

2020

SOCIAL RESPONSIBILITY REPORT

Midea Group

2020 Corporate Social Responsibility Report

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About Midea

“Bring Great Innovations to Life” – Following the operating philosophy of creating a better life for everyone in the world through technology development in the past 52 years, Midea has grown into a global technologies group comprising five business divisions: the Smart Home Business Group, the Electro-mechanical Business Group, the HVAC & Building Division, the Robotics & Automation Division, and the Digital Innovation Business. It provides products and services for around 400 million users in over 200 countries and regions. And it boasts a diversified brand portfolio including Midea, Little Swan, Toshiba, WAHIN, BUGU, COLMO, Clivet, Eureka, KUKA, GMCC and Welling.

Midea Group has put in place a “2+4+N” global R&D network underpinned by Midea Global Innovation Center in Shunde District, Foshan City, Midea Global Innovation Center in Shanghai, Midea America Research Center, Midea Milan Design Center, Midea Germany Research Center, and Midea Japan Research Center, in addition to the other 22 R&D centers across the world. With approximately RMB40 billion invested in R&D over the past five years, it has 28 R&D centers and 33 major manufacturing bases worldwide.

In face of enormous changes in 2021, Midea will shift its strategic focus and adhere to the strategic focus of “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact” to further solidify its operating foundations. To be specific, it will adhere to a future-oriented approach and build up the innovation capability and the advantage of scale in R&D; it will become digitization & intelligence driven to promote structure upgrading; it will continue to be customer-oriented and promote business reform; and it will adhere to global operations and promote breakthroughs in the overseas operations.

Midea ranks No. 307 on the 2020 Fortune Global 500 list, moving up 174 places from its first presence on the list in 2016; and ranks No. 35 on the 2020 Fortune China 500 list, the highest-ranking among the home appliance industry in the country for six consecutive years. Also, Midea ranks No. 33 on the 2020 BrandZ Top 100 Most Valuable Chinese Brands list, with its brand value up 26%. Meanwhile, Midea takes the lead among domestic home appliance makers by ranking No. 29 on the 2020 Brand Finance Tech 100 list released by Brand Finance, a British brand assessment institution. Its brand value amounted to USD13.212 billion according to Brand Finance Global 500 2020—The Annual Report on the World’s Most Valuable and Strongest Brands.

About Midea

Number of employees: **149,239**

Time listed: **18 September 2013**

Total number of shareholders: **226,871**

Total shares issued: **7,029,975,999**

Stock exchange listed: **Shenzhen Stock Exchange**

Vision, Mission, Values

- **Vision** – Bring Great Innovations to Life!
- **Mission** – Integrate with the World, to Inspire Your Future
- **Values** – **Embrace what's next** - Aspiration, Dedication, Collaboration, Innovation

Midea's Mission

Responsibilities

- Shareholders
- Customers
- Partners
- Employees
- Government
- Communities and society

Mission: Integrate with the World, to Inspire Your Future

Value

- Create opportunities for employees
- Create value for customers
- Create profits for shareholders
- Create wealth for the society
- Create a future for mankind

Basic Guidelines

- Adhere to honesty, responsibility, health and scientific development;
- Create customer value and effectively meet customer needs;
- Pursue maximum shareholder value and protect the interests of other stakeholders;
- Provide platforms and resources to encourage employees to create value, achieve self-development and develop together with Midea;
- Encourage professional managers to create long-term value for shareholders.

Stakeholders

■ Users

Persist in providing users with energy-saving, environmentally-friendly, personalized and healthy products and services to create a more comfortable living environment and a higher-quality life.

■ Employees

Practice the concept of “people oriented”, respect the rights and interests as well as values of employees, provide employees with good remuneration, benefits and working environment, establish career development channels for employees, offer good trainings to enhance abilities of employees.

■ Shareholders

Provide shareholders with stable and lasting returns by sound economic activities, and maximize the value of Midea.

■ Partners

Comply with commercial laws, establish a community of shared interests, develop and share success with partners, pursue rational competition, and safeguard the healthy development of the industry.

■ The Government

Abide by laws and regulations and provide support for government policies and activities. Abide by laws, historical and cultural customs of different regions in the world, and support regional environmental, economic, and cultural development.

■ The Society

Proactively undertake social responsibility, participate in public welfare undertakings, and actively play our role in various social undertakings in education, medical care, sports, people's livelihood, disaster relief and charity.

