

Haier 海尔

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

Stock Code : 01169

PROSPERING INTELLIGENTLY AND
SAILING GREEN

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE REPORT **2017**



* for identification purpose only

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PREFACE



About the Report

This is the second Environmental, Social and Governance Report (hereinafter referred to as “ESG Report”) of Haier Electronics Group Co., Ltd. (hereinafter referred to as “we”, the “Group” or “Haier Electronics”), covering the efforts made by the Group from 1 January to 31 December 2017. This report comprehensively illustrates Haier Electronics’ environmental and social performance and management approach in 2017, and focuses on the matters that stakeholders concern about, as well as how the Group achieved economic, environmental and social sustainable development.

In the preparation of this report, we strove to ensure information disclosed herein fulfil the four principles of materiality, quantitative, balance and consistency as required by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

Scope of the Report

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

Basis of Preparation

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

Source of Information and Reliability Assurance

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

Confirmation and Approval

After obtaining confirmation from the management, this report was passed by the Board of Directors on 26 June 2018.

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 under the category of “Financial Statements/ESG Information” of Haier Electronics or the Company’s website.

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

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DIALOGUE WITH CHAIRMAN

Riding on the wind, we set sail; braving wind and waves all the way. During 2017, Haier Electronics Group Co., Ltd. once again achieved breakthroughs in revenue and profit, and released on schedule the Group's second "Environmental, Social and Governance Report". In spite of changes in the market and the changing customer needs, our commitment to innovation and adherence to user value has never changed, and our mission of delivering a China-based world-class brand to consumers around the world is eternally renewed. We not only strive to become an industry leader, but are also committed to becoming an advocate for global green sustainable development. We have unremittingly pursued humanistic value, quality of products and services, green supply chain enhancement, environmental protection and social contribution, strived to promote the extension of environmental, social and governance responsibility concepts to all aspects of corporate operation, and actively coordinated in the formulation and implementation of various types of sustainable development policies and issues via the Environmental, Social and Governance Executive Committee and its working group.

Our harvest cannot be achieved without the hard work of each and every employee. After many years of practicing the "Individual-Goal Combination (Ren Dan He Yi)", it is well proven that the merging of values of individual ("staff") and goal ("users' value") can fully stimulate passion and creativity of our staff, making staff to become the Group's internal entrepreneurs and partners while achieving users' value, thereby letting them to realize self-value. On this basis, we provide employees with a safe and harmonious working environment, a variety of caring activities, and guide them to actively pursue the realization and breakthrough of humanistic value through comprehensive trainings and promotion guidance systems, so as to cultivate more industry talents and support the development of the enterprise and the industry.

In 2017, we continued to deepen the transformation of the green service platform. Currently, we have had the "green development" strategy implemented in product design, production processes, logistics and transportation, and daily operations. We take the "green" economy as a new path for corporate development. We adhered to the principle of high technology content, low resource consumption, and low environmental pollution throughout the entire process of supply, production, sales, distribution, and service.

In view of the extremely fierce market competition environment in China's home appliance industry, we have increased our investment in R&D and innovation of core products and services, and supported innovation as the lifeline of the Company. Through technical means, we have built with suppliers and distribution partners innovative alliances centered on sharing and collaboration. On the basis of promoting smart logistics and intelligent warehousing, we have integrated global user resources and global supply chain resources to build and develop an environmental friendly, socially harmonious green industrial chain.

We are committed to becoming a responsible, friendly and trustworthy good neighbor. We take the initiative to shoulder the responsibility of giving back to society and continue to run the "Training camp for makers" to provide college students with a convenient and efficient entrepreneurial platform. We also actively participated in various social welfare activities covering cultural education, public welfare relief, charitable poverty alleviation, caring for children, environmental protection, and various other sectors, and built excellent public welfare programs such as "Young Dreamers (少年梦想家)" and "Running China (燃跑中国)". All these adequately demonstrated our demeanor in taking responsibility in leading companies to contribute to society and promote social and emotional communication.

Looking ahead to the future, we are filled with confidence. Amid the market environment of consumption upgrade in China, consumers are increasingly demanding about product quality and personalisation, which brings new challenges and opportunities for our global design standards and service quality. In the future, we will continue to innovate and collaborate, commit to creating a complete smart household water ecosystem, provide users with washing machines, water heaters, water purifiers and water solutions for the entire house, further promote the transformation of the green service platform. Meanwhile, we will respond to the ever-changing customer needs, upgrade our distribution channels and smart logistics system, and create an online and offline interactive network platform that sharing connection anywhere and anytime with users, so as to pursue the long-term stable development of the Group through customers' satisfaction.

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



1. HAIER DOCTRINE



MANAGEMENT IS LIKE PERFORMING JAZZ

There is no successful enterprise, only enterprise of the era; there is no successful management model, only management model of the era. Confronting the era changes, we do not get slack. We always explore and implement our own strategies.

At one time, we emphasized the implementation of various requirements at every level by every individual. In this crucial period of internal culture reform, Haier Electronics is transforming into a platform for entrepreneurship. As the builder of the platform, we no longer play the "core" role of management like conductors of symphonies. Instead, we encourage everyone to exert their initiative and creativity. Just like jazz performance, every employee has the opportunity to demonstrate its own characteristics and style, thereby inspiring the entire team.

To this end, we broke the original hierarchical structure of bureaucracy, removed many middle tiers, implemented a flattened and networked management model, and made the enterprise an ecological platform. Before carrying out this "surgery", we had no model to refer to, and had to totally rely on ourselves. Without prejudice to business performance, we formulated detailed plans carefully to allow our organization to reduce the operating costs while reducing the middle tiers, and to enhance people's creativity and make the enterprise more dynamic.

As for Haier Electronics' ecological platform, just like what Mr. Fei Xiaotong have said: To promote our own strength and learn from those of others, so as to create an inclusive and encouraging environment for innovations featured in mutual learning and integration (各美其美·美人之美·美美與共·天下大同). With the continuous intensification of the process of "enterprise platformization, maker-oriented employee, and user personalization (企業平臺化、員工創客化、用戶個性化)", the benefit of our advanced management model begins to appear. We are a butterfly coming out of its cocoon, and creating an ecosystem suffused with the most exuberant user vitality that constantly derives new social interactions along with the path "characterized in individual-goal combination and dominated by small and micro businesses"!

Key Performance Indicators:

ECONOMIC PERFORMANCE

SALES PERFORMANCE

Revenue

RMB **78.8 BILLION**

Year-on-year revenue growth

23.4%

Profit for the year

RMB **3.5 BILLION**

MARKET SHARES OF THE BRAND

In 2017, among global large-format home appliances brands, Haier, for the ninth year, by retail volume:

**RANKED FIRST IN THE
GLOBAL MARKET**

*Source from Euromonitor

ETHICAL BUSINESS PRACTICE

Staff participating in anti-fraud training:

ALL STAFF



The year of 2017 is an extraordinary year for Haier Electronics. Due to our efforts throughout the year, we reached a satisfactory result. Haier has been identified as the frontrunner in the industry in terms of sales again, further consolidating its brand reputation; Haier has further strengthened its corporate governance level and anti-fraud work. In this year, we established an effective ESG governance framework to integrate and manage ESG related work of Haier Electronics, and made progress with the society together by fully utilizing our dynamic growth.

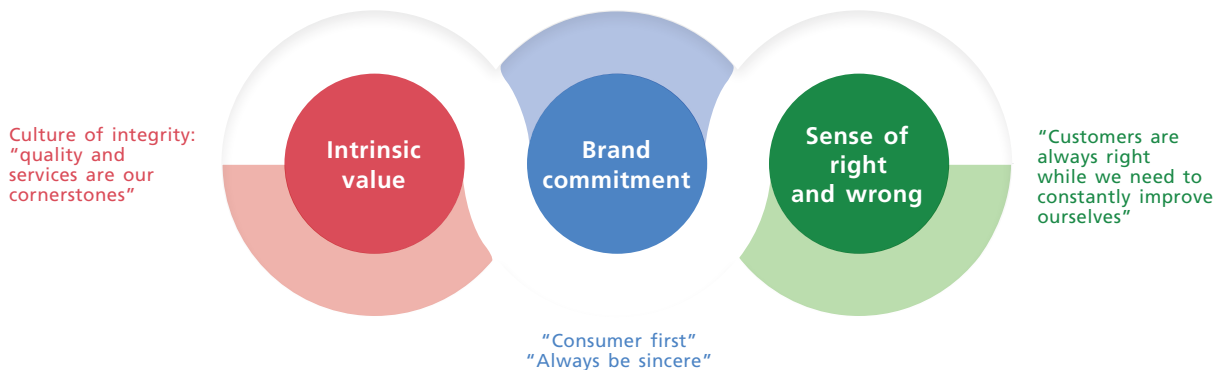
1.1 Business Strategy

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

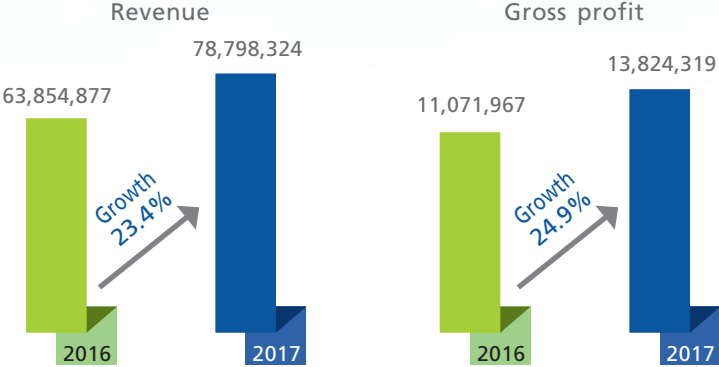


The headquarters and main office of Haier Electronics situated in Qingdao, Shandong Province, the PRC, and have production sites in Qingdao, Hefei, Foshan, Chongqing, Wuhan and etc. Haier Electronics’ channel services business manages more than 30,000 stores, 800,000 micro stores and 1,400 cloud stores penetrating through villages and towns, and community service stations spreading across cities, and sells Haier brand products through online channels including JD, Tmall, ehaier and Shunguang. Our logistics business presences also cover major provinces and cities in China.

Haier Electronics’ operating philosophies

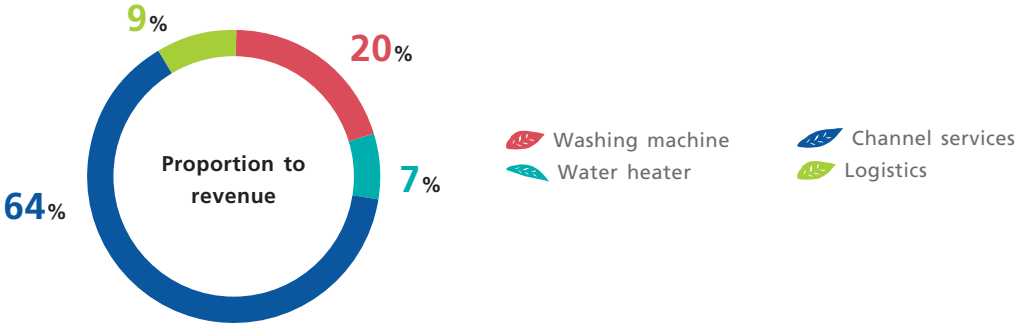


In 2017, our operating results reached a new height:



Unit: RMB'000

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



According to the global home appliance brand retail sales volume in 2017 issued by Euromonitor, an authoritative market researcher, on 1 January 2018: Haier has ranked first in the world market for the ninth consecutive year with its 10.5% market share. Haier Electronics' washing machines topped list with its 14.6% global market share, achieving a new record of being the global champion for nine consecutive years.

1.2 Governance Strategy

The Board of Directors of Haier Electronics shall ensure sufficient resource and management efforts are given to consolidate its corporate governance and ESG work. The Group has diminished operating risk and safeguards the Group's and shareholders' interest by developing and implementing effective corporate governance and anti-fraud procedures. Haier Electronics has also established a highly efficient ESG governance structure this year in order to identify ESG risks effectively and execute ESG-related management and supervision more effectively.



Corporate governance

The Board and the management of Haier Electronics recognise that sound corporate practices are crucial to our efficient operation and the safeguarding of our shareholders’ interests. In this regard, the Board gives high priority to enhance corporate governance standards with emphasis on transparency, accountability and independence in order to enhance the long-term value of Haier Electronics’ shareholders.

In response to the broadening of the Group’s scope of business activities and the increase in geographical locations in which it operates, to face the challenges of the fast growing trend of new business and the related increased financial and operational risks, we have continuously strengthened the functions of our Internal Audit Department which provides independent and objective assurance and consulting activity designed to add value and improve operations. It helps Haier Electronics accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In respect of risk management, an enterprise-wide risk assessment with the Group’s management and key-process owners had been institutionalised to identify major risks of all levels and to review the effectiveness of the key controls and mechanisms in place, to provide reasonable assurance that internal controls are both embedded and effective within their areas of accountability. The Internal Audit Department also plays a significant role of the risk management execution. Major risks of all levels facing the Group are identified and evaluated, and the Risk Management Committee ultimately reviewed the identification and evaluation of these risks. Based on these measures, mitigation strategies and plans with respect to each key risk identified are developed and implemented, which include establishing or enhancing internal controls, with regular review and update. The process of the work performed are reported regularly to the Audit Committee and the Board.

Integrity

In order to build a moral and ethical business environment, minimize the loss brought by non-compliance, and protect Haier Electronics’ reputation, we have strictly followed national laws and regulations relating to anti-bribery, fraud, blackmail and money-laundering, and developed an effective anti-fraud management system after taking into consideration of regulations and industry risks.

Haier Electronics’ Integrity

Strictly followed related laws and regulations
Developed “Staff’s Code of Conduct”
Developed “Anti-fraud Rules”

- Established an online whistle-blowing platform, and created compliable hotline and mailbox for reporting; investigated details of report in a timely manner
- Disclosed whistle-blowing platform and mailbox in our contracts with suppliers, service providers and distributors



Cloud-based learning platform

- Combined with cases, prepared and delivered training materials regularly

Offline training

- Organized anti-fraud training regularly for key positions

Collaboration

- Implemented Haier Group’s related policies and organized seasonal anti-corruption activities which are compatible with Haier Group’s anti-fraud department

- Clear categorization of authority and duty of various business segments and operation units
- Comprehensive internal control system and risk control procedures
- Regular audit for matters with possible risk according to audit plan



The Board is responsible for reviewing and monitoring the Group’s policies and practices on compliance with legal and regulatory requirements, with the assistance of the Internal Audit Department, the Legal Department and the Company Secretarial Department. Through four dimensions: system guarantee, prevention & promotion, internal control & audit and report & disclosure, we regulated our staff and prevented, discovered and investigated and punished any violation of law and regulation. With our effort, all staff are joining anti-fraud training. Furthermore, we performed self-inspection and audit of internal business regularly to discover operational risk in time.

Fair competition

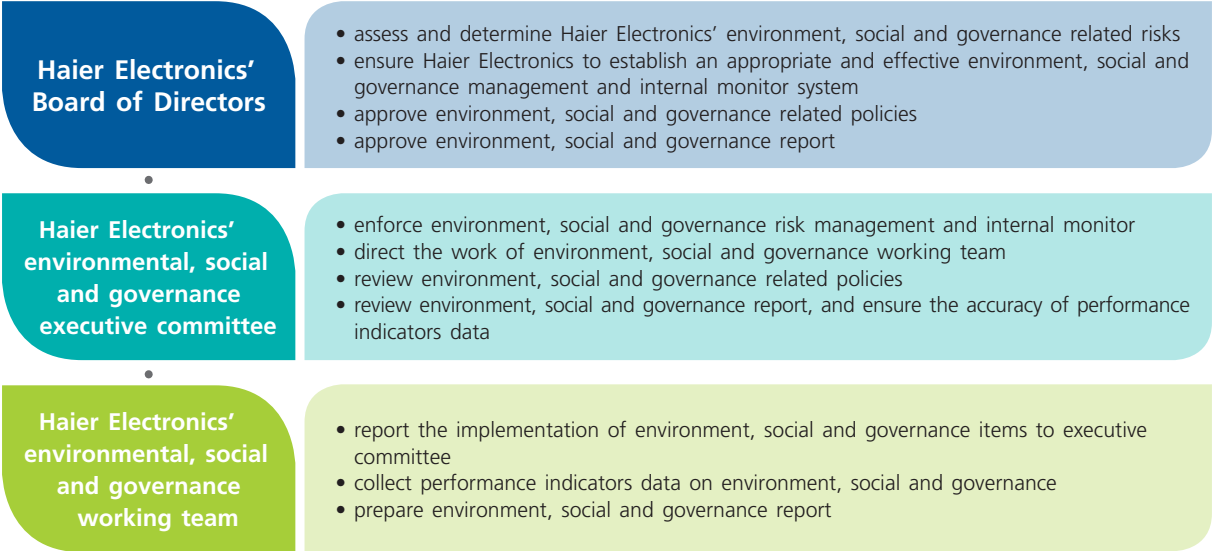
The Group has strictly followed market operation regulations of anti-unfair competition and anti-monopoly, complied with laws and regulations such as “Anti-Monopoly Law of the People’s Republic of China”(《中華人民共和國反壟斷法》) and “Company Law of the People’s Republic of China”(《中華人民共和國公司法》), and resisted any collusion with potential competitors and organization or staff whom intended to limit market competition effects. The Group will continue to strictly enforce compliance market promotions, achieve corporate and industry sustainable development.

