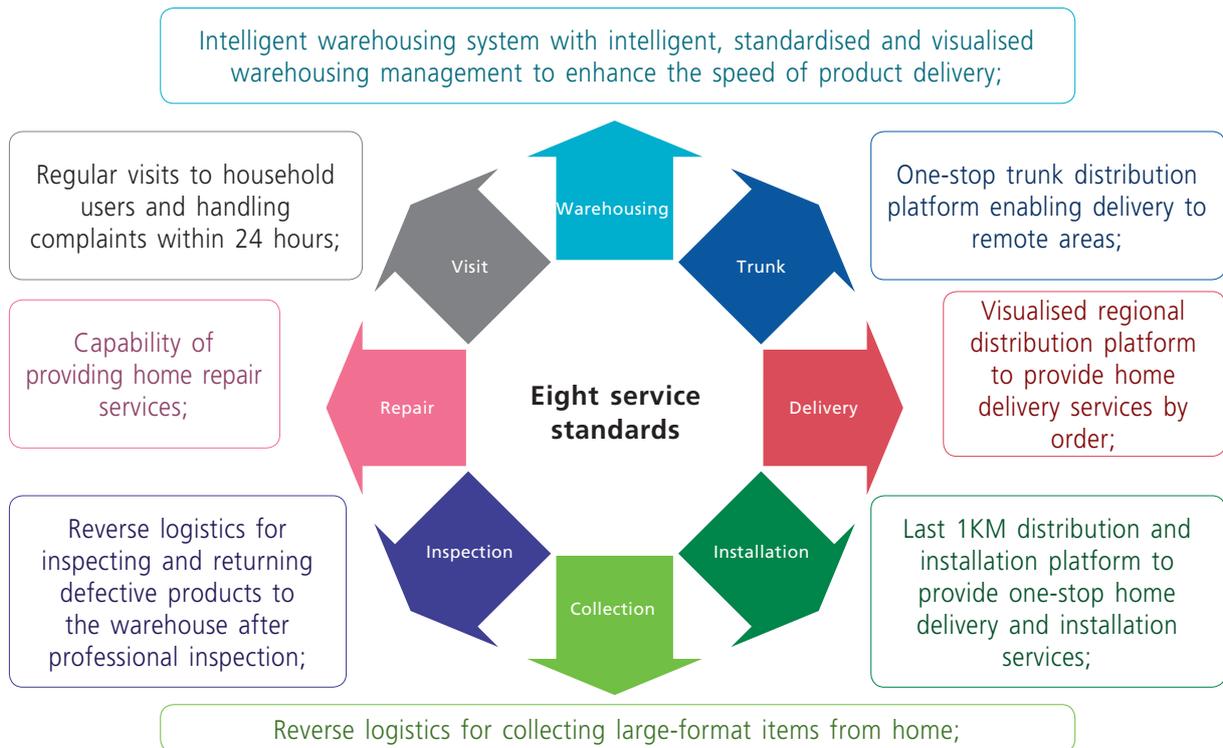
With advanced management concepts and logistics technology, Haier Electronics has effectively integrated first-class global network resources to erect a professional, standardised and intelligent service platform for large-format logistics. By incorporating Internet of Things and sensor network with the existing Internet, we manage to provide heartfelt services for users via full process solutions from warehousing, distribution to installation in one go. We have staunchly adhered to give the best experiences to users by deploying the core-competitiveness of the four-core networks that integrate warehousing, distribution, servicing and information to establish scenario-based services. To transform and upgrade the “last 1KM” delivery and installation services to cater for the “leading 1KM” community, we succeed in building full process and diversified logistics services to meet user demands.

Key Performance Indicators

We launched the **FIRST HIGH-END LARGE-FORMAT PRODUCT** intelligent warehouse **IN THE PRC**

i. Intelligent Warehousing and Logistics

In 2018, the Group continued to optimise the large-format logistics standards covering “warehousing, trunk, delivery, installation, collection, inspection, repair and visit” to provide high-quality services for users. By introducing new technology and continuously improving the capability of warehousing and logistics, we have created a scenario-based logistics ecosystem and offered customised logistics solutions.



In 2018, Haier Electronics continued to lead the large-format logistics industry. We pioneered the construction of the first intelligent warehouse for large-format logistics in the PRC and launched the nation’s first high-end intelligent warehouse for large-format products in Hangzhou, thereby improving delivery services effectively and also laying the foundation to complete the “first large-format order” for the Tmall Double 11.