About this Report

What this report is about

This report is, in principle, about Midea Group Co., Ltd. and its subsidiaries. It will be specifically noted in the report if it reports on any entities that are outside Midea Group. For easy expression, all of the terms “Midea Group”, “the Company” and “we” in the report refer to “Midea Group Co., Ltd.”.

Reporting period

From 1 January to 31 December 2020, with certain events mentioned in this report occurring before or after the aforesaid period.

Date of publication

30 April 2021 (the next report is expected to be published in April 2022).

Principles for disclosure

In the report, Midea Group follows the principles of importance, completeness and comparability of the G4 guidelines proposed by the Global Reporting Initiative (GRI), and the report mainly presents information on Midea Group’s fulfillment of its responsibility for sustainable development from the economic, social and environmental angles.

The indicators in this report cover all entities that are effectively controlled or significantly influenced by the Company on financial and operational policies, which are consistent with the scope covered by the annual report of the Company. Subject to various objective conditions, the report may not be prepared in a satisfactory manner, but the Company will continue to improve the report in content and format, and publish such a corporate social responsibility (CSR) report every year.

Data collection

In order to effectively collect data on the work and achievements of each subsidiary regarding the economy, environment, and society in 2020, the data collection was conducted in accordance with the existing work process of the Company. The financial information herein is based on the *2020 Annual Report of Midea Group Co., Ltd.*

About this Report

References

The “Guidelines for Reports on Sustainable Development” issued by the Global Reporting Initiative (GRI) and the “Guidelines for the Preparation of China’s Corporate Social Responsibility Reports (CASS-CSR4.0)” are referred to in the preparation of this report, as required by the “Guidelines for the Operation of Listed Companies on the Main Board of Shenzhen Stock Exchange”.

Honors Won

Time	Honor	Awarding unit
2020	China Household Appliance Health Star	China Appliance magazine
2020	Model Institution for Industrial Robots, Model Institution for Industrial Design, and Influential Brand	Chinese Association of Automation
2020	Engineering Center of Foshan City, Model Enterprise of Intellectual Property Rights, Elite Robot Enterprise (for Cultivation) of Guangdong Province, Elite Robot Enterprise of Foshan City, Elite Robot Enterprise of Shunde District, High-tech Enterprise, RMB10 million subsidy from Shunde's core technology research project for Midea's AGV power wheel module project, and IIOT Model Enterprise	Foshan Municipal Government
Dec. 2020	2020 National Vocational Skills Competition of the Electronic Communication Industry - "Outstanding Contribution" Prize for IIOT Synergy Manufacturing	Organizing Committee of the National Vocational Skills Competition of the Electronic Communication Industry
Dec. 2020	Poverty Alleviation Contribution Award of the Year	Sina Finance
Dec. 2020	Online Consumers' Favorite Foshan Brand Foshan's Example Corporate Brand for Digital Upgrade	Foshan Daily
Dec. 2020	China New Growth-Digital Innovator of 2020	Harvard Business Review
Dec. 2020	Annual Top Employer in the Technological Hardware Area	Maimai
Dec. 2020	ECI Award (Silver)	International Entrepreneurs, Creatives and Innovators Association
Dec. 2020	"Cloud-Based PLC Solution", a sub-project of Midea's Microwave Oven+Industrial Internet Project, won the "Application Excellence Award" at Global 5G Application Competition	Development and Reform Commission of Shenzhen Municipality
Dec. 2020	Most Influential Enterprise (Real Estate and Home Industry) from WISE 2020 King of New Economy	36Kr