ESG governance

ESG governance is an essential part of our company governance. We optimized environment, social and governance structure in 2017, and established ESG working team. This team was mainly coordinated by internal audit department and securities department, and reported to Haier Electronics’ executive committee and the Board of Directors in order to assist them in assessing and determining whether Haier Electronics’ risk control of environment, social and governance and internal monitor system are appropriate and effective. Their roles and duties distribution are as follow:

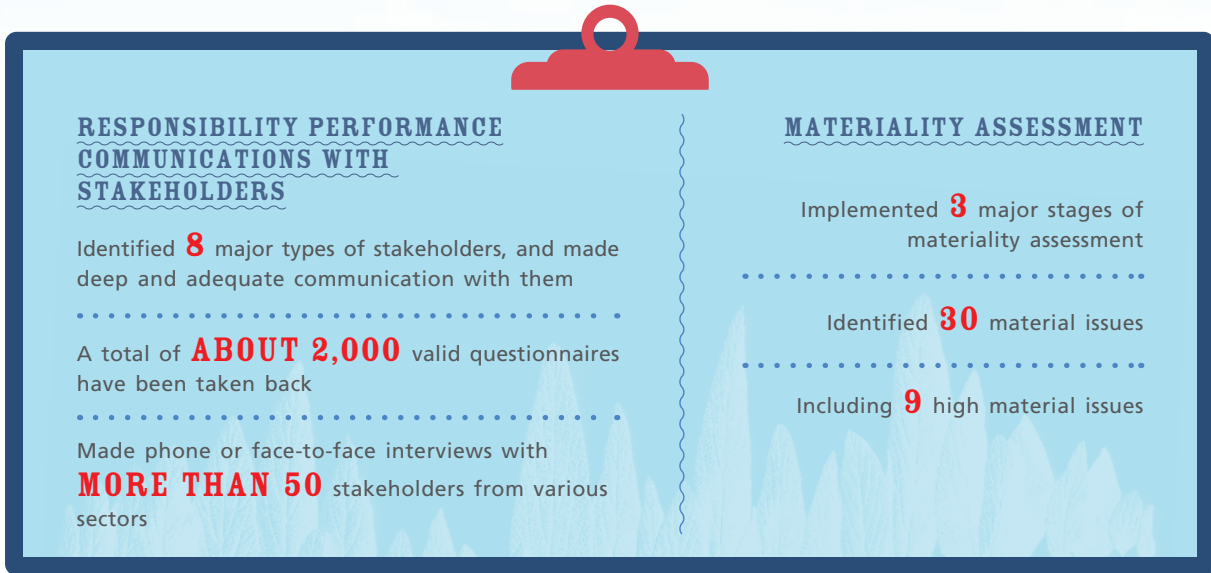
Role:

Functions:



2. CONCEPT OF RESPONSIBILITY

Key performance indicators



Haier Electronics has determined the ESG concept based on Haier Group’s continuous pursuit for product quality and users’ satisfaction. As one of the supporters of global environmental sustainable development, we extend our ESG concept into every single aspect of business operation with a high sense of responsibility. Besides, Haier Electronics keeps improving our public welfare system and establishing the relevant long-term corporate mechanism to make further contribution to development and progress of social undertakings, pursuant to the concept of “combination of intelligence and environment (智慧與綠色同行)” and the long-term public welfare related strategy named “Green sail (綠帆)” established by Haier Group.

2.1 ESG Concept

Whether Haier Electronics can make future success depends on the value it creates for environment, employees and society. Therefore, we are committed to combining our ESG concept and operation strategy so as to contribute more to users and society.

ESG concept of Haier Electronics: SOCIAL VALUE, USERS VALUE



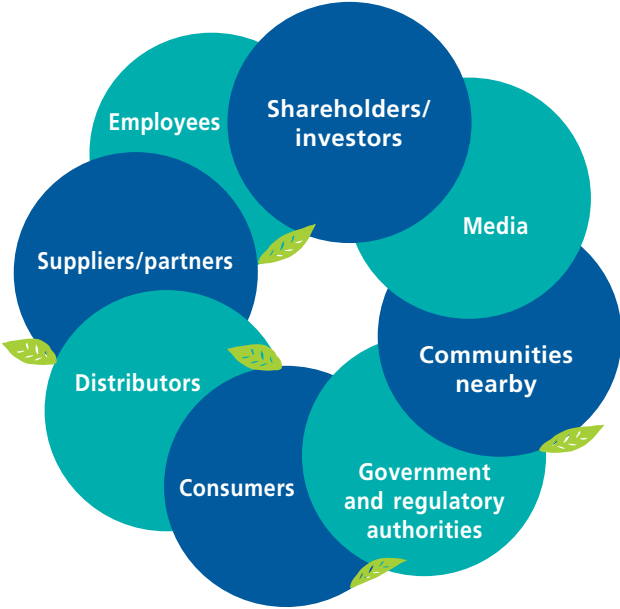
By adherence to the concept of Haier Group, Haier Electronics has been establishing and developing a green industry chain featured with environment friendly and social harmony through integration of user resources and supply chain resources across the globe.

With respect to operation strategy, Haier Electronics continues the further transformation into a green service platform providing green products, green plants, green platform and green interconnection. We regard development of green economy as the new business model, and help Haier Electronics and all the cooperation partners within our platform grow together by applying such form of supply, production and sale as featured with high content of technology, low resources consumption and less environment pollution.

With respect to social development, we hold the firm belief that Haier should act like its Chinese name (namely Sea) to make contribution to all the human beings. As for our in-house staff, we cherish and care every one of them since we are willing to identify and cultivate their value. We are committed to making every single of them become their own CEO, which means to realise their own value when delivering value to users, thus to achieves win-win growth of each party. As for users, Haier Electronics has always taken products as a medium for continuous communication with users and constant optimization of user experience. It manages to achieve zero distance from users, aiming to satisfying personalized demands of different group of users, which in turn makes their live more convenient and better. As for community, we are increasing supports for education, poverty alleviation, child care and environment protection to show our sincerity and passion as a member of Haier Group, making better life with the entire society.

2.2 Communications with Stakeholders

Holding the determination of achieving mutual and harmonious growth with environment and society, Haier Electronics keeps active communication with various stakeholders. We identify and divide the following categories of major stakeholders based on their right of decision making or influence upon Haier Electronics and the extent of relationship with Haier Electronics:



Haier Electronics has been committed to establishing diversified communication channels with stakeholders. We believe that two-way, transparent and regular communication can facilitate harmonious relation with the respective party, and strengthen mutual trust and respect while improving Haier Electronics’ ESG governance level. Therefore, it is our wish that every stakeholder may closely participate in the Group’s business operation. Set out below is the issues as far as each type of stakeholders concerns, form and frequency of communication with them during the reporting period:

Type of stakeholders	Issues concerned	Communication channels/ways of feedback	Frequency of communication
Shareholders/investors	Operating performance of the Company Industry risks Compliance operation	<ul style="list-style-type: none"> — annual general meeting/ extraordinary general meeting — annual report/interim report — investors conference — operating results release — press release/announcement — on-site visit — real time telecommunication software 	<ul style="list-style-type: none"> — annually — annually/semi-annual — annually — annually — irregular — irregular — irregular
Employees	Remuneration benefits Employees development training Professional performance	<ul style="list-style-type: none"> — employees interview relating to performance review — internal publication《海爾人》(Member of Haier) — staff investigation — working conference/special subject meetings — feedback mailbox — real time telecommunication software — morale improvement project 	<ul style="list-style-type: none"> — annually — weekly — irregular — irregular — open on a long run — irregular — arrange on a long run
Suppliers/partners	Business performance Suppliers management Community public welfare	<ul style="list-style-type: none"> — suppliers meeting — bid invitation — on-site research and investigation — exhibition — talks — real time telecommunication software 	<ul style="list-style-type: none"> — annually — irregular — irregular — irregular — irregular — irregular
Distributors	Business performance Products and service quality assurance Suppliers management	<ul style="list-style-type: none"> — distributors meeting — on-site research and investigation — talks — real time telecommunication software 	<ul style="list-style-type: none"> — irregular
Consumers	Products and service quality assurance Marketing compliance Environment protection	<ul style="list-style-type: none"> — real time telecommunication software — social network platform 	<ul style="list-style-type: none"> — irregular — normally updated daily
Government and regulatory authorities	Business performance Community public welfare Environment protection	<ul style="list-style-type: none"> — interactive contact — on-site investigation — conference communication — Working Letters — real time telecommunication software 	<ul style="list-style-type: none"> — irregular
Communities nearby	Community public welfare Environment protection Product liability	<ul style="list-style-type: none"> — on-site visit — release — talks/public notice — project hearing — real time telecommunication software 	<ul style="list-style-type: none"> — irregular
Media	Community public welfare Business performance Products and service quality assurance	<ul style="list-style-type: none"> — press release/announcement — on-site visit — interview — real time telecommunication software 	<ul style="list-style-type: none"> — irregular

2.3 Material Issues

Each year, we summarize and respond those ESG issues concerned by our stakeholders based on communication with them. When preparing this Report, we made materiality assessment to further understand our stakeholders' judgment and expectation on Haier Electronics' performance in ESG governance for the past year, which in turn enabled us to determine the general framework of this Report so as to give proper respond to the stakeholders' opinions. In 2017, we communicated with stakeholders by means of questionnaire investigation and interviews and took back almost 2,000 valid questionnaires, and conducted phone talks or interviews with over 50 stakeholders from different fields.

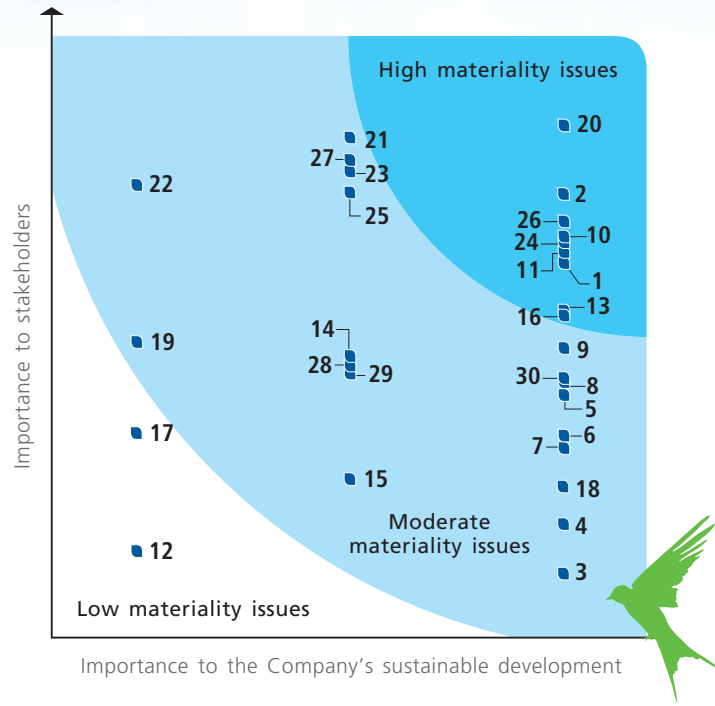
Our materiality assessment is mainly implemented in three phases. As set out in the below table, we firstly identify any material environment, social and governance issues that may impact Haier Electronics' business operation or stakeholders' interests, then prioritize the potential material issues and finally verify the results with the management.

Materiality assessment procedures

1. Identify potential material issues	Through detailed reviews of in-house publication, media analysis, benchmarking analysis within the industry and other relevant documents, we identified those potential material issues which were capable of revealing Haier Electronics business' impacts on the economy, environment and society, or those which influenced stakeholders' evaluations and decisions with respect to Haier Electronics.
2. Sort the potential material issues	We formulated a stakeholder communication plan to conduct comprehensive questionnaire surveys and interviews, so as to understand the priorities of each stakeholder's concerns and finally create a materiality matrix to analyse and identify those issues of true significance.
3. Verify the results by the management	We submitted the materiality matrix results to the management, together with our suggestions available for disclosure and improvement. We will present the performance of Haier Electronics with respect to the relevant issues in this Report.

The ESG issues which are important to Haier Electronics identified during the above assessment procedure constitute the major components of this Report, which will be disclosed herein in detail.

MATERIALITY MATRIX FOR THE STAKEHOLDERS OF HAIER ELECTRONICS



No.	Issues
*1	Economic issues Business scope and economic performance
*2	Concept of sustainable development
3	Utilization of energy resources
4	Emission management
5	Environment issues Saving energy measures
6	Saving water methods
7	Noise control
8	Green product design
9	Employees remuneration benefits
*10	Employment issues Employees health and safety management
*11	Employees occupational development and training
12	Employees diversification and equal opportunities
*13	Human rights protection, child labor and forced labor
14	Measures to retain employees

No.	Issues
15	Community relationship maintenance
*16	Community issues Observe relevant social rules
17	Charity
18	Influence on surrounding communities
19	Anti-corruption
*20	Product and service quality
21	Safety of product and service
22	Users confidentiality
23	Users satisfaction
*24	Product recall
25	Comply with relevant product and service rules
*26	Comply with relevant marketing rules
27	Suppliers management Intellectual property
28	Suppliers diversification
29	Supply chain with defined responsibility
30	Occupational health and safety of suppliers, contractors and service providers

(*: refer to high materiality issues)

3. INDIVIDUAL-GOAL COMBINATION — EVERYONE IS HIS CEO



GROWTH AND GAINS — THE ROAD TO SUCCESS FOR MAKERS!

In the big family of Haier Electronics, there are a group of ordinary maker employees who have a passion for life, concern for users, and zeal for the industry. They hope to contribute their own strength, through their own small efforts, to every user that trusts Haier Electronics.

Makers have labored hard and struggled hard, amid laughter and tears. A profound mark is left engraved on the growth they so achieved.

"This year is more than special to me. Not only have I got married and promoted to be a supervisor, but I have also got my own small apartment in the city and thus realized a big step toward my dream!", speaking of his 2017, Xiao He, who has been working hard in Haier Electronics for almost 4 years, was proud and passionate. The work in Haier Electronics has endowed him with great experience and growth, and has also proved his work capability. Therefore, the Company has entrusted him with important tasks. Looking into 2018, he said: "Times are evolving dramatically, changing with each passing day, thus call for continuous learning and training. I am looking forward to new challenges that will confront me next year! I also hope that given our efforts, users will be more satisfied with the services of Haier Electronics."

Key Performance Indicators

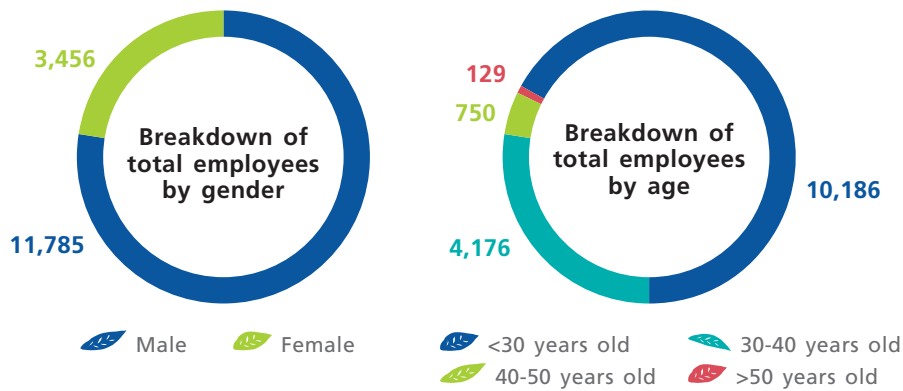
ASSEMBLED **15,241** EXCELLENT
MAKER EMPLOYEES

All the time, Haier Electronics requires itself to act like its Chinese Name "sea", showing respects and accommodation to every maker employee despite of their different background. It provides them competitive remuneration package, healthy and safe working environment, efficient communication channels, professional occupation training and the pace of career development designed based on their different characteristics and talents, to make sure that every maker of Haier Electronics could achieve self-management and self-activation in their best conditions and further understand the market development and consumers preference, which in turn guide the employees to the road of success.

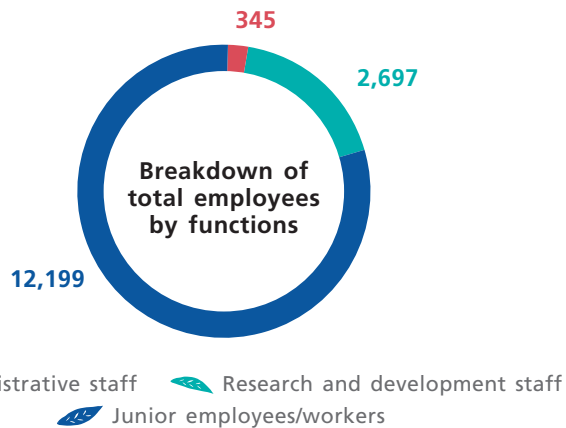
3.1 Our Staff

Talents are the most important resource of Haier Electronics. As of 31 December 2017, we have a total of 15,241 excellent talents making their contribution to Haier Electronics, representing a decline of 1.5% as compared with 15,476 for the previous year. Without the hardworking and persistent pursuit for better future of every maker employee in our big family, the Group is incapable of achieving success today.

We are an aggressive team full of power



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



It is a persistent practice for Haier Electronics to employ and manage staff in compliance with relevant laws and regulations, and a series of inspection and training is arranged to regulate employees' behavior. We undertake not to use child labor and forced labor. In 2017, no child labor or forced labor was employed by the Group.

REVOLUTION AND INNOVATION, WE ARE ON THE WAY — “INDIVIDUAL-GOAL COMBINATION” MODEL

2017 was the first year that the “Individual-Goal Combination” model rooted, flowered and harvested. Not like the competition methods and organization methods in the general sense, and different from the traditional business models and for-profit models, the “Individual-Goal Combination” model conforms to the characteristics of the Internet era and continuously promotes disruptive, systematic and dynamic innovations in areas of strategic positioning, organizational structure, operational processes and resource allocation from the three dimensions of enterprise, staff and users.