Case: Launch of the first large-format product intelligent warehouse for intelligent logistics

In the large-format logistics sector, there is always a blind spot for automated operation as the existing automated equipment is difficult to fulfil the requirements for delivering large and heavy products with diverse packaging specifications. In the intelligent warehouse located in Hangzhou, we do not see any workers moving goods busily in and out, but instead, there are numerous automatic guided vehicles (AGVs) carrying goods orderly inside the warehouse.

In the intelligent warehouse, the whole process of goods storage, deposit and pick and out-of-warehouse is completed under the guidance of computation. Leveraging on the computerised procedure, AGVs can automatically carry goods inside the warehouse and the computerised system can accurately calculate the space required to take the goods on shelves, thereby realising an effective utilisation of warehouse spacing. The space utilisation rate of the Hangzhou intelligent warehouse has been increased by 3 times as compared to those traditional warehouses. While the heavy and huge-sized large-format goods could be damaged easily by workers in the course of distribution, the automated delivery carried by AGVs can avoid goods falling on the floor and thus have effectively minimised the damage rate of goods, leading to zero loss with assured product quality.

Consumers can place orders on the e-commerce platform and then the operation centre of the Hangzhou warehouse will receive the order information on a real time basis. Leveraging on the automated operational workflow, the ordered goods will be taken out from the physical shelves, packed, verified with ordered information and distributed to the outgoing goods platform under an automated process, thus effectively improving the efficiency of the whole process by 66% and achieving almost 100% accuracy in sorting of goods. Once the goods are ready, drivers can follow the information displayed on the big screen outside the warehouse to pick up the goods and follow the best distribution route planned by the system to distribute the goods to users on time.



Aerial view of the intelligent warehouse

We have developed the intelligent distribution system with intelligent logistics vehicles as the interface supported by computerised data to help the logistics enterprise and delivery staff to evaluate and make accurate decisions, thereby creating a mobile, green and intelligent logistics network. Leveraging on its huge data capacity, capability of handling data and intelligently deploying

delivery vehicles for the goods as well as providing supply forecast, the intelligent distribution system enables the interconnection among personnel, vehicles, shops and warehouses that optimises the distribution routes for logistics vehicles and provides sophisticated and fast logistics distribution services for users.

ii. Promoting Industry Development

We continuously take a proactive approach to foster the development of the logistics industry and collaborate with business partners to erect the ecosystem of intelligent logistics. Since 2016, we have set the “China Intelligent Logistics Brand Day” on the 6th of May every year and organised a series of logistics brand events on the brand day and invited logistics associations, research institutes, leading industry enterprises and technological suppliers to participate in different symposia to discuss and exchange views on the latest logistics development, including interpretation of national logistics policies, updates on the latest logistics trends and sharing practical operation experiences, thereby rendering support for the innovation and future development of the logistics industry.

http://www.haier.hk

Case: Establishment of the “Smart Ecological Logistics Brand Alliance”

In 2018, the 3rd Intelligent Logistics Brand Day was held in Beijing with the theme of “trustworthy ecology and smart Internet of Things”. The “Smart Ecological Logistics Brand Alliance” was formed by the participants from prominent logistics service providers, e-commerce platforms and brand business representatives, including Haier Group, China Railway Express, Cainiao Network, Jinan Gaosheng Logistics, DHL, Gooday Logistics, Xiaomi Technology, China Master Logistics, Hikvision, Llamasoft, Polycom, ITL Logistics and BYD (Shaoguan) to create the new and mutually beneficial ecosystem in the logistics sector.



The Intelligent Logistics Brand Day

The principle of the “Smart Ecological Logistics Brand Alliance” is based on “integrity, quality and ecological collaboration”, bringing together industry players from other sectors covering logistics, smart manufactures and capital stakeholders to create a new ecosystem featured in borderless innovation. On the one hand, the “Smart Ecological Logistics Brand Alliance” will act as the “super connector” to extend its social value by undertaking the social responsibilities of logistics enterprises to initiate a new trend of integrity to facilitate the sustainable development of the logistics industry. On the other hand, the alliance will continue to enlarge user values by serving users with the best products and service experience to enrich their living.