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Time	Honor	Awarding unit
Dec. 2020	"The Key Technology of Wide-Ambient-Temperature Energy-Efficient Air-Source Heat Pump for Heating and Its Industrialization" won China Energy Conservation Association Sci-Tech Progress Award in Energy Conservation and Emission Reduction (First Prize)	China Energy Conservation Association
Dec. 2020	China Energy Conservation Association Sci-Tech Progress Award in Energy Conservation and Emission Reduction (First Prize)	China Energy Conservation Association
Dec. 2020	Top 50 Influential Brands by HRTechChina	HRTechChina
Dec. 2020	2020 IIOT Example Project of Foshan (Second Group) - IIOT-based Enhancement of Smart Production	Foshan Industrial and Information Technology Bureau
Dec. 2020	2020 IIOT Example Project of Foshan (Second Group) - IIOT-based Enhancement of Smart Manufacturing Capability for Compressors	Foshan Industrial and Information Technology Bureau
Nov. 2020	WIPO-CNIPA Gold Award for Chinese Outstanding Patented Invention at the 21st WIPO-CNIPA Award for Chinese Outstanding Patented Invention	China National Intellectual Property Administration
Nov. 2020	Golden Bull Award for Social Responsibilities and Golden Bull Award for Board Secretaries of Listing Companies	China Securities Journal
Nov. 2020	Wuxi Little Swan Electrical Appliances Co., Ltd. was awarded the "Enterprise Model for Smart Manufacturing" by the Ministry of Industry and Information Technology	Ministry of Industry and Information Technology
Nov. 2020	2020 Special Contribution Award in the COVID-19 Combat	Shanghai Logistics Entrepreneur Association
Nov. 2020	2020 China Association of Inventions Invention and Entrepreneurship Award (First Prize)	China Association of Inventions
Nov. 2020	2020 Annual Excellent Product for Identity Permission Management in the IT Application and Innovation Industry of China	soft6.com
Nov. 2020	IIOT Project Acceptance Model of 2021 Provincial Special Fund for Promoting High Quality Development - Industrial Chain Digital Collaboration Example - IIOT Application Example of Collaborative Smart Manufacturing in the Condiment Industry	Department of Industry and Information Technology of Guangdong Province
Oct. 2020	Outstanding Contribution Award for Energy Efficiency and Environmental Protection	United Nations Industrial Development Organization
Sept. 2020	Lighthouse Network	The World Economic Forum+Mckinsey & Company

About this Report

Time	Honor	Awarding unit
Sept. 2020	National One Hundred Cases of Excellent Management	China Management Case-sharing Center
Sept. 2020	2020 Most Influential Enterprise for Digital Transformation of the Digital New Infrastructure	China Cloud System Pioneer Strategic Alliance
Sept. 2020	Guangdong Provincial Government Quality Award	People's Government of Guangdong Province
Sept. 2020	Guangdong Patent Gold Award, Guangdong Patent Silver Award and Guangdong Patent Excellence Award	Office of the Evaluation Committee of Guangdong Patent Awards
Sept. 2020	2020 Shunde Government Quality Award	The People's Government of Shunde
Sept. 2020	2020 Chinese IIOT Excellent Enterprise	The Second Global Industrial Internet Conference
Aug. 2020	No. 307 of The Fortune Global 500	The Fortune
Aug. 2020	No. 35 of The Fortune China 500	The Fortune
Apr. 2020	Best Product Award at AWE 2020	Appliance&Electronics World Expo 2020
Mar. 2020	National Products with Trustworthy Quality, National Top 100 Example Enterprises for Quality and Integrity, and National Enterprise Model for Product and Service Quality and Integrity	China Association for Quality Inspection
Mar. 2020	First Batch of Digital Technology Products and Solutions of the Department of Industry and Information Technology of Guangdong Province	Department of Industry and Information Technology of Guangdong Province
Feb. 2020	2019 IIOT Innovative Development Project - IIOT Identifier Resolution Level-2 Node (Application Service Platform in the Household Appliance Industry)	Ministry of Industry and Information Technology of the People's Republic of China

About this Report

Time	Honor	Awarding unit
Feb. 2020	<p>2020 Special Fund of the Department of Industry and Information Technology of Guangdong Province for Promoting High Quality Development - IIOT Project Acceptance Model - Direction-1 IIOT Application Example of Industrial Enterprises (First Group of the Municipal Level) - Example of IIOT-based Data Collection and Industrial Robot Application</p> <p>2020 Special Fund of the Department of Industry and Information Technology of Guangdong Province for Promoting High Quality Development - IIOT Project Acceptance Model - Direction-1 IIOT Application Example of Industrial Enterprises (First Group of the Municipal Level) - Project of IIOT-based Intelligent Enhancement of Kitchen Appliance Production</p> <p>2020 Special Fund of the Department of Industry and Information Technology of Guangdong Province for Promoting High Quality Development - IIOT Project Acceptance Model - Direction-1 IIOT Application Example of Industrial Enterprises (First Group of the Municipal Level) - Example Project of IIOT Application of Midea Household Appliances</p> <p>2020 Special Fund of the Department of Industry and Information Technology of Guangdong Province for Promoting High Quality Development - IIOT Project Acceptance Model - Direction-1 IIOT Application Example of Industrial Enterprises (First Group of the Municipal Level) - KUKA Robot IIOT Project at Shunde Factory</p>	Department of Industry and Information Technology of Guangdong Province
Jan. 2020	No. 149 of the 2020 Brand Finance Global 500	Brand Finance