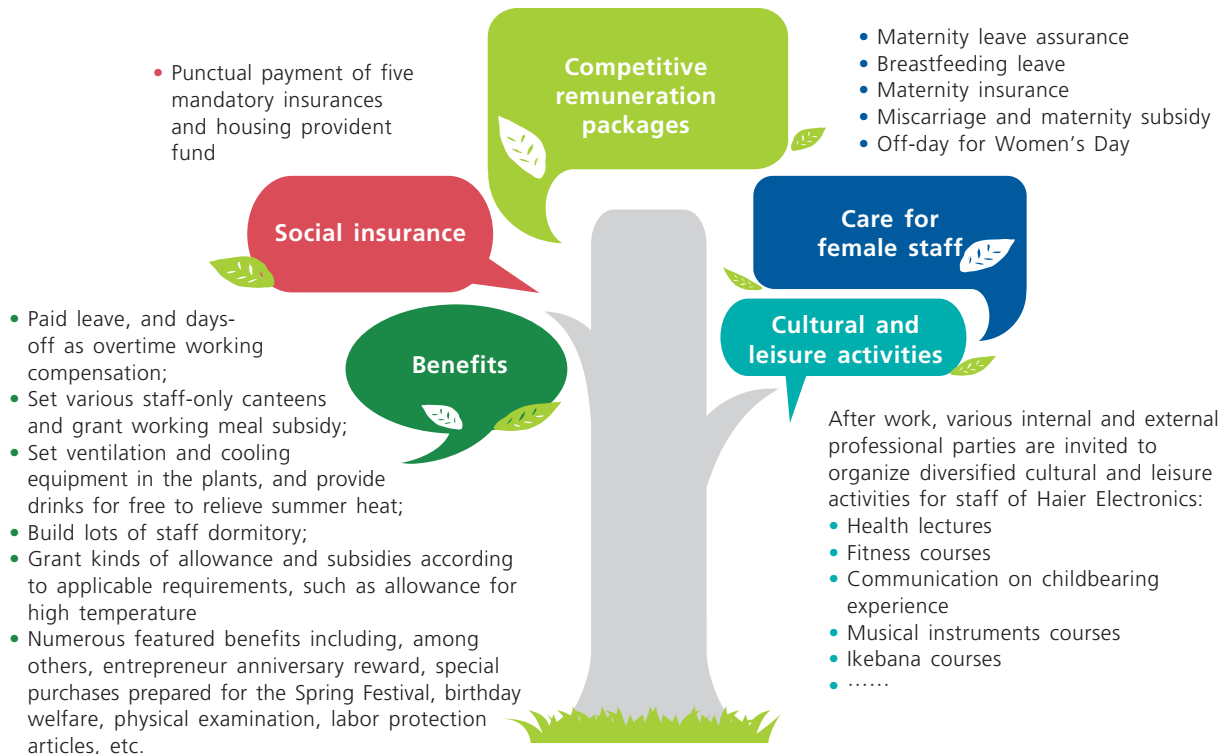
In this model, “individual” refers to staff and “goal” refers to user value, and “combination” means the merging of value realized by staff and the user value created. Each employee should directly face users, create user value, and realize their own value sharing in creating value for users. Employees are not subordinated to posts, but exist for users. “Individual” exists only for the “goal”.

3.2 Remuneration and Benefits

Haier Electronics has increasing demands on talents since we continue to expand our business. In order to attract more outstanding makers to join us willing to conquer challenges, we offer a series of very competitive remuneration package systems, aiming to delivering better life for the makers of Haier Electronics when they are making their best to realize the value of users and themselves. By developing the new model where every staff is encouraged to become a maker, we have turned the composition of remuneration from post related salary to market-oriented users-based payment, making makers and Haier Electronics be cooperation partners creating win-win benefits.

Competitive remuneration packages

- Market-oriented users-based payment model
- “Three tache and four stages (三環四階)” valuation adjustment incentive system
- Maker incubation and share option incentive scheme

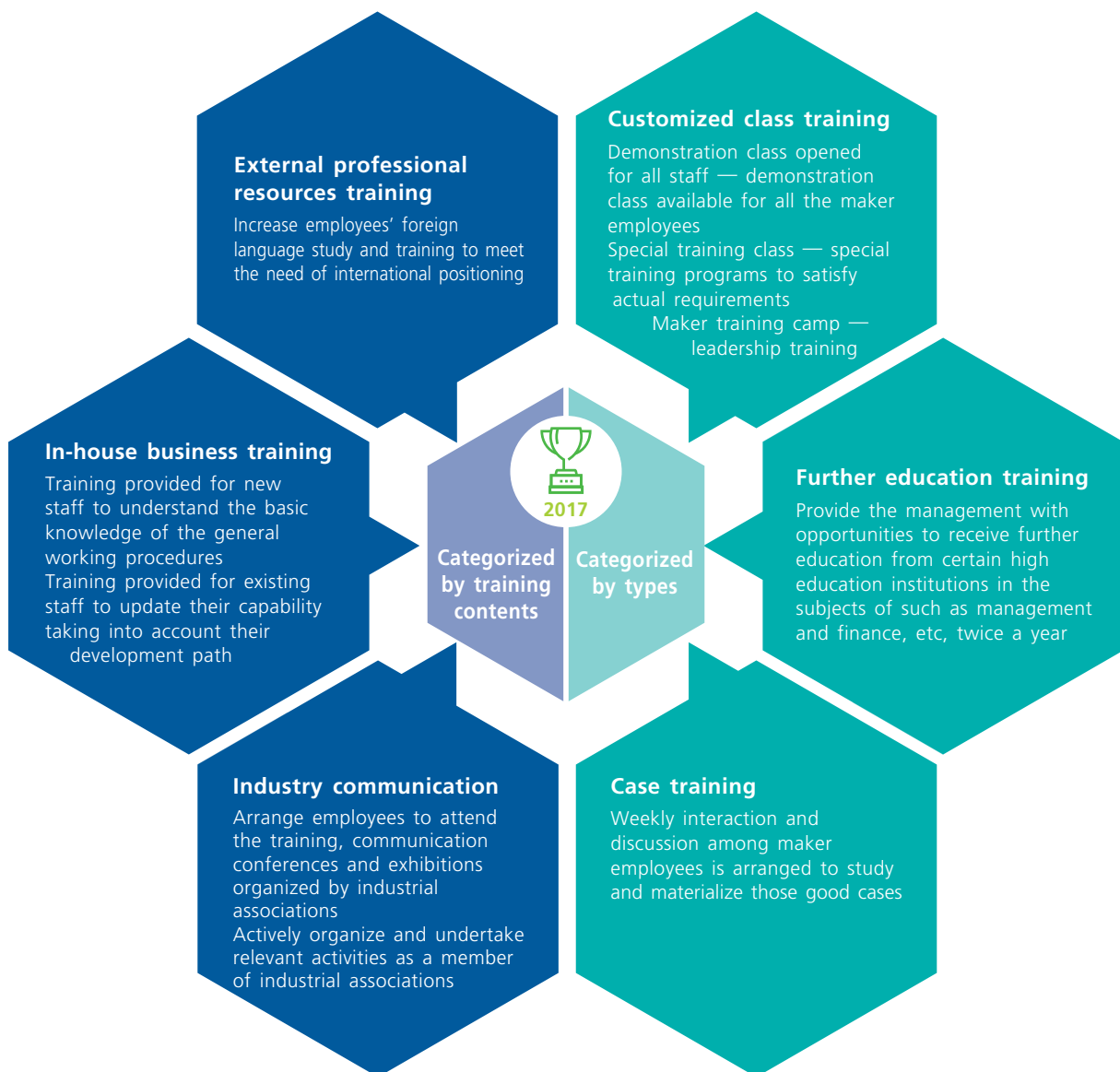


3.3 Staff Development

In conformity to the development of the Internet information age, Haier Electronics, as guided by the management model emphasizing “alliance of individual staff and the Company”, provides proactive assistance to any maker employee from each business segment based on their specific characteristics to realize their demands for self-development. The slogan of “Everyone is his CEO” encourages every maker employee to pursue for their own value while delivering value for users, thereby to create a win-win ecosphere.

Maker employees training

Employees training is regarded as requisite for employees’ development as it affects their personal interests. We prepare specific training plans for any maker employee based on their personal situation, different development stage, detailed requirement and post duties, helping them optimize individual quality constantly, activate their enthusiasm and broaden development path. Besides, subsequent follow-up would be arranged by us after completion of training, trying to collect feedback and understand the major concerns of the relevant training, so as to continuously enhance training quality.





◀ Special training class

▼ Open class for members

▲ Industry communication

◀ Maker training camp

People-oriented career development planning

Maker employees' potential and specialty could be maximized by proper career development planning and training, enabling them to achieve satisfying career development and realize self-value. Design for employees' career development path also serves as a company's development foundation. Therefore, we adhere to defining clear career development planning for every single maker employee under the people-oriented concept.

Under the career development model of 1+N designed by Haier Electronics, career development path for maker employees is comprised of management channel (1) and professional channel (N), available for cross development. Through proper appraisal, maker employees may be granted the chance to develop as small and micro business directors (namely organizers of entrepreneurship teams), or to realize further professional development in their respective technology field.





Open and transparent promotion system

We adopt completely open and transparent policy with respect to promotion and post adjustment. Maker employees may post their orders on our internet platform on an open basis, and acquire orders on one's own. By leverage on Haier Group's win-win strategy emphasizing on alliance of individual staff and the Company, we converge maker companies, resources providers and talents to build an open talent platform to attract the best entrepreneur resources and maker resources to join us, which in turn enables the makers acquired by us can maximize their own value.

To cope with the business development planning which requires talent reserve and training, we set up the talent pool and regularly include those qualified maker employees into that pool, which means we are able to identify the suitable candidates within the pool and arrange post competition in case of specific needs of talents.

REVOLUTION AND INNOVATION, WE ARE ON THE WAY — FROM EMPLOYEE TO MAKER

Maker employee is the essence of the "Individual-Goal Combination" model. Every maker employee has his own unique personality. We encourage maker employees to maximize their work performance in their field and maximize their potential. As a result, maker employees are no longer a single tool for task execution, but passionate entrepreneurs—"Everyone's a CEO of their own!"

The action named "Everyone could be a maker" has been organized by us, pursuant to which, employees are encouraged to establish small and micro business in form of internal entrepreneurship. Under the new model comprising of platform owners (namely persons who establish the cultivation platforms for entrepreneurship teams), small and micro business directors (namely organizers of entrepreneurship teams) and makers (namely entrepreneurial employees), individual staff is enabled to become the sponsor of innovation, and the relationship between Haier Electronics and its employees has witness a change, from the traditional employment relation into cooperation partners enjoying win-win benefits.

3.4 Care for Our Staff

In order to establish harmonious internal relation and hear the voice of maker employees, Haier Electronics has offered open, clear and constructive communication platforms, and conduct regular analysis and summary to improve the welfare system and employees' satisfaction.

Strengthen staff communication and make their voice heard

In order to maintain and enlarge the competitiveness of Haier Electronics, it is essential for us to retain the existing professional elites in addition to engaging professional parties to provide special training on manufacturing and management. We are committed to hearing the voice of employees and to improving their satisfaction through a series of works, delivering a harmonious team with mutual trust.



Organize employee activities to intensify coherence

Our labor union and culture centre have organized diversified activities for the maker employees and their relatives to show care for them and enhance working enthusiasm, making sure that they have fun as a team member, able to maintain the balance between life and work, establish team coherence and impel them to make outstanding performance.

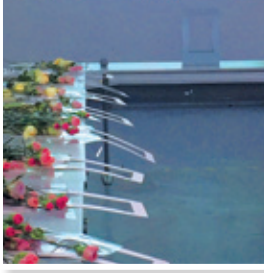
Diversified employee care and enthusiasm enhancement activities



Colorful Employee Activities



◀ Floriculture course for Women's Day on 8 March



▶ Strawberry picking activities

▼ Outreach activities



◀ Hiking activities

▶ Outdoor outreach activities to celebrate the "19th National Congress" and promote healthy lifestyles



Quarterly staff birthday party ▶



◀ Family members' day activities

"We are serious moon cake makers"

To celebrate the upcoming Mid-Autumn Festival, Haier Electronics organized a special moon cake making activity in the canteen to let the employees experience in advance the atmosphere of festival, thus to increase corporate coherence and sense of belonging. The activity was warmly supported by the employees upon organization, with unprecedented participation. During the activity, every one earnestly studied the production method demonstrated by the canteen masters featured with their own ideas, and that's why we finally had the innovative moon cakes in limited edition.

4. SMART HOME APPLIANCES — INGENUITY OF CRAFTSMANSHIP SPIRIT



THE INTERCONNECTED TOUR OF A WASHING MACHINE

Foshan washing machine factory is the first interconnected washing machine manufacturing plant of Haier Group. It adopted a highly flexible automated and unattended production line and realized “lights-out factories” by virtue of the precision assembly robot community, and fully realized interconnections between equipment and equipment, equipment and materials, equipment and people. The interconnection allows massive customized manufacturing of personalized washing machines for global users in a smart manner.

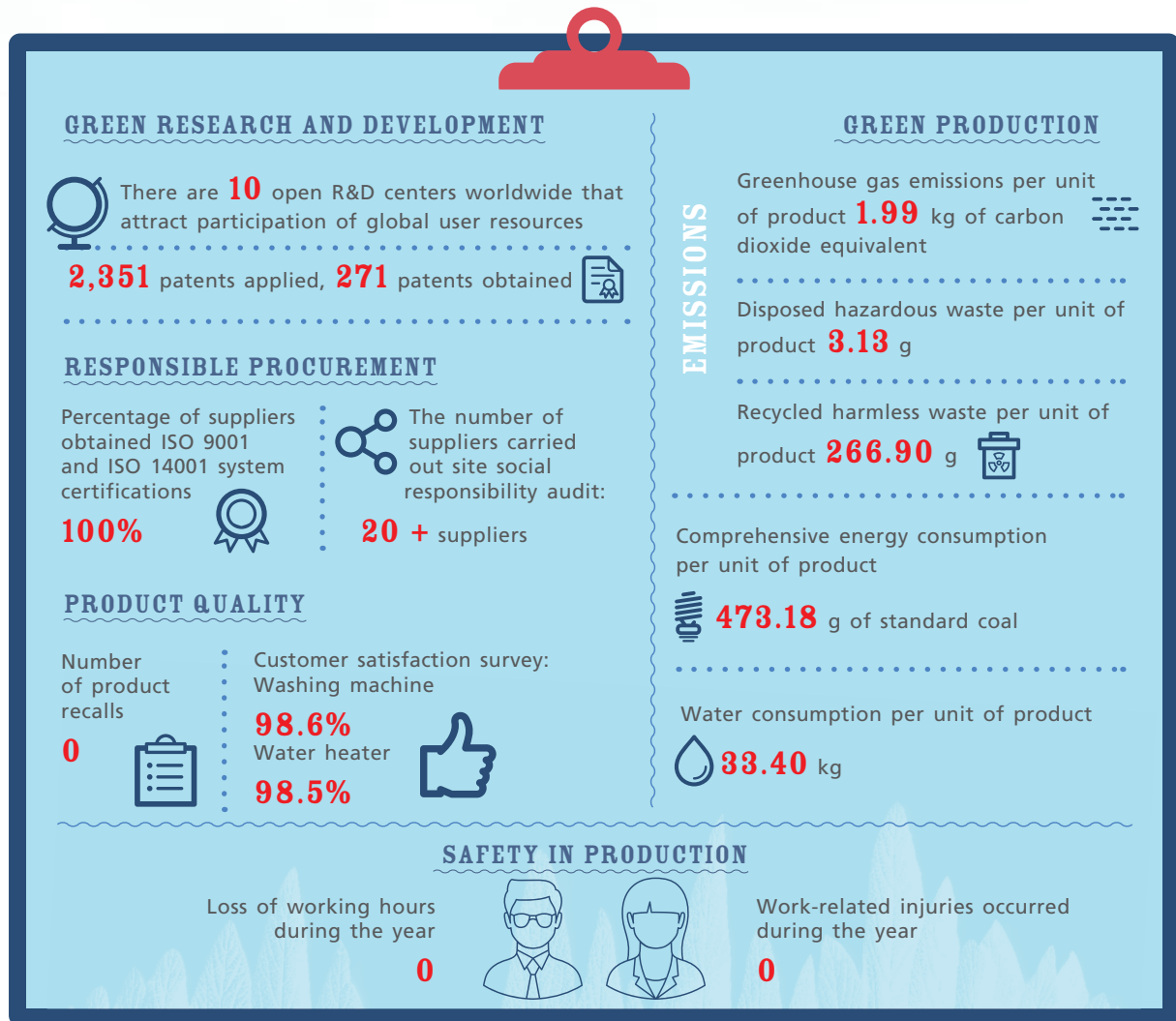
More importantly, the interconnected manufacturing factory achieved full visualization based on the advanced computerized system. It is a main production base that meets the customization demands of users. Through interacting in advance, on-demand design, on-demand manufacturing and on-demand delivery, the factory met every need of users and accomplished transformation from large-scale manufacturing to large-scale customization.

Customization demands are initiated by users on Haier’s customization platform; and upon online submission of orders, manufacturing arrangement will be made automatically by the interconnected manufacturing factory, with the entire manufacturing process visible. The lead time, from order submission to product delivery, takes only 2 hours to 2 days.



Ever since the initiation of Haier Group’s “Green sail (綠帆)” strategy, the Group has been actively responding to the strategy, continuously innovating and devoting its efforts on fostering the washing machine and water heater manufacturing segments. With the smart manufacturing factory as a carrier, and by virtue of the bottom-up system integration within the factory, the digital collaboration with upstream and downstream companies and the powerful global resource supply chain management and control, Haier is able to provide users with a variety of customized solutions to precisely meet their demands for personalized products. In addition, the smart manufacturing cloud platform (COSMOPlat) and the Haidayuan platform (L.ihaier.com) developed by Haier have broken the traditional manufacturing logic, allowing each product to have a “name” from birth and users to participate in the entire manufacturing process. Once a product goes off the assembly line, it will be delivered to the user’s home promptly. 100% of the new product developments allow users to participate in the design, and have their delivery cycle reduced by more than 50%. The entire process brings users the best experience of seamlessness, transparency and visualization, allowing them to transform from merely a “consumer” to a “prosumer” integrating both production and consumption.