X. CONNECTION NETWORK — REACHING EVERYONE

We are committed to assuming our social responsibility to take care of each individual.

We pay attention to the needs of each user and strive to be their “good neighbour”. With our unremitting efforts in enhancing the communication with and care for our users, we are pleased to offer them satisfactory experiences through our extensive channels and dedicated services, thereby upholding the excellent service commitments of the Group. We realise that the essence of social and public welfare is not only donation and aid, but also the empathy and concern for other people’s situations in addition to material contributions. To accomplish our target of providing quality and hearty social and public welfare projects for the community, we will continue to encourage other practitioners to join us and convey our love and care for those people in need so that a charitable ecosystem can be created for benefiting the society as a whole.

Key Performance Indicators

Service Performance

Haier Electronics achieved a customer complaints resolution rate of **100%**

Overall satisfactory rate of washing machine users reached **98%**

Overall satisfactory rate of water heater users reached **99%**



Charity Performance

“Gooday Logistics maker training camp” created **56** entrepreneurship tasks and **27** entrepreneurship projects have been nurtured

“Young Dreamers” held **476** “assisting dreams” activities in total and donated to **86** libraries

“Let’s hug, dad” covered **59** regions, **118** cities and recorded **300,000** offline exhibition visitors



i. Users Come First

1. Customer care

In 2018, we upgraded the HCSP customer service system that had been used for 15 years and officially launched the first Haier Customer Care (HCC) system that fully integrates to the Internet of Things network. The HCC system has reformed the service process, creating 3 innovative models, 17 business innovations, 22 optimised targets and 126 key measures. The HCC has inaugurated a new model of service system that can support “six online functions”, namely online order seizure, online visualisation, online evaluation, online payment, online salary payment and online interaction on top of the closed service information system in a bid to provide the full process service experience for users.

Business Innovation

The HCC system has innovated in the aspects of “visualisation in whole process of services”, “online evaluation”, “online payment” and “online order seizure”, realising the fully intelligent operation of visualised content in the whole process of services and achieving the interconnection of big data.

Structural Innovation

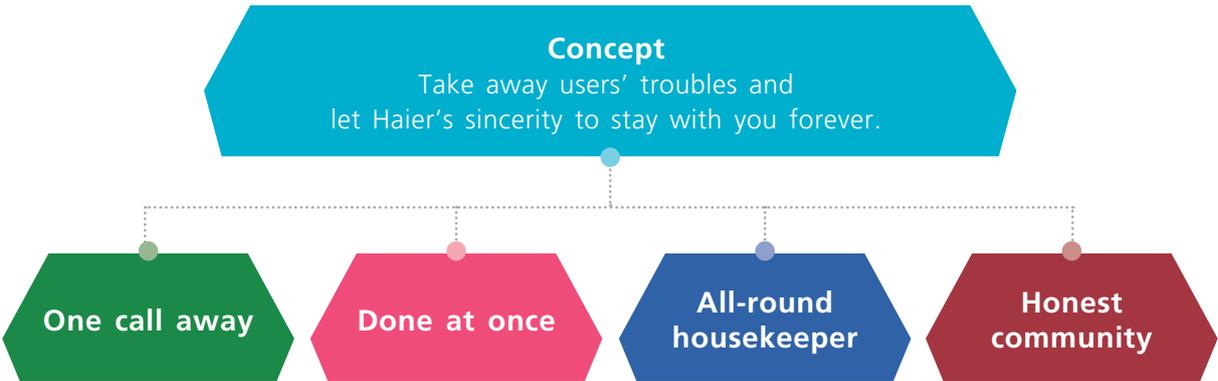
As the system of the last generation was unable to support up to 200 million Haier users, the HCC system was the first to use customised modules for solving industry problems.

Industry Innovation

We upgraded 3 mobile terminal APPs to connect the user terminal, service terminal and stakeholder terminal to build a zero-distance interactive platform that realises the establishment of a complete ecosystem to achieve a win-win situation for all parties.

We formulated internal management procedures such as the “Abnormal Information Investigation and Closed-System Procedure” to achieve track management for the order of each customer in a bid to enhance customer satisfaction. In case of product issues, customers can contact us through various online and offline channels including telephones, WeChat, user terminals, shopping malls and e-commerce channels. We undertake to monitor the handling process for each complaint and record the completion date and user satisfaction level.