The Board of Directors

In accordance with the existing laws, regulations and rules, Midea Group has established a modern corporate governance system, including the general meeting of shareholders, the board of directors and its special committees (the Audit Committee, the Strategy Committee, the Remuneration and Appraisal Committee, the Nomination Committee, etc.), and the supervisory committee, as well as the corresponding rules of procedure and management systems. At the same time, against the backdrop of “carbon neutrality” in a new era, Midea Group is preparing for the establishment of the Sustainability Committee to facilitate the fulfillment of the national promise to “peak carbon dioxide emissions by 2030 and to achieve carbon neutrality by 2060”.

Midea's board of directors currently consists of 8 directors, including 3 independent directors; 1 of the 3 members of the supervisory committee is an employee supervisor; more than half of the directors of the special committees are independent directors; and the chairpersons of the audit committee, the remuneration and appraisal committee and the nomination committee are independent directors.

Midea revises and improves its management systems for better corporate governance. In 2020, 4 general meetings of shareholders, 11 board meetings, 7 meetings of the supervisory committee, 0 meeting of the strategy committee, 4 meetings of the audit committee, 3 meetings of the remuneration and appraisal committee and 2 meetings of the nomination committee were held to ensure that major decisions were legitimate, compliant, true and valid.

The Board of Directors

A Professional Manager System

Midea attaches importance to the building of the governance structure, internal control, and centralized and decentralized systems. A mature professional manager mechanism has taken shape. The business division system that has been operating for years, the full decentralization system and the performance-oriented appraisal and incentive system have provided a development platform for the professional managers. Midea's senior management personnel are all professional managers growing out of Midea's business practices, with an average working time of 15-20 years in Midea. With a profound knowledge of China's and the global household appliance industry, they also have a deep understanding of the industry environment and corporate management. The Company has established an appraisal system on the basis of its target-oriented responsibility system and adopted an appraisal agreement for senior management members, which determines the appraisal criterion, appraisal method and remuneration based on the appraisal result. Midea's institutional advantages have laid a solid foundation for the stable and sustainable development of Midea in the future.

According to the Salary Management System for the Directors, Supervisors and Senior Executives which has been approved by the Company, the decision-making for the remuneration of directors, supervisors and senior executives is carried out in a procedure where the remuneration is proposed by the Remuneration and Appraisal Committee and approved by the Board. Decisions are made finally after the deliberation of shareholders' meeting. The remuneration of directors, supervisors and senior executives consist of basic annual payments and performance-related annual payments. Basic payment is determined based on the responsibility, risk and pressure of directors, supervisors and senior executives. The basic annual payment remains stable. Performance-related annual payment is related to the completion rate of corporate profit, the assessment result of target responsibility system and the performance evaluation structure of their own department. The remuneration system for directors, supervisors and senior executives serves the Company's strategy, and shall be adjusted with the Company's operating conditions in order to meet the Company's development requirements. The basis for adjusting the remuneration of directors, supervisors and senior executives are as follows: a. Wage growth in the industry; b. Inflation; c. corporate earnings; d. Organizational structure adjustment; e. Individual adjustment due to a change in position.

During the Reporting Period, the Company has carried out appraisals of senior management members on the basis of its target-oriented responsibility system and the appraisal result was reflected in the annual performance-based incentive rewards. Meanwhile, Midea continues to encourage its core management to take responsibility for the Company's long-term value and growth by further enhancing its long-term incentive schemes. In 2020, Midea launched the Seventh Stock Option Incentive Scheme, the Fourth Restricted Share Incentive Scheme, the Sixth Global Partner Stock Ownership Scheme and the Third Business Partner Stock Ownership Scheme, which have helped, in a more effective manner, to align the long-term interests of senior management and key personnel with that of all shareholders.

The Board of Directors

For further information about the remuneration and equity incentives given to the directors, supervisors and senior management in the year, please refer to the 2020 Annual Report of Midea Group Co., Ltd., which has been disclosed on the same day with this CSR report.