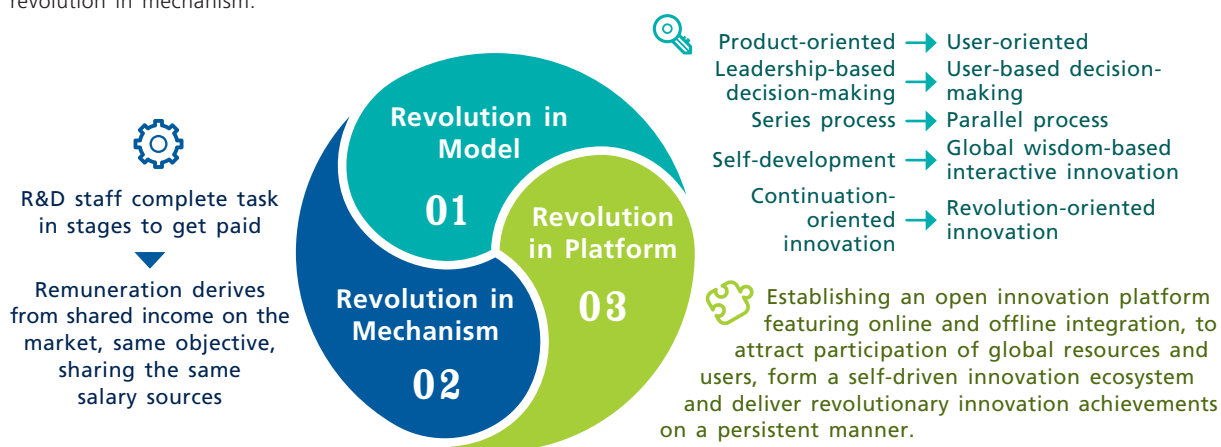
Key Performance Indicators



4.1 Green Research and Development R&D Strategy

Our research and development adhere to the basic idea for open innovation of “World is My R&D Department”. Based on such idea, resources are quickly matched with needs of users through Haier’s open innovation platform, and products that meet the demand and continue to stay ahead are developed. In addition, during the process of research and development, we are extremely concerned about the energy-saving and environmentally friendly features throughout the life cycle of products, and all the components in use are in full compliance with the RoHS (Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) requirements.

Product R&D concept of the Group embraces three major revolutions: revolution in model, revolution in platform, and revolution in mechanism.



The research and development of water heaters and washing machines of the Group are carried out by independent professional R&D centers according to product categories. Each R&D center consists of three parts: R&D department, R&D platform and R&D test center:



Currently, Haier Group has 10 R&D centers around the world, which form resource complementarities together with the research and development of the Group’s washing machines and water heater segments, offering solutions to global users, covering Japan, the United States, Europe, New Zealand and Israel. Each R&D center serves as an open innovation platform to attract participation of global user resources. These R&D centers connect with each other to form a resource network and a user network around the world. In addition, the Group’s home appliance business also has a powerful and professional R&D team. All these people possess world-leading technologies, enabling us to stand always at the top of the industry.

THERE ARE 10 OPEN R&D CENTERS WORLDWIDE THAT ATTRACT PARTICIPATION OF GLOBAL USER RESOURCES



Protection of Intellectual Property Rights

Haier Group was among the first companies in China to set up a specialized department to manage intellectual property. The Group, upholding Haier Group’s intellectual property strategy, also centered on accumulating high-value intellectual property assets, building up patent countermeasures and safeguarding global market freedom through adopting the “technology, patent, standard” linked model. To this end, the Group has developed a global informationalized operation and maintenance management system for intellectual property assets, formulated and implemented a set of trademark and brand management standards, a patent related reward mechanism, and etc.

We have established a comprehensive and integrated intellectual property safeguarding process and system. During the process of patent asset management, we have set up an offensive and defensive patent reserve and early warning mechanism against major competitors on the market, which effectively prevents intellectual property risks in core industries on the global market. In respect of intellectual property application, the Group, making use of its own quality patent assets, initiated rights defense actions against serious infringement of intellectual property rights on one hand, and allied ourselves with outstanding intellectual property rights holders at home and abroad to establish a patent alliance of global competitiveness and influence on the other, with a view to exploring new ways of patent operation and patent capitalization, and to possessing the power of discourse over global core and general technologies.

In 2017, we continued to innovate, and developed high-value patents in the washing machine and water heater segments in a constant manner. All the staff was organized to attend trainings covering aspects like intellectual property and patent related reward mechanism in various manners, which not only raised staff enthusiasm for innovation, but also enhanced staff awareness and ability of intellectual property protection. Furthermore, we established an efficient collaborative system among the three collaborative subjects of “technology, patent, standard” and through the three collaborative points of “planning, implementation, and operation”. Via the “technology, patent, standard” linked model, we cultivated and built core technical intellectual property brands, improved our core competitiveness, and became an industry leader and rule maker.



Patents obtained

Sector	Patent application	Patents obtained
Washing machine	2,173	199
Water heater	178	72

Patent publicity

Four publicity and training campaigns held

 850 participants of publicity campaign recorded

Patent incentives

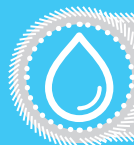
Participations in the formulation of industrial standards in 2017	
Washing machine	5
Water heater	2

Leveraging on our open and innovative R&D platform, we closely interacted with users and developed a series of personalized design, green design and safe & healthy design that fully meet customer's requirements through modularized design and R&D.

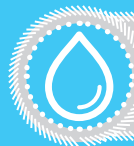
Green Design — Energy saving and environmental protection

Two-drum Washing Machines Compatible with Washing in Separate Drums (分區洗雙滾筒洗衣機)

Energy conservation, consumption reduction and noise reduction



Water consumption saved per unit
16.8 liters/unit



Water consumption saved per use
30 %

Haier washing machine R&D team independently developed Two-drum Washing Machines Compatible with Washing in Separate Drums (分區洗雙滾筒洗衣機). This innovative R&D of two-drum mutual equilibrium technology solved challenges like maximum height, minimum size, saving raw materials and etc., against Two-drum Washing Machines Compatible with Washing in Separate Drums (分區洗雙滾筒洗衣機); meanwhile, the R&D of dually suspended supporting and vibration damping technology solved high center of gravity, vibration and heavy noise related problems, enabling the machine to run smoothly at a high speed.

Safe and Healthy Design — Safe, Healthy and Hygienic for Life

Intelligent Double Security Water Heaters (智能雙安防熱水器)

The new generation of “double gas security (雙氣安防)” intelligent gas water heaters of Haier Electronics deliver the highest level of security.



- Adding an alarm system to the conventional water heater protection system, to enable simultaneous monitoring of indoor concentrations of carbon monoxide and natural gas.



- Using a high-precision and proprietary sensor technology, which is highly sensitive in detecting concentrations of gas and carbon monoxide, to enable prompt identification of potential dangers.

- The “oxygen-rich blue flame combustion system(富氧藍焰燃燒系統)” largely improves the mixing of gas and air, to ensure full combustion and reduce carbon monoxide emissions. It turns out to be the first product in the industry to meet the high emission standards of Europe IV.

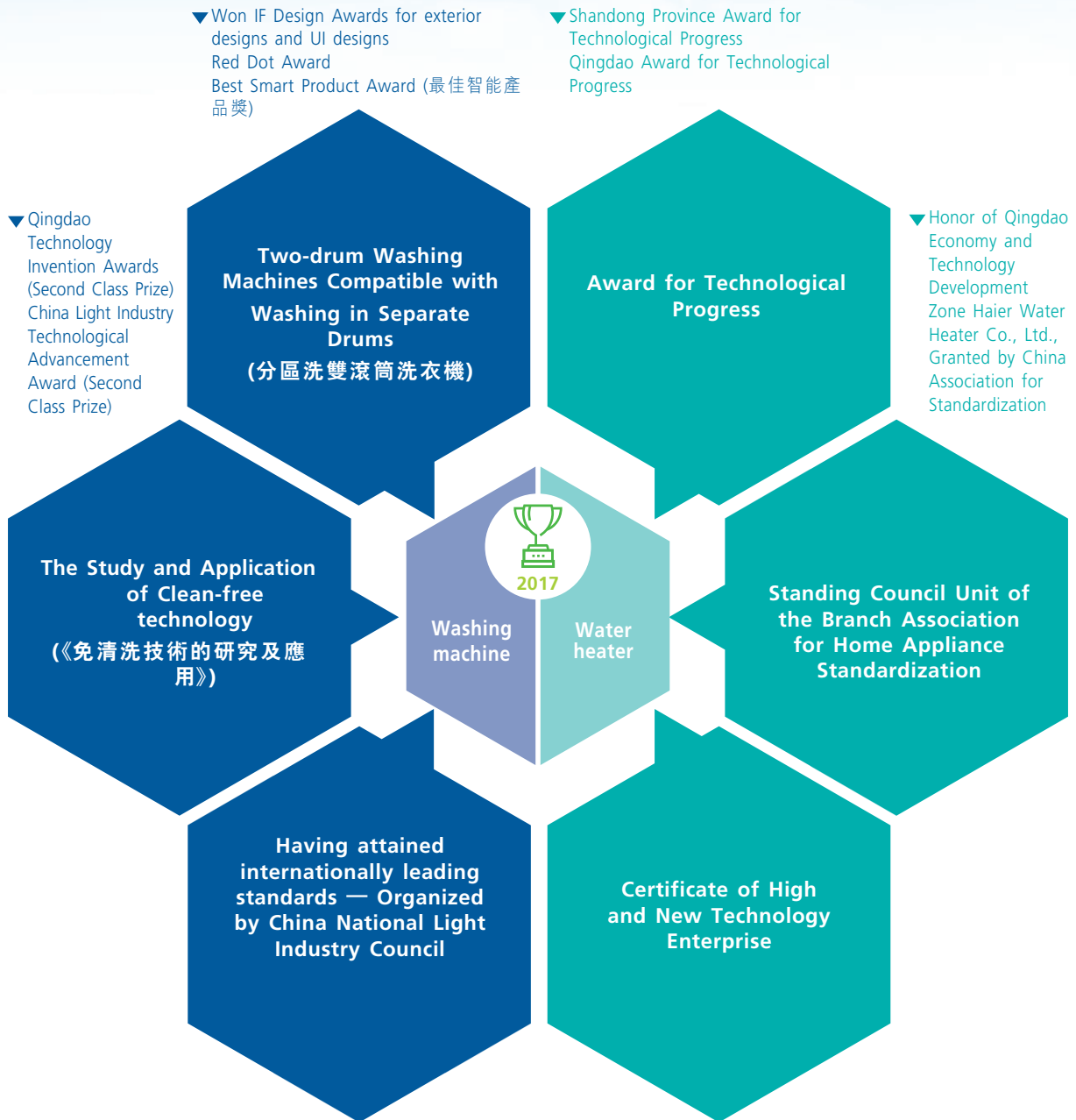
R&D Achievements

The home appliance business of the Group has obtained relevant certifications according to requirements of the country and the industry:



EUROPE Certification: CE/GS/CB/VDE/NF	ASIA Certification: CB/SASO/GCC China: CCC certification/CQC certification Japan: S certification Korea: KTL/KC certification	AMERICA Certification: UL/CUL/CSA/ETL/SEC/CEStar/DOE/EEV/EEC/CEC/NRCan
AFRICA Certification: CB/SASO/GCC		AUSTRALIA SAA certification Energy efficiency registration Water consumption registration

In 2017, various awards have been received in respect of technology and R&D:



- ▲ The latest Study and Development of Two-drum Washing Machines Compatible with Washing in Separate Drums (《分區洗雙滾筒洗衣機的研究開發》)
The Study and Application of Water-free Cleaning Technology between the Inner Drum and the Outer Drum in Washing Machines (《內外桶間無水洗滌技術在洗衣機上的研究及應用》)
The Study and Application of 601 Big Drum Household Front-loading Washing Machines Technology (《601大筒徑家用滾筒洗衣機技術的研究與應用》)
The Study and Application of Double-driven High-efficient Washing Technology in Front-loading Washing Machines (《雙驅動高效洗滌技術在滾筒洗衣機上的研究與應用》)

- ▲ Certification of Qingdao Economy and Technology Development Zone Haier Water Heater Co., Ltd., issued by Science and Technology Bureau of Qingdao, Finance Bureau of Qingdao, Qingdao Local Taxation Bureau and Qingdao Provincial Office, SAT

Haier Electronics involved itself in the formulation of various industry standards:

Lead the formulation	
<ul style="list-style-type: none"> • GB/T 4288-2008 Household and Similar Use Electric Washing Machine (《家用和類似用途電動洗衣機》) 	<ul style="list-style-type: none"> • GB 6932-2015 Household Gas Water Heater (《家用燃氣熱水器》)
<ul style="list-style-type: none"> • GB 12021.4-2013 Restricted Value and Grade of Energy Efficiency and Water Efficiency of Electric Washing Machine (《電動洗衣機能效水效限定值及等級》) 	<ul style="list-style-type: none"> • QB/T 4979-2016 Combined Electric Water-storage Fast Water Heater (《儲水快熱組合式電熱水器》)
<ul style="list-style-type: none"> • QB/T 4680-2014 Technology Specification for Multiple High Front-loading Washing Machines (《複式高滾筒洗衣機技術規範》) 	<ul style="list-style-type: none"> • NB/T 34047-2017 Installation Specification for Split Air Heating Pump Water Heater (《分體式空氣熱泵熱水器安裝規範》)
Participating in formulation	
<ul style="list-style-type: none"> • IEC PAS 62958:2015 Household Washing Machines — Measurement of Microbial Contamination Reduction (《家用洗衣機——微生物污染減少的測量方法》) 	
<ul style="list-style-type: none"> • IEC 60335-2-7:2008+AMD1:2011+AMD2:2016 CSV Household and Similar Use Electrical Equipment — Safety — Part 2-7: Particular Requirements for Washing Machines (《家用及類似用途電氣設備-安全-第2-7部分:洗衣機的特殊要求》) 	
<ul style="list-style-type: none"> • IEC PAS 63125:2017 Ed 1.0 (2017-06-27) Performance Testing Methods for Commercial Washing Machines (《商用洗衣機性能測試方法》) 	

4.2 Responsible Procurement



POOLING WISDOM FOR MUTUAL BENEFIT



We have been cooperating with Haier Electronics for more than ten years. Our relationship developed from partners to strategic partners, and further to sworn friends like brothers. Along the way, we have witnessed the birth and growth of the Haidayuan platform (L.haier.com) and gained fruits of mutual benefit and brothers like friendship. Today, Haier Electronics is not only one of our top three customers (in terms of business volume with single entities), but also a good partner for our growth.



A letter from suppliers of Haier Electronics — To the Haidayuan platform, a reliable partner always stand by us through thick and thin

During the course of cooperation, we fully communicated, understood each other, warmed each other, grew up together and shared wisdom with each other. The “benefit” brought thereby belongs not only to us and Haier Electronics, but also to the public, which perfectly represented the social responsibility concept of Haier Electronics. This year through the Haidayuan platform, we were invited by Haier Electronics to participate in the design and conception of appliance plates at an earlier stage and carry out joint research and development together with Haier Electronics, with a view to incorporating our superior resources into color plate supply. The color plates jointly developed by us can replace the powder-spraying production line and allow plant operators to work in a healthier and safer environment and reduce the plant’s environmental impact. What’s more, these products also opened up our market and brought us even greater benefits. Platforms of this kind offer global resources a free access into Haier Electronics and allow us to grow up together with Haier Electronics, make Haier Electronics outperforming its peers.



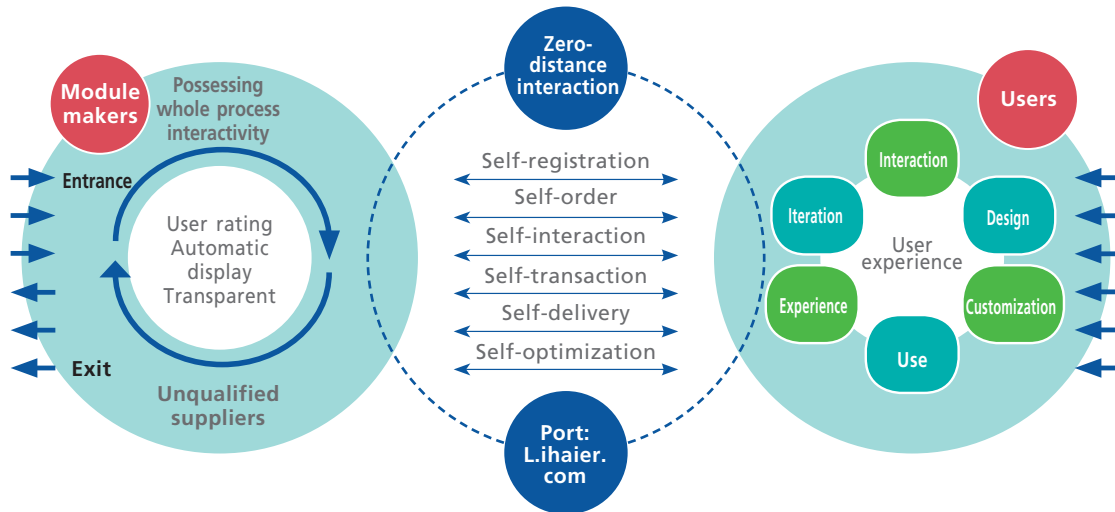


Haidayuan platform where users communicate directly with suppliers and products meet user needs from the very beginning

Adhering to Haier Group’s concept of “Integrity Ecosystem Sharing Platform (誠信生態共享平台)”, the Group focused on supply chain optimization, strengthened the enterprise’s market responsiveness and greatly enhanced the Group’s rapid response capability and competitiveness, so as to ensure sustainable development of the Group.

Our procurement took the lead in launching the exploration for the new procurement model of “breaking the traditional closed-end tandem component procurement, and establishing an open and parallel platform enabling close connection and interaction with users”. Thanks to the meticulous cultivation of the elite maker team, Haidayuan platform (L.ihaier.com), such a revolutionary open and innovative sourcing platform, excited energy industrywide by attracting over 20,000 world-class suppliers of modules to gather on the platform. In July 2017, while implementing the purport of “interoperability and mutual benefit”, Haidayuan platform (L.ihaier.com) attracted worldwide attention and had gradually grown into an all-around platform that is open-ended, zero-distance, transparent and user-friendly, quickly matching and leading modularized solutions to meet personalized demands from worldwide users, to achieve precise match of first-class module maker resources for large-scale customization in times of Internet of Things. It embodies the initial commitment of providing first-class resources with unhindered access, maximizing interests of stakeholders, and allowing self-evolvement of dynamic optimization.