Our comprehensive maintenance and evaluation system being adopted and optimised throughout the years has developed into the “top-notch service norms” of Haier Electronics. To ensure that each of our service team member is familiar with the service standards and technical skills, we have developed the iService system that provides a mobile platform to render digital, mobile, fragmented and personalised services for our service providers and service team members to receive online learning, upgrade, interaction and remote support. In 2018, there were 16,000 and 17,000 service team members engaged in providing after-sales services for water heaters and washing machines, respectively. We offered more than 40 hours of training time for each member.

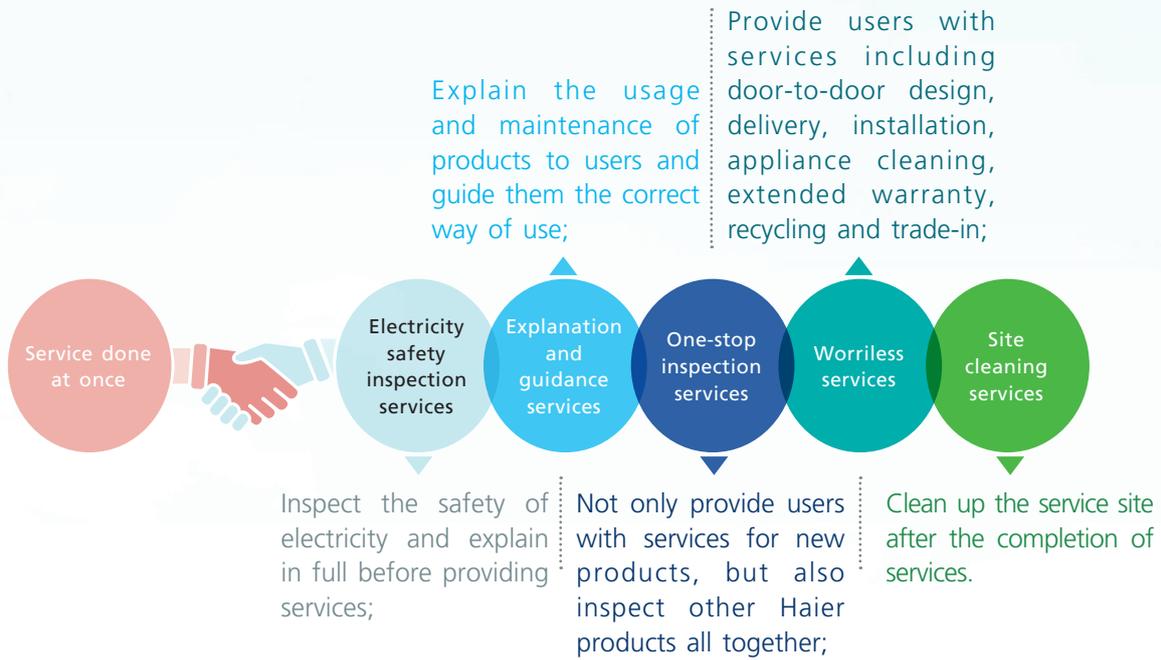


Top-notch service norms

We have further implemented the requirements of the “12345 service norms” and provided “1+5 full set services” for customers and also imposed a stringent demand on service quality by implementing the “Ten dos” and “Ten don’ts”. We have equipped all service team members with the “Service Standards Implementation Handbook”, full tool kit and related materials, serving to provide professional services for our customers.



12345 service norms



1+5 full set services

In early 2018, we officially launched the first-ever mobile service station modified from special vehicles in the logistics sector. The stations are equipped with spare parts of home appliances and tools ready to provide immediate on call services for customers. With the capability of reaching the community immediately in response to the demand for services, the mobile service stations have greatly improved the efficiency of services and can solve the three long-standing problems of “slow home services”, “repetitive home services” and “inconsistent service quality”.

http://www.haier.hk

Case: Transformed service outlets into mobile “treasure chest”

Aunt Sun (孫阿姨), a user in Nanchang, Jiangxi Province, had used a water heater for 8 years. She did not know how to clean the dirt inside the water heater that accumulated during such long time of usage, and called the customer hotline of Haier for help. It was unbelievable for Aunt Sun when the service team of Haier could quickly come and knock the door in less than 20 minutes after calling. After checking the staff card of Yan Junteng (嚴俊騰), a service team member, she quickly opened the door and let him in.