Truthful and Transparent Information Disclosure

Midea strictly executes its management system governing information disclosure affairs. It discloses useful information to the market in a true, accurate, complete, timely and fair way, avoiding information asymmetry and protecting the interests of investors. The hard work it has done in information disclosure is recognized by regulators and investors as fruitful.



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SOCIAL RESPONSIBILITY REPORT

Corporate Governance

Supply Chain Management

Supplier Management

Midea has always been committed to the development of transparent industrial chain management, and has built an industrial chain system that is transparent, safe, agile, remarkably cost-effective and sustainable. With a customer-oriented approach and the end-to-end connection through digitalization throughout the whole process, Midea vigorously promotes information sharing and joint improvement among industrial chains, and adheres to the concept of sustainability to integrate suppliers into its system of social responsibility management.

All suppliers of Midea's companies including KUKA are required to comply with relevant requirements. For instance, they and other agencies providing services for them should use environmentally friendly materials and comply with relevant environmental protection requirements. Before starting cooperation with KUKA, all of its major suppliers are required to receive on-site audits to assess the safety of the working environment and the conformity with human rights. These measures help the company better avoid related risks. Suppliers should prove that they satisfy ISO9001, ISO14001 and other similar regulations.

Joint Supply-Chain Improvement

The Global Supplier Cloud (GSC) of Midea Group, is a set of supply ecosystems for global real-time management and interactions, performing collaborative management centering around suppliers, sorting out business systems on all fronts, carrying out data sharing and collaboration through IT technologies and building a supplier collaboration platform which is consistent, open, efficient, transparent and intelligent so as to provide support for business decision-making and assist suppliers. Through GSC, the Company is able to gain direct knowledge of the number of suppliers, geographical locations and other relevant information. Supplier information is filed to GSC by the nature of the place of origin, and the place of origin, brand and other relevant information on GSC are updated according to the material number on a regular basis to avoid purchasing raw materials from regions with such problems as infringement upon human rights, illegal trades or financing violence, and to trace the source of incoming production materials, thus ensuring the safety and reliability of the Company's supply chain system. The Company evaluates the suppliers' costs, delivery cycle and quality on a regular basis and presents them on GSC to ensure open and transparent information.

Supply Chain Management

The Global Supplier Cloud (GSC), as an exclusive collaboration platform for Midea's global suppliers, is able to support in-depth collaboration covering the T+3 system and the Industrial Internet, and facilitates the development of a commitment mechanism featuring mutual trust and benefits.



Midea Global Supplier Cloud

The platform is integrated with multiple IT system platforms related to suppliers. With a uniform supplier login portal, Midea smoothes business connection between procurement and supply chain planning, R&D, quality, supplier inventory as well as supplier capacity through the IT systems, which facilitates the connection between the enterprise and the supply side and the integrated control. Standard visual management of introduction, maintenance, evaluation and withdrawal of suppliers throughout the entire procedures is actualized. Supply resources and information are shared within the Group.

Supply Chain Management

A sound supplier access and assessment system has been established

Midea has established a social responsibility assessment and assurance system for suppliers, which is standardized, transparent, cooperative, reciprocal, long-standing and forward-looking. The system has been recognized by both sides to the partnerships and effectively implemented. Midea has a complete set of standardized procedures for supplier introduction to regulate the corporate supply chain management and ensure the establishment of a fair and just system for supplier introduction.

According to ISO14001: 2015 (GB/T24001-2016)/ISO45001 (GB/T45001:2020)/IPC1401 and other CSR-related management systems that are internationally recognized, Midea has specified clear review requirements for suppliers' social responsibility fulfillment. The social responsibility assessment and assurance system for suppliers is incorporated into the Material Supplier Cooperation Agreement of Midea Group, the Midea Supplier Code of Conduct and other documents (refer to the appendices). Suppliers are bound in five aspects, including labor rights, occupational health and safety, environmental protection, business ethics and management system requirements. Six red lines of social responsibilities have been specified for Midea Group's suppliers, which cover the prohibitive rules on child labor, forced labor, bribery and extortion, and the occurrence of major safety, fire and environmental protection incidents. Violation of the red lines will be punished according to the severity by restricting the supply proportion, canceling the cooperation requirements or taking other measures. Midea conducts social responsibility self-assessment for all new suppliers, so as to assess their capability and level to comply with laws, regulations and sustainable development agreements. High-risk suppliers which fail the on-site social responsibility assessment will not be accepted.