We realize zero-distance parallel interaction with users on the Haidayuan platform (L.ihaier.com) through six self-models:



Given the rapid development of economy and information, critical competitions are no longer among individual enterprises, but among supply chains. While grasping needs of users, the Group enhances its management over global supply chains that meet the needs of users.



Supplier Screening — Evaluate supplier’s social responsibility through “Self Commitments”

The Group, upholding the principle of mutual trust with global suppliers, recruits excellent supplier resources through open registration of global suppliers. To become a new supplier of Haier Electronics, one is required to go through the “six self-processes” designed to enable close connection and parallel interaction with users including self registration, self-order seizure, self-interaction, self-transaction, and self-optimization on the Haidayuan platform (L.ihaier.com). Suppliers will have their qualification and capabilities appraised at the step of “capability commitment” in the “self-registration” section. New suppliers are required to submit information and materials in the “self-commitments” section according to the nine categories of requirements.

Among the nine categories of “self-commitments”, we value suppliers’ CSR performance and product quality performance, review information submitted by suppliers according to the “Management Standards for Self Capability Commitments Made by Module Makers (《模块商能力自承诺管理标准》)”, and manage those suppliers with social responsibility risks by risk level. By virtue of their first-class social responsibility performance and qualified modular solutions, suppliers are selected by demand parties to enter into contracts, which include “Safety Responsibility Commitment” and “Environmental Protection Commitment”, so as to ensure that suppliers comply with our safety regulations and environmental protection regulations in the course of rendering services, and moving forward together with Green Manner. At present, all of our suppliers have obtained the ISO14001 Environmental Management System Certification.

Nine Categories of Requirements under “Self Commitments”



Learning from GE Appliances (GEA) to optimize green supply chain

Haier Group acquired GEA in 2016. GEA has been leading the world in advocating the establishment and enhancement of social responsibility management and has developed a mature management system for the management of suppliers' corporate social responsibility. The Group also actively learnt from GEA's advanced supplier management model, studied and continuously optimized the Group's supplier management standards based on national conditions and its own enterprise characteristics, with management standards regarding supplier's environmental protection, occupational health and safety, labor and employment, security and others being continuously established and improved.

In 2017, in accordance with GEA's requirements on suppliers, we supplemented the "Specifications for Regular Procurement by Suppliers" by adding a number of social responsibility related terms, and issued the same for implementation. Initiated by the Senior SQE (Supplier Quality Engineer) team of the Group, we conducted on-site audit, together with the supplier departments, on quality and social responsibility of more than 20 suppliers according to the new requirements and checked over information submitted by suppliers and user performance appraisals, to keep and ensure that suppliers on the Haidayuan platform (L.ihaier.com) be in compliance with requirements of Haier Group and the Group in all aspects.

Supply chain development achievements

At present, the total number of our suppliers for washing machine and water heater segments is 760. The geographical distribution of such suppliers is as follows. Through continuous supplier social responsibility control, all of our suppliers have currently obtained ISO9001 Quality Management System Certification and ISO14001 Environmental Management System Certification.



4.3 Green Manufacturing Smart manufacturing

Under the background of implementing the "Made in China 2025" strategy to realize high-end manufacturing, the Group, based on its experience in transparent factories, stands at the frontier of exploring smart manufacturing. The Company quickly responds to and meets the personalized demands of customers around the world, and have achieved the visualization of the whole customized process, making customers turn from product users to "product designers and production supervisors".

Being smart while sailing green
Green Management system

All the factories of the Group have passed the certification of ISO14001 Environmental Management System and external qualified institutions are engaged to monitor and review their environmental management systems every year. We integrate clean production concept with enterprise production, operation and management closely and strive to achieve economic, social and environmental benefits at the same time. With independent innovation and technological progress as the core of development and relying on the excellent platform and advanced technology, we actively promote the construction of clean production park. Currently, Haier Qingdao Park and Qingdao Development Zone Park are clean production demonstration parks.

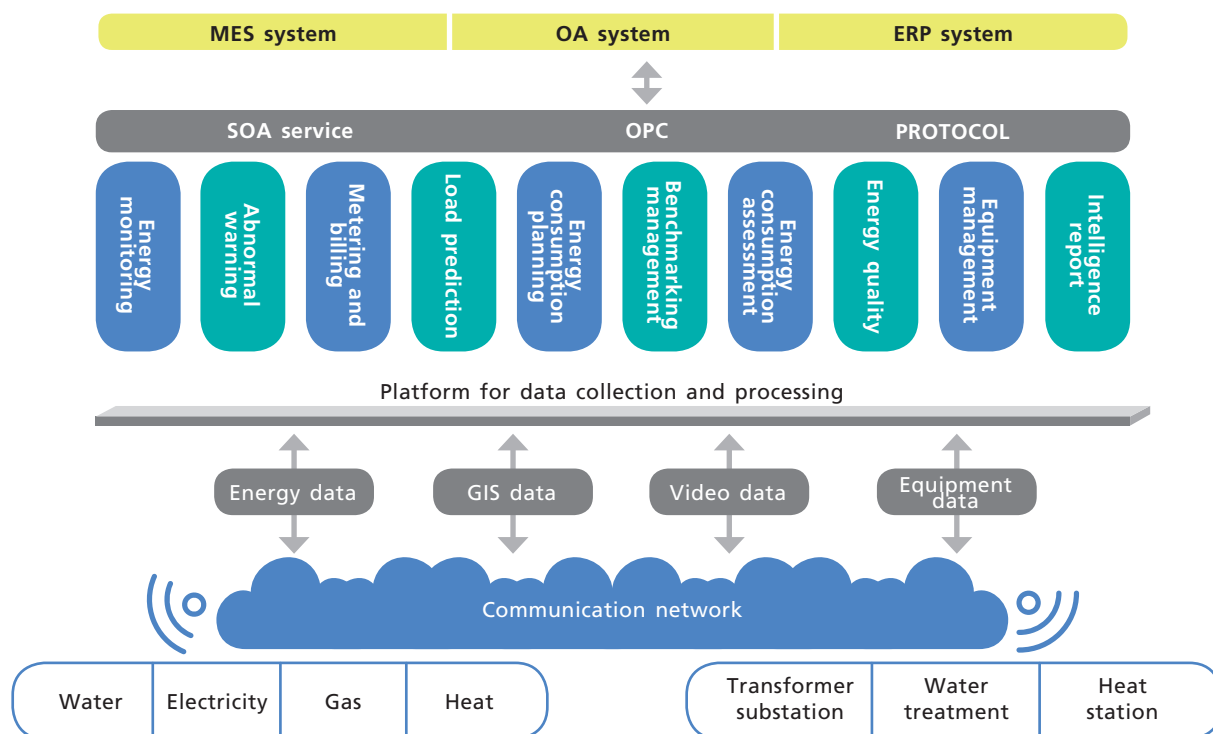


Environmental management policy

Comply with relevant laws and regulations and other requirements
Management mode which "aligns the interests of the Company and its employees to achieve win-win results"
Resource ecosystem
Interconnected and interacted innovation
Transformed from the maintenance period to the warranty period
Focus on green and environment protection during the whole process

In order to realise our strategy of "Green Sail", Haier Group has launched the project of smart energy data interconnected control centre, which is a big data analysis system established by Haier Group based on Industry 4.0. Through applying automation, information technologies and centralized management model on this platform, the Group maintained centralized, flattening and dynamic monitoring and digital management over the production, transmission and consumption of major energy sources such as electricity, water and gas in a number of industrial parks. By utilizing big data analysis, it exerted influence on energy supply at the production end to lower important energy medium discharges, achieving sustainable development in the end.

Smart energy data interconnected control centre:



Green discharge control

We strictly comply with laws and regulations such as the “Environmental Protection Law of the PRC” (《中華人民共和國環境保護法》), the “Water Pollution Prevention and Control Law of the PRC” (《中華人民共和國水污染防治法》), the “Atmospheric Pollution Prevention and Control Law of the PRC” (《中華人民共和國大氣污染防治法》) and the “Law on Prevention and Control of Environmental pollution by Solid Waste of the PRC” (《中華人民共和國固體廢物污染環境防治法》). Each interconnected factory will monitor wastewater discharge and air emission according to the “Procedure for Environment Monitoring and Measurement” (《環境監視與測量程序》) formulated by the Group to ensure up-to-standard discharge and emission. The Group’s production wastewater is managed by relevant factory according to its “Pollutant Control Procedures” (《污染物控制程序》) which are formulated based on the environment impact assessment report and the requirements of regulations applicable to wastewater and wastewater monitoring shall be conducted on a regular basis. The production wastewater from each interconnected factory will be treated by the sewage treatment station within the industrial park and will be discharged after meeting the local discharge standards.

The Group’s factories control air emission according to its “Pollutant Control Procedures” (《污染物控制程序》) and the “Record of Environmental Control Points” (《環保控制點台賬》) which are formulated based on the environment impact assessment report and the requirements of regulations applicable. Besides, as most of the factories use natural gas, the pollution is limited.

All the hazardous waste such as waste oil, waste residue and waste liquid generated in our production process are strictly forbidden to be dumped without permission. The hazardous waste is collected, stored and disposed according to the “Hazardous Waste Control Procedures” (《危險廢棄物控制程序》). According to the requirements of environmental laws and regulations, the hazardous waste is entrusted to companies with the qualification of hazardous waste disposal to dispose legally.

Harmless solid wastes are classified and entrusted to qualified companies for recycling. This is also an effective measure for the Group to promote the development of circular economy, and to contribute to environmental protection.

The emissions of the Group’s washing machine and water heater factories in 2017 are as follows:

Type	Amount	Unit
Industrial wastewater ¹	680,891	Tonnes
Hazardous wastes	172	Tonnes
Hazardous wastes per unit of product	3.13	Gram/unit
Non-hazardous wastes recycled	14,662	Tonnes
Non-hazardous wastes recycled per unit of product	266.90	Gram/unit
Scope 1 Greenhouse gas emission ²	9,581	Tonnes of carbon dioxide equivalent
Scope 2 Greenhouse gas emission ²	99,562	Tonnes of carbon dioxide equivalent
Total greenhouse gas emission	109,143	Tonnes of carbon dioxide equivalent
Greenhouse gas emission per unit of product	1.99	Kilograms of carbon dioxide equivalent/unit

1. Industrial wastewater: including only wastewater generated in production plants

2. Scope 1 Greenhouse gas emission: greenhouse gas emissions directly resulted from consumption of the Company’s natural gas

Scope 2 Greenhouse gas emission: greenhouse gas emissions resulted from consumption of purchased electricity and steam

To achieve green emission reduction, the factories of the Group have implemented a number of different emission reduction projects:

Emission reduction cases

Wuhan Haier Water Heater Factory

In consideration of environmental protection, Wuhan Haier Water Heater Factory applies cyclopentane foaming materials in the foaming process, which has greatly reduced the pollution during the foaming process. For production techniques, pickling lines and enamel lines have been improved to achieve automated and low-energy production.

Qingdao Haier Washing Machine Factory

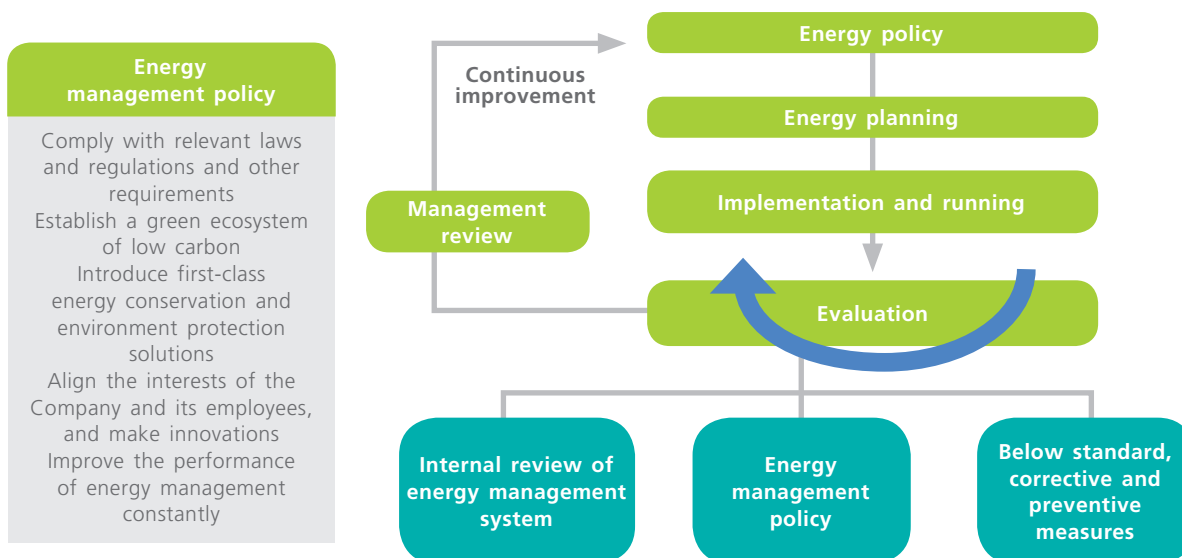
Qingdao Haier Washing Machine Factory has added frequency conversion devices at its power spaying workshop, installing energy efficient electric machines and drying ovens and cleaning devices have been installed at the emission outlets of the waste gas generated by powder spraying. This has greatly reduced the SO₂ and NO_x contained in the air emission, and as a result, green production has been achieved.

Qingdao Haier New Energy Electronics Co., Ltd.

Qingdao Haier New Energy Electronics Co., Ltd. has improved its outdated production techniques. Ways of liner cleaning has been changed from acid cleaning with heavy pollution to blast cleaning with low pollution. This has greatly reduced the SO₂ contained in the air emission, and controlled the discharge of pollutant at the source.

Energy and resource use control

The following improved PDCA (plan-do-check-action) model of the Group has integrated energy and resource management into the daily management of the Group:





The Group has formulated the “Energy Management Manual” (《能源管理手冊》), the “Management Procedures for Energy Review” (《能源評審管理程序》), the “Management Procedures for Energy Target Indicators” (《能源目標指標和方案管理程序》) and “Plans and the Energy Procurement Management Procedures” (《能源採購管理程序》) to actively respond to the national call for “energy conservation, emission reduction and scientific development”. As for energy use, the Group actively promoted the rational and economical use of water and other resources. The management level and efficiency of resource and energy use were improved and the implementation of energy conservation and emission reduction transformation was encouraged.

Production energy and resource management

The Group focused on maximising the efficiency of energy resources in production processes and put more efforts on the application of new energy-saving technologies, especially the application of energy-saving technologies for key energy-consuming equipment. Through the adoption new advanced mechanisms both at home and abroad such as energy performance contracting, energy-saving product and service quality commitment, energy-saving voluntary agreement, the Group actively introduced new ideas for energy-saving management and new energy-saving technologies to save energy and reduce consumption. The establishment of energy-saving and value-added operating business was promoted, with a view to achieving energy-saving and value-added factories and departments.

All employees of the Group worked together to save energy and reduce consumption. We examined where energy and resource was wasted and adopted measures to eliminate it. We identified projects required to improve and adopted innovative and improved measures. All this has helped us to truly achieve energy conservation and consumption reduction, then achieve our energy consumption targets.

A green lighting project was carried out to replace ordinary incandescent light bulbs with energy-efficient bulbs. The rationality of equipment deployment was considered and production orders were arranged reasonably. Four kinds of energy waste were forbidden. Focus was put on solving the leakage of compressed air in production lines.



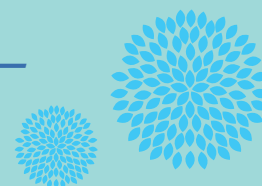
The use of recycled water was strengthened. All cooling water was recycled water, and the use of recycled water in flushing toilets, greening and landscaping was also strengthened.



More substitutes of low temperature phosphating materials were selected as production auxiliary materials, which has greatly reduced the use of steam as well as the discharge of phosphate residue.



Strengthening the application of new energy-saving technologies — **SOLAR ENERGY**



Qingdao Jiaonan Haier Washing Machine Factory

The factory has laid photovoltaic power generation equipment in the spare space at the top of the factory buildings to turn solar energy into electric energy. Except for the space at the top of the buildings, no other investments were required. The electric energy generated is charged at 95% of the electricity price of the State Grid, and as a result, the energy cost of the factory is reduced.

Annual electricity savings: 1.49 million kWh

Equivalent to reducing carbon dioxide emissions:
1,278 tonnes of carbon dioxide equivalent

The energy consumption of the Group's washing machine and water heater factories in 2017 is as follows:

Energy Consumption			
Category	Subcategory	Amount	Unit
Direct energy consumption	Natural gas	5,893	Tonnes of standard coal
Indirect energy consumption	Purchased electricity	14,786	Tonnes of standard coal
	Purchased steam	5,315	Tonnes of standard coal
Total energy consumption	/	25,994	Tonnes of standard coal
Total energy consumption per unit of product	/	473.18	Grams of standard coal/unit

Application of new insulation material to reduce electricity consumption

Qingdao Haier New Energy Electronics

As the workshop adopted enamel furnace, a lot of heat energy from heat sources was lost into the workshop, which resulted in the high temperature in the workshop. As a result, some stations had to be installed with air conditioners, which had a negative effect and also wasted energy. In 2017, the factory upgraded the enamel sintering furnace in the production system using the German technology of insulated panel with high thermal insulation and nano as its core materials.



Electricity saved
10.4 kWh/day

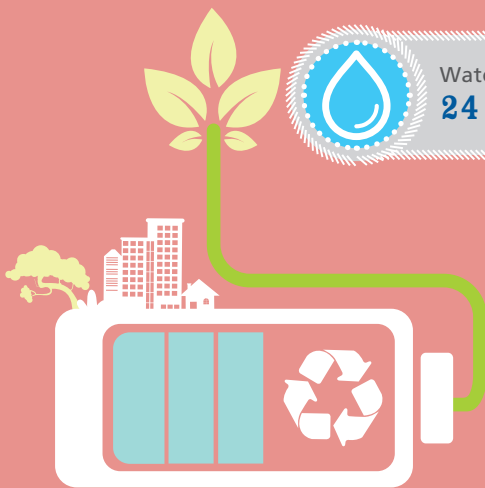
The average temperature has been reduced from 79.35 degree centigrade to 30.95 degree centigrade.