To relieve the Aunt Sun’s astonishment, Yan explained: “Aunt Sun, you can trust our services because we now have a mobile service station in your community to provide immediate services for users in need.” Therefore, Aunt Sun understood the situation. After wearing the shoe covers, Yan began to clean the water heater skilfully. During the cleaning process, he found that the Aunt Sun’s water pipe had rusted and reminded her to replace it. When Aunt Sun was wondering where to buy the pipe and how to choose the model, Yan took a new water pipe from the mobile service station and quickly installed it for her. In view of the professional and all-round services, she thankfully said: “The mobile service station is really a mobile treasure chest. The service was fast and good with one step in place!”



In 2018, the resolution rate of customer complaints of Haier Electronics was 100%. The overall satisfactory rate of washing machine users was 98%, and the overall satisfactory rate of water heater users was 99%.

2. Interconnected channels

We aim at becoming the “good neighbours” of our users by exploiting the products as our tools and services as the performing stage to interpret its value. With our layout of convenient specialty stores and logistics channels to provide more attentive and effective services to meet the needs of users for better living, we have created a warm service brand for the Group. Moreover, we have fully utilised the connection role of our brand to reach the users by providing free and value-added services in the community, exploring creative living interaction among community users and finally enriching their social life as a whole.

Case: "Love To Home" conveyed our warm brand identity



In 2018, Haier specialty stores launched the "Love To Home" services to utilise the brand to connect with the community by providing free and value-added services, exploring creative living interaction among community users and finally enriching their social life as a whole.

We established the "6L of Love To Home" service standard covering "Healthy L, Comfortable L, Heartfelt L, Convenient L, Educational L and Charitable L". Based on the word of "Love", the 6L service standard can fully meet the rational and emotional needs of users. For instance, "Healthy L" provides cleaning services of home appliances for community users, bringing a healthy home to users. "Comfortable L" focuses on users' needs of clothing care by offering users a full-process solution covering free laundry services by using Haier washing machine's air wash function, high-end clothing care services and small class lesson for exquisite care clothing, thereby bringing consumers new and comfortable experiences. "Heartfelt L" aims to render generalised knowledge for users to solve their problems usually encountered at home. Our outgoing services offered to the users and communities can not only enable users to better experience Haier's products and services, but also establish our brand reputation further.



Case: Just 12 minutes to finish the first large-format order

While the annual shopping carnival was in full swing on 11 November 2018, Mr. Liu from Putuo District, Shanghai bought a Haier product at Tmall. Wang Jiagang (王加刚) and Yu Yong (余勇), the service team members of Gooday Logistics of Haier Electronics, completed the delivery of this order in just 12 minutes.

This was the first distribution of large-format goods at the 2018 "Tmall Double 11 Global Carnival", as well as the first large-format order on "Double 11" secured by Gooday Logistics for the fifth consecutive year.



3. Privacy protection

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

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

- Cancel the information export function of the front-end system;
- Adopt a strict identity verification system for the Intranet and monitor and block the USB interface;
- Prohibit the HCC system from extracting a full set of user contact information;
- Empower the system to record all voucher remittance;
- Special request for a large amount of user data must be reviewed by the Group and transferred in a unified manner;
- Sign the "Non-Disclosure Agreement" or "Personal Confidentiality Agreement" with external cooperation companies and individual partners to require them to strictly control user information in a bid to prevent information leakage;
- Sign a "Special Agreement on Integrity" with distribution service providers and acted in compliance with the relevant provisions of the "Provisional Regulations for Express Delivery" to implement confidentiality measures on user information.

ii. Charity

We believe that a great society is the foundation of great business. By creating a platform to communicate with the communities and listening to their expectation and demand, we actively assume our social responsibility and engage in social and public welfares, rewarding the society with sincerity.

We believe that good education is the key to enhance the overall quality of the society, sustaining the long-term, rapid and steady development of the PRC. By the end of 2018, Haier Group had invested more than RMB100 million in building a total of 286 Hope Schools (285 Hope Primary Schools and 1 Hope Secondary School), covering 26 provinces, municipalities and autonomous regions in the PRC. We also embrace and undertake Haier's public welfare philosophy, helping poverty areas in the PRC to establish basic education facilities as well as improving the conditions of school operation in under-developed areas.

Case: Gooday Logistics donated books to Hope Schools

In 2018, on the occasion of the coming of the Children's Day on 1st June, more than 100 books with blessing were brought to the Haier Hope Primary School in Licha Town, Jiaozhou City, Qingdao by the Gooday Logistics Labour Union and League Committee. Licha Town Haier Hope Primary School is located in the southwest of Jiaozhou City, bordering Jiaonan City and Zhucheng City where a total of 10 villages were governed in two communities. The families of the students in the area are mainly engaged in agriculture, and most of the children study in Licha Town Haier Hope Primary School. There are 1 to 5 grades at Licha Town Haier Hope Primary School with one class for each grade and approximately 150 students in total.



At the donation ceremony, all the teachers and students of Licha Town Haier Hope Primary School expressed their heartfelt thanks to Haier Group and Gooday Logistics. With the donation of books, Gooday Logistics had conveyed the love and care of Haier to the students. We hope that all students of Licha Town Haier Hope Primary School can improve and widen their scope of knowledge literally, taking this event as the driving force to study hard and achieve outstanding performance to reward the society.

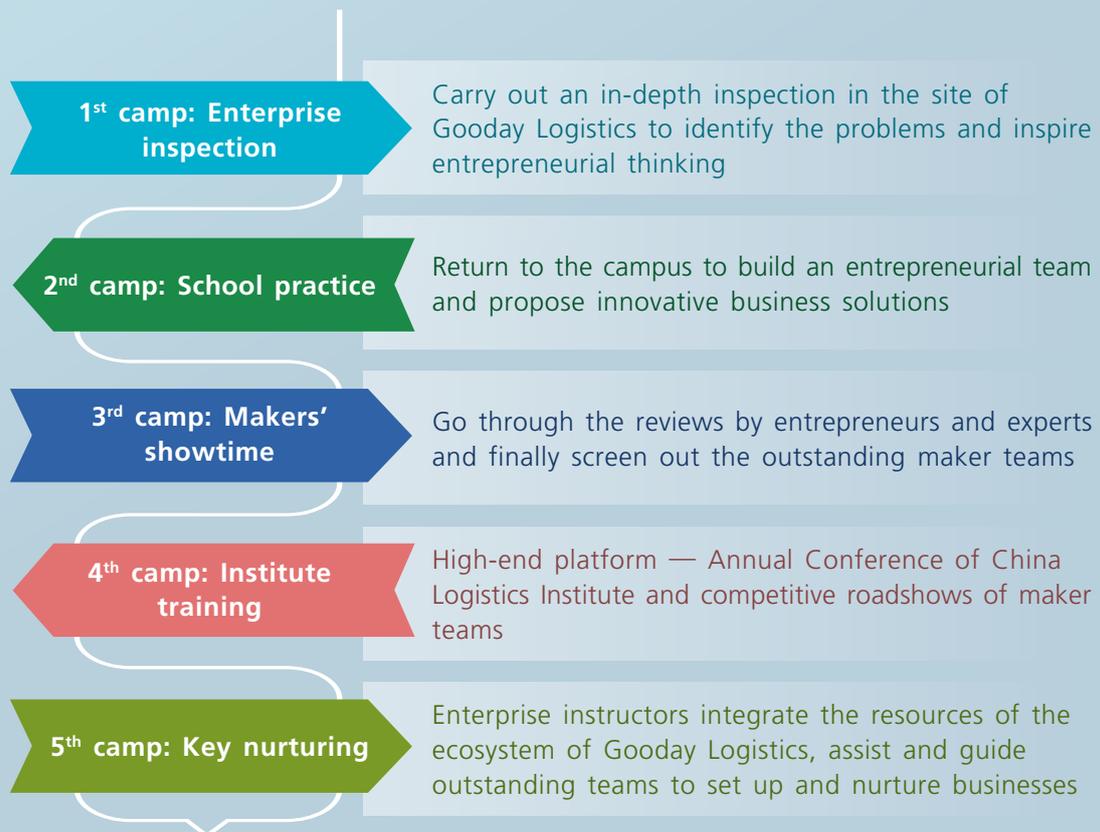
We believe that nurturing outstanding industry talents is the driving force to promote the creativity of the sector and in turn foster the continuous development of the society. In response to the national "innovation and entrepreneurship" initiative, we have established a campus platform to attract makers and introduced such platform into more than 20 top-ranking colleges to attract college makers with entrepreneurial ideals to establish small and micro businesses. Since 2016, the logistics business segment of Haier Electronics has started to organise the "Gooday Logistics maker training camp" in a bid to achieve resource integration from various fields, nurture talents in terms of innovation and entrepreneurship for the logistics industry and promote the educational transformation of "production, study and research" in colleges and universities. In addition, this training camp can provide the opportunity for college and university students to enter the intelligent logistic industry and create an open, collaborative and mutually beneficial innovation and entrepreneurship platform for logistics students.