The water resources consumption during the production of washing machines and water heaters factories in 2017 is as follows:

Resource consumption		
Type	Quantity	Unit
Consumption of water	1,834,822	tonnes
Consumption of water per unit product	33.40	Kg/unit product

Saving water resources through **UPGRADING PROJECTS**



Water saved this year
24 thousand tonnes

**Qingdao Jiaonan Haier
Washing Machine Factory**

Frequent damaged valves and running flush water in staff toilets of the factory, caused by pressing the valves in uneven force, led to serious waste. However, cost of replacement and maintenance was relatively high. By upgrading the flush valves in toilets, i.e. replacing manual valves with semi-automatic valves and tank flushing valves, damages of valves and running flush water caused by human error were improved.

Saving packaging materials by replacing paper packages with trolleys



Packaging materials
saved this year
2.2 tonnes/month









Chongqing Haier Water Heater Factory

Pipes of boilers and fans were packed and separated with paper boxes and paper partitions which needed dismantling by staff and the packages materials could not be reused. To save resources, the Company decided to replace paper packages with reusable trolleys which would be designed by craftsman and manufactured by suppliers after verifications of suppliers, quality and operating entities. Thus, trolleys were put in use and our goal of saving resources was achieved.

Management of energy resources used in offices

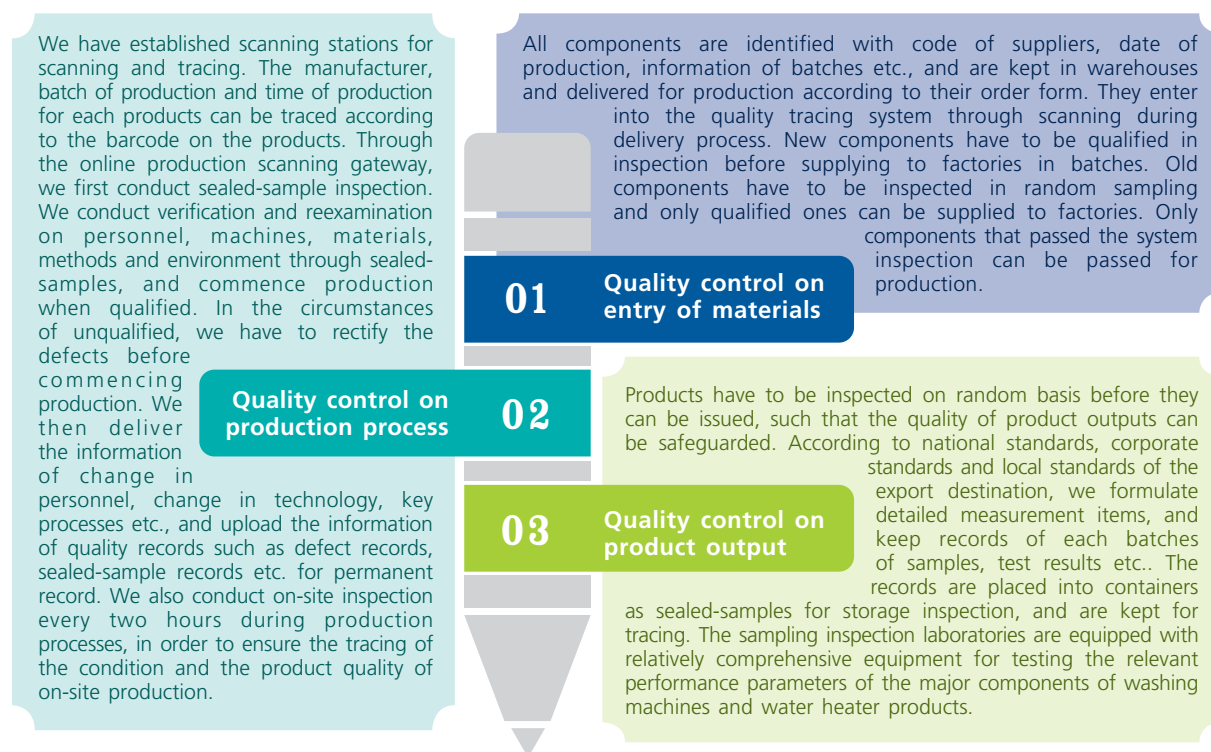
The Group managed the use of resources in offices by implementing "Management Platform of Energy Resources Used in Manufacturing and Office" (《生產辦公用能管理平台》).

	Correct	Wrong
 Lighting	Making full use of sun light; dividing the light controls by zones; turning off the lights in unoccupied rooms	Turning on all the lights during daytime; lights on in unoccupied rooms
 Air conditioner	Summer 26±1 °C , winter 19±1 °C ; turning off the air conditioners when off duty	Summer below 25 °C , winter higher than 20 °C ; still turning on the air conditioners when off duty
 Computer	Monitors scheduled to be off after a certain period of time; computers scheduled to be sleep or off	Computers still on even not in use for a long period of time
 Printer	Scheduled to be sleep 5 mins after not in operation	Maintaining in operation status all the time
 Drinking fountain	Switching off power when off duty	Still turning on when off duty
 Projector	Only turning on before meeting; turning off after use	Still turning on after use

4.4 Quality Assurance

Trustworthy craftsmanship

The Group advocates zero defects in quality. Each factory has established various mechanisms such as "Receiving Quality Control Procedures for Modules" (《模塊進貨檢驗程序》), "Administrative Procedures for Sampling" (《抽檢管理程序》), "Product Identification and Traceability" (《產品標識和可追溯性》), "Inspection and Monitoring Administrative Procedures" (《驗貨、監裝管理程序》) etc. to ensure the quality control of production processes. We have embedded various segments such as entry inspection, production process, online testing, sampling and testing, exit inspection, personnel management, document management etc. throughout the informative interconnection system, achieving withholding of defective products, data and statistics analysis of competitiveness, sharing of information communication, closed-loop rectification and follow-up of problems as well as sorting display based on grading, which ensure qualified product outputs.



The Group's water heater and washing machine factories have all obtained the accreditation of ISO9001 certification on quality assurance system. On the basis of different product requirements, some factories have also obtained relevant certifications, including VDE, GS and TUV of Germany, UL of the USA and CSA of Canada. The testing standard has also achieved international recognition, such as EEV and CSA efficiency certification of Canada as well as the UL user testing data certification of the USA.

According to the requirements of the "Management Measures for the Recall of Defective Consumer Goods" (《缺陷消费品召回管理办法》), the Group has established a comprehensive product recall management system and control procedures for its manufacturing factories. If any particular defect is found, we will adopt effective measures accordingly. The top management of the Company will participate in the decision making process and make decisions. During the year, the Group did not recall any product.



Winning 4 gold medals in the 42nd ICQCC representing the home appliance industry of the PRC

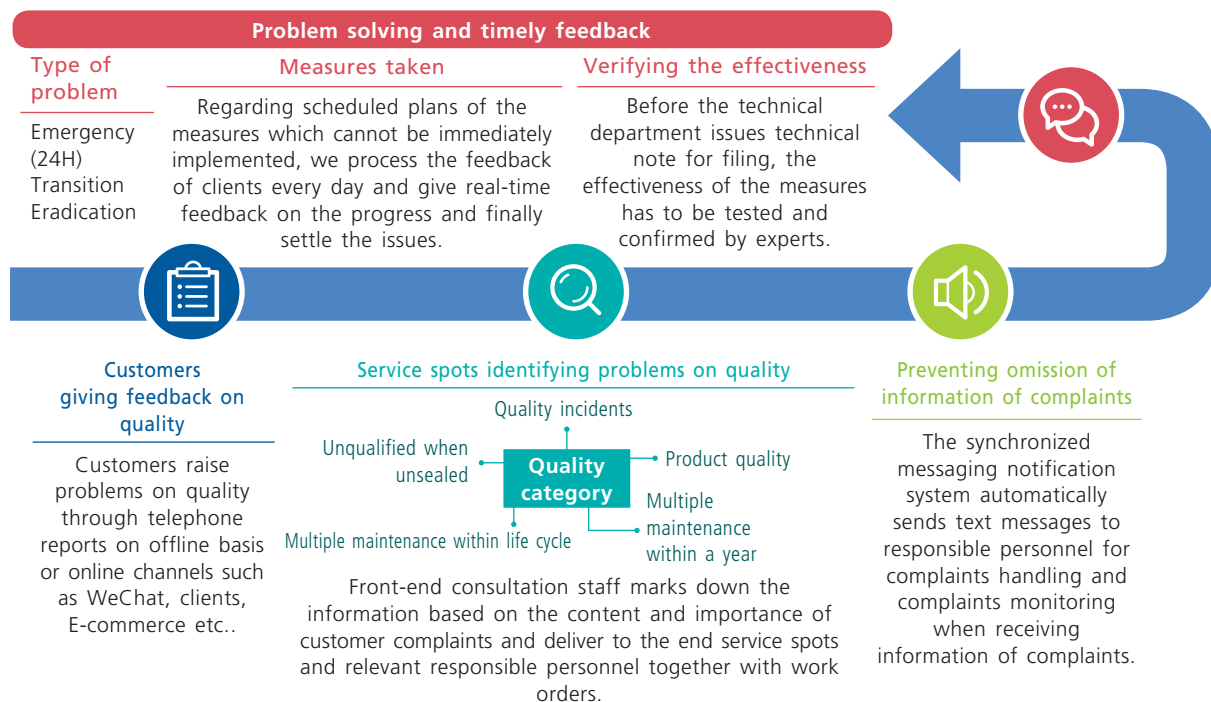


On 26 October 2017, the 42nd International Convention on Quality Control Circles (ICQCC) made a curtain call in Manila, the Philippines. Four QC group projects of the Group including Qingdao top-loading, Qingdao front-loading, Hefei top-loading and Wuhan electrothermal project have won the gold prize, achieving a historic breakthrough. The acquisition of four gold medals by Haier Electronics in a high-standard international conference which is regarded as the "Quality Olympics" has again proved that we have reached the highest international standard in quality management and innovation.

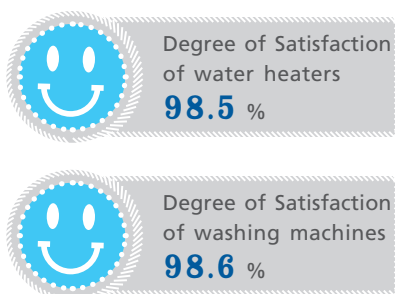


Customer communication regarding quality

With the rich experience acquired during the development process, the Group summed up that regardless the products meet the national and international standards requirement, products are unqualified if the customers are not satisfied. Thus, the Group has also converted customers' potential requirements into its service standards and quality standards, with an aim to attaching product quality against the most stringent standards and ensure that our products have reached the most advanced international standards in the life cycle and fully satisfied the needs of customers.



Currently, the Group's factories carry out quality control for all employees and implement a comprehensive quality management system of the Internet era. With the use of information system, we break the barrier of quality management system and achieve "delivering information to the end with zero distance between users". The supervision team and CRM system together ensure whole-process transparency and closed-loop from receiving complaints to monitoring complaints and handling complaints, achieving the Group's service commitment devoted to customers.



In 2017, we worked hard to enhance user interaction and continuously maintained user relationships. The total number of user complaints decreased by 16% as compared with the same period of last year, among which the number of service complaints decreased by 14% and the number of product quality complaints decreased by 20%. There was no product safety complaint during the year, and customer satisfaction of 2017 demonstrated the achievements we have made.

Improvement of quality awareness

The Group also actively organized quality control groups to reinforce employees' awareness of self-management. Moreover, the Group also launched various forms of competitions such as quality challenge to improve employees' awareness on quality, actively following Haier Group's slogan on quality: "The first is quality, the second is quality, and the third is also quality".

Cases of activities on quality

01 Conference on quality improvement The quality department organized a conference on improvement of innovation and quality on a half-yearly and yearly basis for all employees to give in-kind and non-monetary rewards, and also recommended excellent projects to participate in large-scale quality domestic and overseas publishing activities, motivating all employees to participate in quality improvement activities.	02 Quality Month activities Factories organized QC and Six Sigma quality improvement programs. Front-line employees actively participated in the programs and Quality Month activities were carried out regularly, enhancing the quality awareness of all employees.	03 Quality tools trainings External resources were introduced to organize research and development, and quality tools trainings such as DFMEA, DFSS design and Six Sigma Black Belts were carried out to enhance employees' skills, so that they can operate quality tools familiarly in their positions to enhance quality.
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Six Sigma training and projects operating activities

Six Sigma quality improvement programs are formulated in regards of the 10 most received complaints from the market. We invite top-class consulting institutions to provide Six Sigma training, panel discussions, stage advice, daily advice and project launches to team members.

4.5 Safe Production

Health and safety management

The Group adheres to the concept of implementing safety responsibilities and unifying effective management. We have established occupational health and safety management systems such as "Labor Safety and Hygiene Management" (《勞動安全衛生管理》), "Occupational Health Management" (《職業健康管理》), "Special and Dangerous Work Management" (《特殊、危險工種管理》), "Equipment Safety Management and Safety Accidents and Cases Evaluation" (《設備安全管理》) and "Investigation Management" (《安全事故、案件考核追究管理》). We strictly complied with the requirements of "three simultaneous standards" (《三同時》) and implemented OHSAS 18001 occupational health and safety management system certification, covering the full procedure of HSE&6S. Regarding to safety production standardization certification, we also completed certain national safety production standardization certifications in 2017, to be in line with Haier Group, we established a production safety management process platform to implement the responsibility system of water heater and washing machine factories as well as multi-dimensional safety control measures. Through the implementation of our comprehensive responsibility management and control, no occupational injury occurred in our washing machine and water heater segments in 2017.

Multi-level implementation of safety responsibility system



Each water heater factory and washing machine factory signed the HS and 6S Target Responsibility Contract of Haier Group (《海爾集團HSE&6S目標責任合同》)

All responsible personnel of factories and group leader of each group signed the HSE & 6S Responsibility Contract (《HSE&6S責任合同書》)



All employees have signed the Responsibility Contract for Employee Safety and HSE & 6S Code of Conduct (《員工安全暨HSE&6S行為規範責任合同書》)



Lost time during the year

0

Multi-dimensional implementation of safety management and control measures



Occupational injuries during the year

0

For the Occupational Health and Safety Improvement Program, we continued to promote the enhancement of occupational health and equipment in factories in 2017. Until present, washing machine and water heater factories have reached 100% occupational health examination rate and safety equipment coverage.

Occupational hazards monitoring

Coverage of occupational hazards monitoring **100 %**

We engage third-party monitoring institutions to monitor occupational hazards every year for occupational health to ensure the on-site occupational safety and health environment meets national standard.

01

Occupational health examination

Rate of occupational health examination **100 %**

We conduct staff occupational health examination in pre-employment stage, and arrange all operational staff who are exposed to occupational danger for annual occupational health examination.

02

Safety-essentialization and automation of equipment

Coverage of essentialized safety equipment **100 %**

Automation is applied in production lines of inter-connected factories. The high-danger work sites promotes unmanned, lights-out and automated factories, achieving equipment automation and safety-essentialization.

03

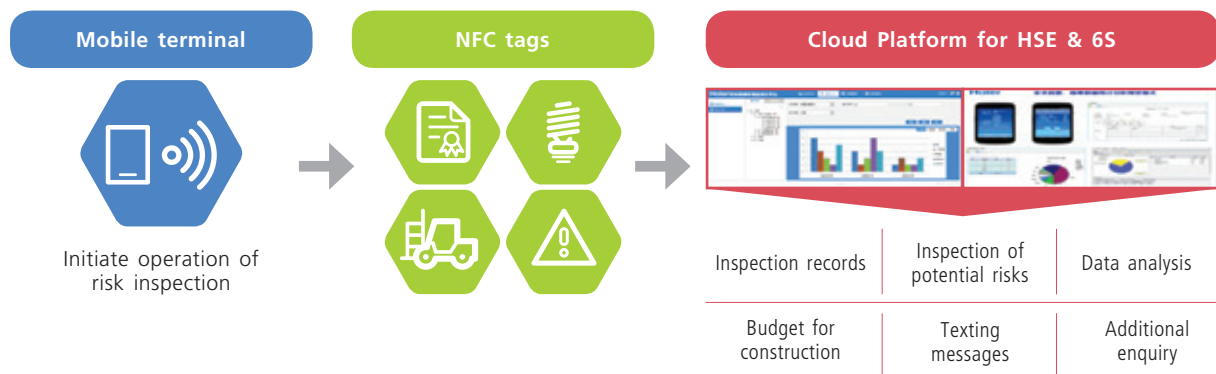
Safety culture promotion

Apart from continuously improving the management, we also attach great importance to the establishment of the Group's safety culture. We fully cooperate with Haier Group to continuously optimize the HSE&6S cloud platform safety management system to ensure that the annual safety target is achieved. We also actively create the safety culture of "6S for everyone, everything and every time", and promote the establishment of "everyone being a safety staff and fireman".

In 2017, we launched safety activities such as "HSE&6S Interactive Platform Optimization and Upgrade", "Eight Must Do for a Safety Staff", "More Messages on Safety in WeChat Group", "Commencement of Safety Production Month" and "Establishment of Diversified Safety Supervisory Network". Through these activities, safety culture was subtly embedded in the minds of employees, which vigorously promoted the establishment of the Company's safety culture.

- *HSE&6S cloud platform upgrade and optimization*

In 2016, Haier Group set up an intelligent, informative and data-based open and interactive HSE&6S cloud platform. This year, the Group worked with Haier Group to integrate internal and external HSE&6S resources, and taking into consideration of the innovative development of each small and micro-maker, deployed on-site safety data points in factories, and initiated inspection operation through mobile terminal. We inspected each risk point and rectified the potential closed-loop safety risk, achieving full coverage of occupational safety and health information and safety management and control. Through NFC tags, we achieve active management and control of safety on equipment, points and regions, with timely updated data and automated alert from system.



- *Implementation of "Eight Must Do for Safety"*

Through promoting the "Eight Must Do for Safety" model requirements for group safety staff, the concept of "everyone being a safety staff and fireman" is strengthened:

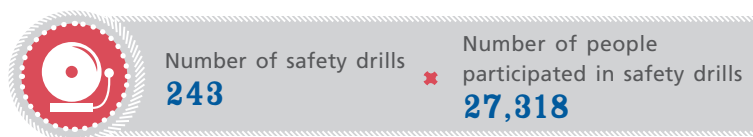
- 01** One-minute training on safety 6S before commencement of one shift
- 02** Hand-over of HSE & 6S responsibilities for all staff of one shift
- 03** Sharing of the strength and weakness of 6S by one shift
- 04** Interactive safety trainings on laws and regulations
- 05** Shift leader wearing sleeve badge
- 06** HSE & 6S interactive joint inspection for all staff of one shift
- 07** 6S safety staff conducting daily inspection
- 08** Reporting to the HSE6S cloud platform if any equipment operates abnormally

- *Held Safety Month activity*

In June, we launched the 2017 safety month activity. The theme of this safety month was: "everyone being a safety staff and fireman".



In 2017, we conducted a total of 243 safety drills and a total of 27,318 people participated in the drills.



5 WE DELIVER WHEN YOU NEED IT



HOLDING THE STEERING WHEEL OF RESPONSIBILITY, DRIVING INTO A BLEST FUTURE

A MONOLOGUE BY JIA LEI (賈磊), A LOGISTICS TRUCK DRIVER FROM OUR GOODAY LOGISTICS UNIT

My name is Jia Lei, and I am a logistics truck driver from Gooday Logistics at Jiaozhou, Qingdao. Although it is a hard job, this job is an important turning point of my life. I have made huge efforts and received the most-profit-making award of the week for the second week in April, which was the most important recognition for my work.

Prior to joining Haier, I used to be a truck driver of a private transportation company where I found no room for self-enhancement except improving my driving skills and experiences. Then, I turned to Haier, choosing to become a member of Haier's logistics drivers. In addition to a breakthrough in income as compared to my previous post, more importantly, I have better understanding for and control of my own temperament. This is because, as a member of Haier logistics, I have always upheld the target of serving our customers efficiently since I shoulder the commitment of "utmost speed of delivery and installation to anywhere." Haier's smart logistics not only enables more convenient operations for our drivers, but is also less error-prone. It also allows customers to further understand our distribution process. Haier's philosophy is service, is the alignment of value and contribution. I think it is worth working here.

"Smart logistics" attaches great importance to the integration of internet of things and sensor network with the existing internet to achieve automation, visualization, controllability, intelligence and networking of logistics through sophisticated, dynamic and scientific management. Our logistics aims to give the best experience to users. We have set up a five-core smart logistics solutions including the intelligent multi-level cloud warehouse solution, trunk distribution solution, regional transparent distribution solution, leading 1KM delivery and installation solution and value-interchange and value-added solution, providing continuous full process solutions from warehousing, delivery to installation for users.

Key performance indicators:

The infographic is presented as a light blue card with a red binder clip at the top center. It is divided into two columns by a vertical wavy line. The left column contains information about warehouse parks, and the right column contains information about green logistics and fleet partners. Key figures are highlighted in red.

Category	Key Performance Indicators
LAYOUT OF WAREHOUSES SELF-CONSTRUCTED WAREHOUSE PARKS	Coverage of ISO14001 system certification is 100%
	Coverage of OHSAS18001 system certification is 100%
	A total of 133 cooperative warehouse parks
GREEN LOGISTICS OWN FLEETS	Own fleets travelled 316,007 km
	Own fleets (and warehousing vehicles) consumed 116,953 L of diesel
FLEET PARTNERS	Number of partner suppliers of fleet had a year-on-year increase of 14.87%
	Number of partnering vehicles had a year-on-year increase of 9.11%

Deliver from where? — Standardized and well-distributed Haier warehousing system

How to deliver? — Green and efficient Haier logistics team



5.1 Intelligent Warehousing

Deliver from where? — Standardized and well-distributed warehousing system

Series of certifications to ensure quality



As a global leading manufacturer of white goods, Haier Electronics' advanced and compliant warehousing support is an important guarantee to the quality and quantity of products delivered to users. As warehousing is an important part of the Group's industrial chain, the Company attaches great importance to the safety and greenness of warehousing facilities. The Company has adopted a series of standardized measures for its self-built warehouses. Currently, all self-built warehouses of the Company have passed ISO14001 Environmental Management System Certification and OHSAS18001 Occupational Health and Safety Management System Certification, fully covering and considering the environment, safety and occupational health. Our Qingdao warehouse has been

listed as one of the "National Demonstration Bases of Intelligent Warehousing and Logistics" issued jointly by the NDRC and the Ministry of Commerce on 8 December 2017, representing a highly recognition of our Company's advanced management model. Under intelligent warehousing model, various automatic facilities operate under computer information systems. In particular, the whole warehousing process covering commodities storage, shelf arrangement, deposit & pick and out-of-warehouse is completed under the guidance of computation, which has greatly improved working efficiency in warehousing. The Group will promote in no efforts those outstanding warehouse management models to ensure warehousing quality.

Careful site selection to protect the environment

When the Group selects sites for setting up its own warehouses, in addition to considering economic costs, we also strive to seek a balance between cost factors and environmental factors. On the one hand, we reduce the damage to the surrounding environment of the warehouse during construction through reasonably selecting the site of warehouses — we conduct geographical investigation and relic investigation on the site before constructing warehouses, and will start construction only when the relevant investigations are done. On the other hand, we also shorten the transport distance between warehouses as well as the distance between warehouses and distributors, reducing the environmental pollution caused by transportation through the most optimized route design.

Agreements and contracts to control resources

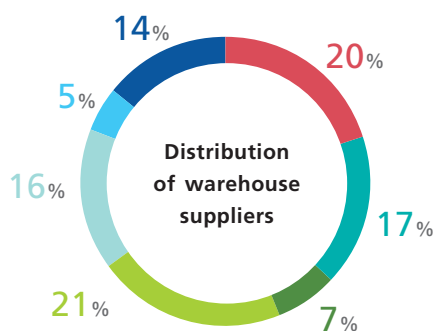
The water used by the Group for its warehouses is available from adequate water sources with sewage discharged to the municipal sewage pipelines. Energy consumption by our warehouses is mainly attributable to power and diesel used by certain forklift trucks. Currently, the Group is in the process of gradually replacing diesel forklift trucks with electrical forklift trucks, while replacing incandescent lamps with energy-saving lamps etc. In addition, we have signed contracts with outsource contractors to specify the monthly electricity consumption quota, and that the contractors shall bear the electricity fees in respect of the power consumption exceeding the quota, so as to restrict such outsource contractors to consciously carry out energy-saving actions in warehouses.

Legality and compliance to ensure safety

After the self-built warehouses for logistics business are put into use, the in-out operations are all outsourced to third-party companies for operation. We have also signed with third parties the Warehouse Management Contract, which specifies that they have the obligation to maintain and manage the warehouses and ancillary facilities of the Company and must not demolish and alter the buildings without permission, and agrees on terms such as the use of warehouse and personnel management, requirements on in-out of warehouses and acceptance, storage and maintenance of warehouses, safety management regulations etc.. At the same time, the operator of the second party's warehouse must be trained to obtain the job qualification and be certified by the Company before starting the job. In addition, the Company regularly holds fire safety training and fire drills for all self-built warehouses and promotes re-education on safety for all employees, and all employees have signed letters of responsibility on safety. The Company has installed loading and unloading ropes and hanging protection facilities in all operation areas of warehouses, and implemented the administrative measure for obtaining license on clamp truck workers required for daily operations of warehouses. Moreover, the Company has placed first aid kits in offices to ensure that employees can receive medical emergency treatment as soon as any accident occurs.

Standardized outsourcing to stabilize production capacity

In addition to its own warehouses, the Company has carefully selected a group of qualified warehouse suppliers to support the Group's warehousing system. Suppliers are distributed over all provinces, municipalities and autonomous regions apart from Hong Kong, Macao, Taiwan and Tibet, providing strong support for the on-time and effective delivery of Haier Electronics' products, oil and gas saving as well as protection of environment.



 Number of suppliers in Southern China region — 26

 Number of suppliers in Northern China region — 23

 Number of suppliers in Shandong region — 9

 Number of suppliers in Central China region — 28

 Number of suppliers in Western region — 21

 Number of suppliers in North-east region — 7

 Number of suppliers in Eastern China region — 19

5.2 Smart Logistics

How to deliver? — Green and efficient logistics team

Way of transportation

The Group currently mainly uses road transport, and the carrier fleet is a combination of outsourced fleet with partly self-owned fleet. As of 31 December 2017, we had a total of 371 fleet suppliers. In addition, the Group actively strives for breakthroughs and improvements in new way of transport. In 2017, the Group signed a strategic cooperation agreement with China Railway Corporation to combine the large capacity of rail transport with the Group's own feature of on-site delivery, creating a new layout for the transportation system of large-format logistics.

While a spring rain nourished the earth, a Haier Electronics' charter train from Loushan station, Qingdao to Harbin officially departed.

In a drizzle, a historic cooperation was officially established. The Group and China Railway Corporation has established a mutually beneficial new logistics model.



In this cooperation, Gooday Logistics, as the connection point and leveraged on its delivery service capability in village homes, laid a foundation for this win-win cooperation. In the trial run of charter train launched in late March, the transport time from Hefei base to Urumqi was reduced from 168 hours to 60 hours.

At the same time, China Railway Corporation has made innovations such as adopting a new mode

of container shipping, using special loading and unloading equipment and improving operating facilities in railway stations, and this has largely reduced the percentage of damaged goods, and made the cost of whole process logistics lower than cost of road toll through the public railway cooperation model jointly established by both parties. Through this cooperation, the Group's large-scale industrial parks will be linked to the special railway lines of China Railway Corporation, which will not only effectively reduce the short-distance transportation cost of the Company, but also marked a milestone on the official incorporation of railways into the Group's win-win ecosystem.



Green logistics

The Group attached great importance to green and environmental-friendly transportation. We have adopted a series of measures on energy-saving and emission reduction, such as:



Taking the optimization of types and quality of logistics fleets as an example, the Company conscientiously implemented the Measures for Administration of Testing and Supervision on "Fuel Consumption of Road Transport Vehicles" (《道路運輸車輛燃料消耗量檢測和監督管理辦法》) issued by the Ministry of Transport. When assessing the "Road Transport Permit" (《道路運輸證》), we must take fuel consumption as an essential indicator, and prohibit the use of high-energy-consuming vehicles. For urban logistics distribution, in addition to improving the operation level of logistics enterprise, we also introduce energy-saving, durable and high-quality freight vehicles through various channels.



Through the above methods, in 2017, the greenhouse gases discharged by our warehousing and carrier fleet amounted to 160,944 tonnes of carbon dioxide equivalents, among which, the carbon dioxide discharged by our logistics segment is 154,316 tonnes of carbon dioxide equivalents, representing a decrease of 17% as compared to that of 2016.

Warehouse logistics resources and energy consumption and discharge ¹		
Type	Quantity	Unit
Consumption		
Water consumption ²	76,828	Tonnes
Purchased power ²	1,193	Tonnes of standard coal
Diesel ²	11.70	Ten thousand litres
Total energy consumption	1,337	Tonnes of standard coal
Discharge		
Scope 1 — Greenhouse gas ³	154,333	Tonnes of carbon dioxide equivalents
Scope 2 — Greenhouse gas ³	6,611	Tonnes of carbon dioxide equivalents
Total greenhouse gas	160,944	Tonnes of carbon dioxide equivalents
Greenhouse gas/Ten thousand kilometers	9.37	Tonnes of carbon dioxide equivalents per ten thousand kilometers
Nitrogen oxide ⁴	538	Tonnes
Sulphur oxide ⁴	0.95	Tonnes
Vehicle exhaust particulate matter (PM) ⁴	53	Tonnes
Waster water	57,247	Tonnes

Notes:

1. Including 14 self-built warehouses of the Group.
2. Consumption of water and power mainly arises from normal production and operation of our warehouses, and diesel is mainly used by our own transportation vehicles and warehousing forklift trucks.
3. Greenhouse gas under scope 1 comes from combustion of direct fossil fuel, namely diesel herein; Greenhouse gas under scope 2 comes from usage of indirect energy, namely use of power acquired herein. Greenhouse gas comprises the discharge of exhaust from both free vehicles and carrier vehicles.
4. Calculated based on such provisions relating to density index as set out in the Reporting Guide for Environmental Key Performance Indicators published by the Stock Exchange. Nitrogen oxide, sulphur oxide and vehicle exhaust PM result from consumption and discharge of the Group's own vehicles and carrier vehicles.

The hazardous wastes occurred in the course of logistics operation mainly comprise of few waste lubricating oil, which is treated by us under appropriate laws and regulations. In addition, in the past few years, the Company further optimized the distribution route of logistics points, reducing the processes of goods transfer through intelligent algorithms, and further reducing the air pollution and product loss risks from road transportation through direct transportation and using railway transportation etc.

Smart logistics

The Group vigorously promoted smart logistics. Based on the five major solutions, Gooday Logistics took the lead in delivering the eight standards in the logistics industry, covering warehousing, working, delivery, installation, loading, inspection, repair and visit, establishing the highest industry service standard in all areas. At the same time, Gooday Logistics performed a series of optimizations for the operation of the entire logistics system. On one hand, Gooday Logistics proposed the industry's first warehousing two-way coverage mechanism for internal resources, systems and processes, and upgraded the one-way flow of "upper-level warehouses covering lower-level warehouses" to the two-way system of "inter-connected upper-level warehouses and lower-level warehouses", which achieved more reasonable distribution of goods and effectively reduced the shortage and lack of best-selling products. On the other hand, with Tianshu (天樞) system as the core, smart operations can not only clearly sort out the delivery rate and transfer rate of goods, but also smartly guide the reasonable storage of different goods, which significantly improved the reasonableness and efficiency of warehousing and transportation. We actively explore the model of "aligning the goal of employees and the Company". Focusing on our users, we take part in the whole process of interaction, design, manufacture and logistics to form a brand community and establish a credible platform to create a win-win situation for all stakeholders in the process of creating values for users.

From 1 to 13 November 2017, if users participate in the #Surprise# (#准有驚喜#) activity through the electronic QR code with H5, they would have the opportunity for free purchase orders or small prizes provided by Gooday Logistics after "11.11 festival".

In order to make delivery more accurate, consumers can also check information of logistics points for the whole process. The full digitalization of the whole logistic procedures and interception functions can significantly improve logistics efficiency and reduce logistics costs of the industry.



The inauguration ceremony of the Large-format Logistics Trustworthy Brand Forum and "Honesty to Home Action" (大件物流誠信品牌聯盟論壇暨“誠信到家行動”) was held on 14 October in Qingdao. "The Declaration of Trustworthy Brand Alliance" (《誠信品牌聯盟宣言》) was made at the conference. The brands would jointly improve trustworthy services and effectively safeguard the best user experience through the "eight promises" to users and "eight agreements" by the members of the alliance.

Through the effective promotion of the system construction of trustworthy services of large-format logistics, under the context of escalating quality of large-format logistics, Gooday Logistics will also promote the "11.11 festival" of 2017 as a benchmarking starting point of the whole industry.



As a leading brand of large-format logistics in the PRC, Gooday Logistics organized the 2nd China Smart Logistics Brand Day (中國智慧物流品牌日) event hosted by China Federation of Logistics and Purchasing in Beijing on 6 May. The theme of the event was "smart logistics + trustworthy sharing entrepreneurship platform". Big names such as authoritative research institutes, capital-intensive private entities, well-known brand names, regional logistics leaders and industry experts participated in the event.

Building a "Chinese brand" of Logistics

The China Smart Logistics Brand Day is regularly held on 6 May every year as "56" sounds similar to "Logistics" in mandarin. The aim of the China Smart Logistics Brand Day is "facing the industry, looking forward and focusing on actual outcomes".

We deliver if you need it

Haier Logistics cooperated with various logistics platforms, e-commerce platforms and brands to establish the large-format logistics trustworthy brand alliance of "we deliver if you need it", creating the best whole process experience for users.



Training camps for logistics makers

Gooday Logistics' 2nd training camp for logistics makers was launched in the China Logistics Conference to further promote micro-business, encourage entrepreneurship and create makers. Various parties signed the Ecopreneurship micro agreement to create a logistics entrepreneurship ecosystem through sharing resources.

Household Large-format Logistics Industry Research Report

The RRS Research Institute of Haier Logistics and Ebrun Research Institute jointly published the 2017 Household Large-format Logistics Industry Research Report, which has provided significant guidance to the development of large-format logistics industry.

6. SAILING GREEN AND BENEFITING THOUSANDS OF HOUSEHOLDS



DELIVER WARMTH AND ENKINDLE LOVE A THANK YOU LETTER FROM A HAIER BENEFICIARY

Dear aunts and uncles from Haier:

Hello!

Thank you for bringing me a summer vacation with my dad around me. This is the best gift I ever had!

Since I was a child, I seldom see my dad. I could only be with dad during New Year holidays. My dad would let me have piggy back ride, tell stories and plait my hair. I really like it! When dad wasn't here, mum was the only one who took care of me. I don't think mum was really happy and I always hear her sigh. Mum was really exhausted taking care of me. I still remember once when I had a fever, mum was so anxious and made huge effort to send me to the hospital. While I was almost fainting, I saw anxiety in mum's eyes and her pants. I felt so sorry for mum and missed dad so much. But mum said that dad was working hard far way and we couldn't go there because it was very expensive to travel there. So I could only hope dad can come back.

But it's different this year! Dearest aunts and uncles from Haier, thank you for finding me and bringing me to my dad. Thank you for letting me hugging my dad! I'm so happy! That day, I cried but I actually smiled inside. Dad said that we have to remember the kindness of others. Aunts and uncles, I will also remember this and thank you! Wish you are happy like me!