Case: The 3rd Gooday Logistics maker training camp

The 3rd Gooday Logistics maker training camp jointly organised by Gooday Logistics and China Society of Logistics was launched on 7 August 2018 in the Haier Global Innovative Model Research Centre. Based on the previous two training camps, the 3rd Gooday Logistics maker training camp continued to upgrade and build a new entrepreneurship ecosystem with “larger ecology, wider community, deeper experience and stronger implementation”, attracting approximately 300 college students from 21 colleges and universities across the country to join the event.

The activity aimed to stimulate creative thinking, motivate entrepreneurship and activate the dreams of makers. The training camp was based on the problems related to large-format logistics of household living to encourage participants to come up with entrepreneurial, innovative and creative business solutions derived from the three major directions of “enhancing the experience of end-users”, “improving operational efficiency and quality” and “innovating the business model of logistics”.

Participating college students joined five training camps to form teams, design plans and finally realise the dream of entrepreneurship.



By the end of 2018, the 3rd Gooday Logistics maker training camp has created 56 entrepreneurship tasks, in which 27 entrepreneurship projects have been nurtured and 17 national patents are under application, and a total of RMB3.80 million have been invested.

We believe the passion and love of charity can be extended and transmitted to reach more people. We have exploited the channels of Haier specialty stores to establish the network for charitable services. With the three network platforms including the million micro stores of Shunguang, the Haier Membership Centre with over 100 million members and the WeChat public accounts of our specialty stores, we can connect our stores with users. Through charity activities such as “Young Dreamers” and “Let’s hug, dad”, we have created a warm connection. By aligning internal staff members with external caring people, we have established a systematic charitable ecosystem.

http://www.haier.hk

Case: Young Dreamers

Teenagers are the future and hope of the nation. The attitude towards teenagers reflects the attitude of a nation and country towards the future. Haier specialty stores initiated the “Cultivating dreams with endless love” Young Dreamers activity focusing on caring the issues of teenagers, their dreams and families, thereby launching charity activities across the country.



Young Dreamers concerns about the spiritual and cultural development of teenagers in two aspects. For teenagers living at poor regions, hardware assistance and software enhancement are provided to schools in a bid to achieve precise poverty alleviation. For teenagers in developed regions, talent competitions are organised to create a talent cultivation and development platform. In 2018, specialty stores in various regions organised 476 dream assistance activities such as the Young Dreamers Blue Wing action and Young Dreamers football matches, and donated to a total of 86 libraries.

In 2018, Haier specialty stores collaborated with the China Youth Development Foundation to hold the “My Future Home” thematic painting activity and jointly organise the national children painting competition for Haier Hope Primary Schools. A total of 52 Haier Hope Schools participated in the competition and the number of paintings amounted to 3,228.



Case: Let's hug, dad

The charity activities of Haier specialty stores paid particular attention to left-behind children and organised the "Let's hug, dad" activities by launching dream assistance activities to enable left-behind children to gather with their parents away from home during the summer vacation every year. Since the launch of this event in July 2017, the event had covered 59 Haier branch centres, reaching 118 cities and covering a distance of 104,200 km.



In 2018, in order to enhance the effectiveness of the event and benefit more left-behind children, we upgraded the "Let's hug, dad" activity. Based on 33,000 specialty stores across the country, we created warm public welfare connections by building an interconnected system to link up with the stores and setting up dream stations by using Haier specialty stores as the platform to connect children with their parents, which in turn made public welfare activities becoming part of the daily life. We launched the "Let's hug, dad" offline exhibition in Shenzhen and Shanghai and recorded 300,000 visits, creating a wide coverage of resonance and attracting up to 12 million followers. We also launched the event with six authoritative media organisations and nearly 100 high-profile enterprises to further promote the event, obtaining up to 150,000 followers on Weibo and 240,000 followers in WeChat.