— Wang Hongyan (王紅艷)

(Tang Gang primary school, Zhu Jia Ting, Shaoyang County, Shaoyang City, Hunan Province)

Sailing green riding on the wind of sustainable development and contributing to thousands of households. The Group and Haier Group believe that charity is not simply donation and assistance, but is also personal care on sharing of emotions. Contributing to thousands of households, we have always believed that users come first. Not only serving customers, we also focus on providing a platform for users to develop their own entrepreneurship opportunities through our own edges, in order to maintain the excellent reputation of the Group.

Key performance indicators:



6.1 Supporting Makers

On 15 January 2017, the 8th China Economic Prospects Forum (中國經濟前瞻論壇) under the guidance of the Development Research Center of the State Council was held on the theme of “driving innovation and converting of old and new momentum”. The Group’s response to Haier Group’s culture of makers was further displayed to the community through this opportunity. Maker model is an innovative enterprise model that we accumulated and promoted. It has integrated our employees and the general public, workforce and value of manpower, further expanding the value system and achieving corporate social responsibility in a better way.

Training camps for nurturing makers — Developing talent with innovation, rewarding the society

Gooday Logistics’ training camp for makers is jointly held by the China Logistics Institute and Gooday Logistics, a leading large-format logistics brand. Industry associations, logistics companies, investors, high schools, industry experts, entrepreneurs etc. participated in the training camp, which is the first domestic entrepreneurship platform of logistics industry for college students. The aim of the activity is to stimulate creative thinking, motivate entrepreneurship and activate the dreams of makers, with the theme of “entrepreneurship and innovation for everyone”, helping the exploration of transformation of logistics education in Chinese high schools and improving the capability of “creativity, innovation and entrepreneurship” of high school students, and enhancing their ability of “professionalism, focus and concentration”. Through the establishment of the “five camps”, we nurture high-quality future talents for the logistics industry.



The training camp has been held for two consecutive years since its first launch in 2016. A total of 78 entrepreneurship tasks have been created, in which 10 entrepreneurship projects have been nurtured and two national patents are under application. In the first training camp for makers, with the help of corporate mentors and leveraging on the ecosystem platform of Gooday Logistics, the “Service optimization based on Gooday Logistics’ large-format warehousing — Innovation application and location design for smart flight vehicles” project has entered the test phase.

Service platforms helping the development of makers



The RMP platform is a service platform channel helping customers of specialty stores to manage their WeChat public account. It can help customers to gain fans effectively and launch events such as activities, activities announcement, gaining fans through games etc.. It can also send articles and information such as content of activities, launch of new product and brand activities to all fans. Customers can also share user stories everyday through the RMP system and organize the stories into volumes for production promotion;

6.2 Users Come First *Responsible, friendly and trustworthy neighbor*

Haier Electronics has always been committed to be the neighbor of its users. Users will feel warm and trusted only when we are fully committed. Makers put “good neighbors” forward to every aspects of daily life, and strive to do the best in the communication between users and offering care.



**Chongqing Haier:
1000-people
Banquet**

Chongqing Haozheng Haier Store regards regular customers as “the people who have closest relationship with Haier”. Before 2017, it held a “1000-people banquet” in order to establish a sense of “home” for users, which caused a sensation there.



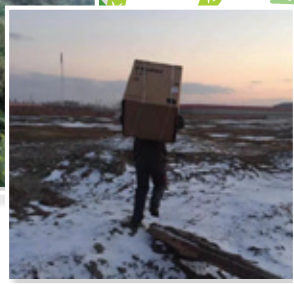
**Haikou Haier:
Long distance
care**

To practise Haier’s promise — “forever sincere”, the boss of Haikou Liguobusheng Haier Store sent a Haier Television from Haikou to a user in Sanya with the distance of 400km. It also built the reputation for Haier’s specialty stores.



**Shijiazhuang Haier:
a companion of
love**

Shijiazhuang Meishang has always adhered to the philosophy which emphasized that “it is just a start after the product is sold”, and has established the “companion” project. It has become users’ good neighbor, regularly organizing users salon, going hiking with users, picking strawberries and playing actual CS, which has created high user loyalty and spread the reputation of specialty stores.



TVs, refrigerators and anything you need is available via Goodday logistics, a delivery legend during the “11.11 festival”, regardless of day or night, terrible weather and steep geographic location. We have shorten the distance between users with practical steps and cultivated affection with users from the sincere heart. By virtue of business distribution consist of 180,000 service staff throughout the nation, we have been stick to the front line of logistics operation and relieved users’ concern about the last delivery mile for their goods purchased no matter the destination is in the southwest or northeast China featured with rugged landform, numerous bends, closed roads due to heavy snow and muddy or disconnected traffic.

Well-developed procedure for handling complaints of services, analysis of reasons and reflection, measures and mechanisms for rewards and penalty

To achieve our commitment of services for users, the Group has adopted Haier Group's CRM system to collect and monitor the complaint information of services.

The key process of handling complaints of services will be recorded in the system by a responsible person immediately. A customer services supervisor will return-visit that user before the arranged time which the responsible person is to deal with the user, and determine whether to escalate the issue to superior based on whether the issue has been resolved. Such procedure will be repeated until the problem is solved.

The supervisor team and CRM system ensure that the complaint will be closely followed from the time it is received and the whole procedures of handling complaints from the receipt of complaints to the handling of complaints can be tracked in closed-loop system. The general procedures for handling complaints are as follows:

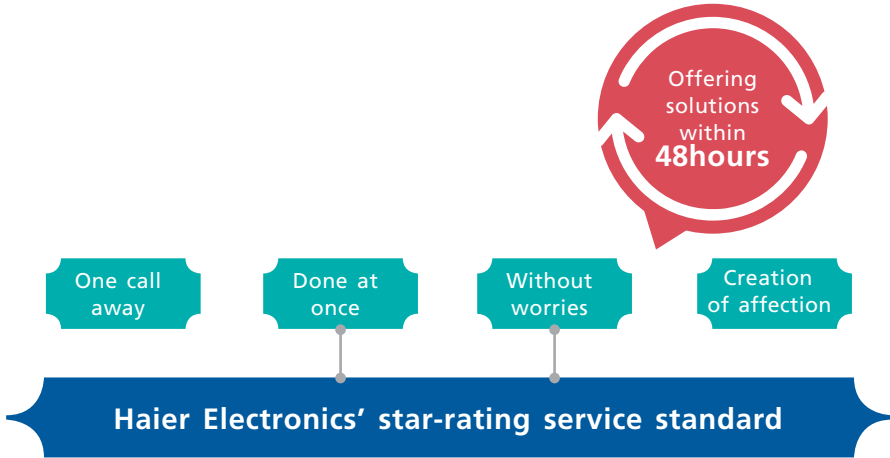


To persistently improve customer satisfaction is the key element of the Group's strategy. For the problems customers have encountered after-sales, we have developed a complete system of maintenance and evaluation. For collecting the information, there are two aspects: online and offline (five channels in total), which are:



Our after-sales teams receive requests from users through the after-sales system of the Group. They will arrange on-site services from neighboring centers and return the services results, and assist and invite user to evaluate the services. We attached importance to users' evaluation on maintenance. If the user is not satisfied, we will immediately analyze the complaint again and provide solution within 48 hours. With our experience on after-sales services and reputation from users, a set of top-notch service standards and norms has been created:

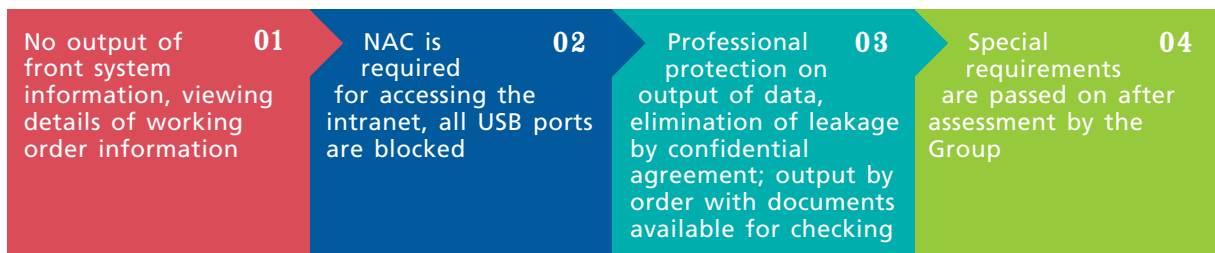
- Top-notch service standards:



- Top-notch service norms: including but not limited to promise, open, in place, four prohibited, five ones and ten dos and ten don'ts.



- We are committed to provide users with safe and reliable user experience, for which, Haier has developed a series of measures to be taken during the course of sales and after-sales to ensure users privacy, such as:



6.3 Community Charity

In 2017, the Group conducted Haier specialty stores' cause of the public good reaching a coverage of ten thousand miles. In particular, the "Young Dreamers" activity has enabled 63,200 students to have their 8,000 dreams come true in 200 cities; the "Let's hug, dad" program has made a march of 34,200 kilometers demonstrating our specialty stores' responsibility as a grand brand; and "Running China" project has attracted almost ten thousands of participators to run throughout 22 domestic cities to arouse people's passion for exercise in cold winter. As a corporation with a strong sense of social responsibilities, the Group has a wide coverage of community and charitable services with huge devotions and care to the community and participated in the community. Haier Electronics' charity contribution is mainly in education, poverty alleviation, child care and environmental protection. Among them, the utmost concern is the establishment and support of social emotional projects, which focus on highlighting the most important "human" element in humanity care, that is, the exchange of emotions. The organization of social welfare activities and making contribution is a further extension of our service concept.

Home — youth dreams

The “Assisting dreams and endless love (助夢前行·愛無止境)” Young Dreamers (少年夢想家) event of Haier specialty stores is to concern about the development of teenagers, to focus on teenagers, dreams and families. It carries out 1:1 charity projects in China, targeting at the Hope School (希望學校). In 2017, the project entered into the third year and achieved intermediate result.

“Young Dreamers” are committed to donate supplies to the Hope School to help students in need, as well as to build libraries and computer rooms to improve the teaching environment of Hope Primary School. Until now, “Young Dreamers” of 2017 has already reached 120 cities and regions including Wujiang and Tongzi in Guizhou, Chilechuan in Tibetan area, Tumed Right Banner in Inner Mongolia, Shaoyang in Hunan etc., with more than 1,700 volunteers participated, taking care of more than 63,200 students and helping over 8,000 children to achieve intermediate dreams. Over 1,000 families were benefitted from the activity. 1:1 libraries have been built in more than 100 Hope Schools and the donated books have reached over 31,000. Also, it has helped schools to build and renew computer rooms and refill teaching materials, with donated aids and materials reaching RMB5 million in aggregate.

At the same time, Haier Young Dreamers event also paid particular attention to left-behind children. We have launched the “Let’s hug, dad” dream assistance activities in over 40 cities. Volunteers from Haier escort the left-behind children to meet their parents in cities during the summer vacation in July and August every year. To achieve better results and benefit more left-behind children, we have linked up over 30,000 Haier stores around the country and established service centers, which act as a platform for the communication between left-behind children and their parents and the healthy growth of left-behind children has always been our target. Currently, the “Let’s hug, dad” action reached more than 60 cities, covering a distance of 68,400 km. This event has attracted the participation of various brands with wide media coverage and the number of viewership of the videos of community and charitable services reached more than 4 million.



Running China

Under the theme of “Running China to Highlight Sincere Companionship (真誠相伴燃跑中國)”, a public benefit activity regarding health running for celebrating the 21st anniversary of Haier specialty stores was grandly kicked off in Changzhou and Anshan respectively, unveiling the curtain of Haier Thanksgiving Month. Thousands of existing and new users of Haier products, together with our staffs, gathered together and conveyed a concept of healthy life via this running. In the following month, the wave of the Burning Run China activity will spread over 22 cities in China and the sincere service spirit of Haier specialty stores will be refined to be a more determined faith for Haier people.

“Running China to Highlight Sincere Companionship”, as a public healthy running event that is devoted to conveying love and responsibility, calls for all the people to take part in fitness activities while conveying the philosophy of healthy life. What’s more, it is aimed to achieve close relationship with users by means of this common and popular exercise model, making the users better feel the sincere and care from Haier specialty stores. As the largest retail distribution channel in China, Haier specialty stores have witnessed the growth and development of household appliance industry in China since it has been established for 21 years. Nowadays, by virtue of its powerful strength and sincere service, Haier specialty stores have been positively recognized by increasing users, with its sales network spreading over 2,800 districts, counties and cities all over China and the annual sales volume amounting to over RMB60 billion. Haier specialty stores have really realized the saying of “Good neighbor, see you every day” with its actual deeds.



Caring — charity

1. Launching of 2017 “City warmth project (城市温度計劃)”



On the eve of May Day, the Blue V (藍V) alliance together with 24 Charity (24公益) and Haier Electronics co-launched the charity event “City warmth project” in 2017 on different social media platforms. The aim of this charity event is to let more people paying attention to the hardship of front-line workers and their working environment through the way of “measuring” the body temperature of city volunteers. The reason why our cities carry warmth is because of those people who work for our cities, especially those front-line workers from special industries. The warmth is from their hard work which has constructed our cities and created emotions for our cities. We hope to express our gratitude to them through this special charity project.

2. “Extraordinary boxes” charity event initiative



From 1 November to late December 2017, official Weibo of Gooday suggests to collect paper boxes and draw on the delivery boxes of Gooday Logistics. Four members, consist of designer masters, animators and cartographer, designed the delivery boxes according to their style and content on Weibo. They uploaded a video of “Logistics brother teaching you on how to remodel boxes (物流小哥教你如何改造物箱)” to encourage the public to refuse over-packaging and overuse, in order to promote environmental protection. We hope to promote charity through these routines in life, and thus lead to the development of social harmony.

- From 25 April to 27 April of 2017, a work team made up of the culture industry platform, Chongqing micro-business platform, United Nation Children’s Fund as well as local education authorities in Zhong County, has went to Zhong County of Chongqing to get the picture of implementation of the social affections program donated by the Group there. In addition, it also took this visiting event as an opportunity to inspect the Group’s actions on fulfilling social responsibility and caring for left-behind children.

APPENDIX — HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE CONTENT INDEX

Major Areas, Aspects, General Disclosure and KPIs		2017ESG Report
A. Environmental		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.3 Green manufacturing
KPI A1.1	The types of emissions and respective emissions data.	4.3 Green manufacturing 5.2 Intelligent logistics
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Green manufacturing 5.2 Intelligent logistics
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Green manufacturing
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.3 Green manufacturing
KPI A1.5	Description of measures to mitigate emissions and results achieved.	4.3 Green manufacturing 5.2 Intelligent logistics
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.3 Green manufacturing



Aspect A2		Use of Resources
General Disclosure	Policies on efficient use of resources including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment etc.	4.3 Green manufacturing
KPIA2.1	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).	4.3 Green manufacturing 5.2 Smart logistics
KPIA2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.3 Green manufacturing 5.2 Intelligent logistics
KPIA2.3	Description of energy use efficiency initiatives and results achieved.	4.3 Green manufacturing
KPIA2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.3 Green manufacturing
KPIA2.5	Total packaging material used for finished products (in tonnes), if applicable, with reference to per unit produced.	The logistics operations of the Group do not involve the use of large quantities of packaging materials. The Group is systematically sorting out the single unit product packaging material indicators which are planned to be disclosed in 2018.
Aspect A3		The environment and Natural Resources
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	4.3 Green manufacturing 5.1 Intelligent warehousing
KPIA3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	4.3 Green manufacturing 5.1 Intelligent warehousing
Aspect B1		Employment
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	3.1 Our Staff 3.2 Remuneration and benefits 3.3 Staff development 3.4 Care for our staff
KPIB1.1	Total workforce by gender, employment type, age group and geographical region.	3.1 Our staff
KPIB1.2	Employee turnover rate by gender, age group and geographical region.	The Group plans to conduct detailed management and makes future disclosure accordingly.



Aspect B2		Health and Safety
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.5 Safe production
KPIB2.1	Number and rate of work-related fatalities.	During the Reporting Period, the Group experienced no event of death caused by work related accident.
KPIB2.2	Lost days due to work injury.	4.5 Safety production During the Reporting Period, the Group experienced no work related injury.
KPIB2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.5 Safety production
Aspect B3		Development and Training
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.3 Staff development
KPIB3.1	Training refers to vocational training, which may include internal and external courses paid by the employer. 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.
KPIB3.2	The average training hours completed per employee by gender and employee category.	The Group plans to conduct detailed management and makes future disclosure accordingly.
Aspect B4		Labour Standards
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	3.1 Our staff
KPIB4.1	relating to preventing child and forced labour Description of measures to review employment practices to avoid child and forced labour.	3.1 Our staff



Major Areas, Aspects, General Disclosure and KPIs		2017ESG Report
KPIB4.2	Description of steps taken to eliminate such practices when discovered.	During the Reporting Period, the Group had no child labor or forced labor.
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.2 Responsible procurement
KPIB5.1	Number of suppliers by geographical region.	4.2 Responsible procurement 5.1 Intelligent warehousing
KPIB5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.2 Responsible procurement 5.1 Intelligent warehousing
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.4 Quality assurance
KPIB6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	4.4 Quality assurance During the Reporting Period, the Group had no product recall.
KPIB6.2	Number of products and service related complaints received and how they are dealt with.	4.4 Quality assurance
KPIB6.3	Description of practices relating to observing and protecting intellectual property rights.	6.2 Users come first 4.1 Green Research and Development
KPIB6.4	Description of quality assurance process and recall procedures.	4.4 Quality assurance
KPIB6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	6.2 Users come first
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to bribery, extortion, fraud and money laundering.	1.2 Governance strategy
KPIB7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	1.2 Governance strategy
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration communities' interests.	6.3 Community charity
KPIB8.1	Focus areas of contribution (e.g. education, environmental affairs, needs of labour, health, culture and sports).	6.3 Community charity
KPIB8.2	Resources contributed (e.g. money and time) to the focus area.	6.3 Community charity