We also set December each year as the "Thanksgiving Month" of Haier specialty stores and all of the stores across the country organise various kinds of social welfare activities to reward the community in this month.

Part of charity activities organised by specialty stores in the charity month

- Haier specialty store at Ludian collaborated with the Ludian County Trade Union, visited and showed concern to sanitary workers of the county, who are “the most beautiful people of the city”. Service stations were set up to provide hot water, non-staple food, microwave ovens and vacuum cups, serving sanitary workers in the course of their work for more than 100 times.
- Haimeng Haier specialty store at Xinzhou visited and delivered thanksgiving materials amounted to RMB50,000 to more than 50 poverty-stricken households in Qicun Town.
- Haili New Haier specialty store at Datong visited and showed concern to 120 policemen who were on duty in the cold winter.
- Tianyuan Yinying Haier specialty store at Yangquan contributed 150 sets of warm-keeping materials to sanitary workers.
- Haidashun Haier specialty store at Lingshi donated RMB70,000 worth of aids and materials to 450 traffic policemen in the county.
- Bada Haier specialty store at Zhongyang donated RMB50,000 of materials to the poverty-stricken families of mountainous areas to its hometown for poverty alleviation.
- Huibo Haier specialty store at Yuncheng visited and showed concern to senior citizens of 60-year-old or above in Xujia Village, Chepan Township.



APPENDIX

i. Hong Kong Stock Exchange ESG Reporting Guide Content Index

ESG Guide Content		2018 ESG Report	
Environmental	A1 Emissions	General disclosure	P26–37
		A1.1 The types of emissions and respective emissions data.	P29–37
		A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P32, P37
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P32, P37
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P32
		A1.5 Description of measures to mitigate emissions and results achieved.	P29–37
		A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P29–32
	A2 Use of Resources	General disclosure	P29–37
		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).	P35, P37
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P35, P37
		A2.3 Description of energy use efficiency initiatives and results achieved.	P32–37
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P32–37
		A2.5 Total packaging material used for finished products (in tonnes), if applicable, with reference to per unit produced.	P35
	A3 The Environment and Natural Resources	General disclosure	P26–37
		A3.1 Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	P26–37

ESG Guide Content

2018 ESG Report

Social

Social	B1 Employment	General disclosure	P18-37
		B1.1 Total workforce by gender, employment type, age group and geographical region.	P19
		B1.2 Employee turnover rate by gender, age group and geographical region.	The Group plans to conduct detailed management and makes future disclosure accordingly.
	B2 Health and Safety	General disclosure	P38-42
		B2.1 Number and rate of work-related fatalities.	During the Reporting Period, the Group had no fatality caused by work-related accident.
		B2.2 Lost days due to work injury.	During the Reporting Period, the Group had no cases of work-related injury.
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P38-42
	B3 Development and Training	General disclosure	P21-23
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management and middle management).	The Group plans to conduct detailed management and makes future disclosure accordingly.
		B3.2 The average training hours completed per employee by gender and employee category.	P21
	B4 Labour Standards	General disclosure	P20
		B4.1 Description of measures to review employment practices to avoid child and forced labour.	P20
		B4.2 Description of steps taken to eliminate such practices when discovered.	During the Reporting Period, the Group did not employ any child labour or forced labour.
	B5 Supply Chain Management	General disclosure	P43-55
		B5.1 Number of suppliers by geographical region.	P50
B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		P43-50	

ESG Guide Content		2018 ESG Report	
Social	B6 Product Responsibility	General disclosure	P56-75
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	During the Reporting Period, the Group had no product recall.
		B6.2 Number of products and services related complaints received and how they are dealt with.	P69-72
		B6.3 Description of practices related to observing and protecting intellectual property rights.	P61-62
		B6.4 Description of quality assurance process and recall procedures.	P62-65
		B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P74-75
	B7 Anti-corruption	General disclosure	P10-12
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	During the Reporting Period, the Group had no cases regarding corrupt practices.
		B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	P10-12
	B8 Community Investment	General disclosure	P75-80
		B8.1 Focus areas of contribution (e.g. education, environmental affairs, needs of labour, health, culture and sports).	P75-80
		B8.2 Resources contributed (e.g. money and time) to the focus area.	P75-80

ii. Compliance with Major Laws and Regulations

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