Materials supplied by all of Midea's suppliers must comply with ROHS and REACH requirements, satisfy the environmental directives or certifications required by national and local regulations and the government, and meet Midea's environmental directive requirements and green design requirements. A quality management system has been put in place for this purpose.

Midea requires all suppliers to follow the quality responsibilities under environmental protection laws and regulations (including but not limited to the RoHS, PAHs restrictions, REACH regulation, battery directive, packaging directive, Toshiba ODM projects, POPs regulation, California's Proposition 65, restriction on the use of hazardous substances in children's products, and management measures for the restricted use of hazardous substances in electrical and electronic products). Specifically, suppliers should provide materials which meet the latest requirements in Party A's enterprise standards and technical documents, and relevant laws and regulations regarding the restriction on the use of hazardous substances in environmental protection products, and provide material testing reports on hazardous substances restricted by environmental protection regulations according to Midea's requirements (Midea releases

Supply Chain Management

the report submission information on the announcement platform of the GSC system or SRM system, and Party B replies on the announcement platform). The testing reports should be valid for one year, and the suppliers should keep testing reports, drawings, management regulations and other technical documents and quality records related to the RoHS and the REACH regulation for ten years.

Health and Safety

Strictly following the laws, regulations, standards and codes of conduct related to occupational health and safety in related countries and regions to provide a safe and good environment for our employees, customers, contractors, suppliers and communities is one of the core policies of Midea in its routine production and operations. With the Safety Production Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, and relevant local laws and regulations as our firm guidelines, we aim to create an excellent EHS system with zero accidents, controllable risks, and full participation of all employees, and strive to make constant improvement and optimization on the existing basis.

Under such guidelines, there was no safety violation that had a significant impact on the Group this year. The Group's lost time injury rate per 200,000 hours is down 31.25% compared to 2019.

Specifically, in terms of the management mechanism, safety committees were set up in the Group's headquarters as well as each subordinate business division and product company to take charge of the management of production safety and occupational health of the Group and business divisions. The Group signed an annual safety responsibility letter with each subordinate business division to stipulate annual safety assessment indicators and guiding indicators, and regularly followed up on the indicator progress. Each functional department of the factories was encouraged to take the lead in setting up factory safety sub-committees, such as equipment protection and upgrade safety sub-committee and logistics safety sub-committee, to consolidate the safety responsibility system.

In terms of model standards, the divisions and their subordinate factories prepared and improved the EHS management manual and procedure documents of the divisions according to the Group's EHS guidelines and the Group's manual of the EHS management control framework, and based on the actual situations of the divisions. The EHS system maturity standards were developed to encourage and guide the divisions to continuously improve their EHS management system, EHS culture promotion, on-site control of key procedures and special improvement.

Supply Chain Management

In terms of daily supervision, the factories engage agencies to conduct regular tests and evaluation of occupational disease hazards on an annual basis, and takes action based on the results of the testing and evaluation report. Through active improvement by Midea Lean Work Safety Week and the reform of production processes, the factories have reduced or eliminated occupational diseases and other injuries caused by toxic and harmful factors, and actively improved the workplace safety.

Meanwhile, based on the strategy of "Digitalization", Midea capitalized on its own IT technology, connected high-risk areas and equipment online to the factory-side safety and emergency management system to achieve real-time monitoring according to the "Industrial Internet + Safety Production" Action Plan (2021-2023) issued by the Ministry of Industry and Information Technology and the Ministry of Emergency Management. Moreover, Midea took this as a successful example and promoted the experience to each factory under the Group.



Achievements in occupational health and safety for 2020: 245 safety managers, 220 improvements in Midea Lean Work Safety Week, 122,050 employee voluntary improvements, 104,701 potential accidents reported by employees, and 100% of them eliminated.

R&D and Innovation

Global R&D resource integration capabilities, continuing lead in R&D and technical innovation

The Group is focused on building a competitive, multi-layered global R&D system centering on user experience and product functions, which represents world-class R&D input and strength. With over RMB40 billion invested in R&D over the past five years (RMB10.5 billion in 2019), the Group has set up a total of 28 research centers in 11 countries to gradually build up a “2+4+N” global R&D network and gain the advantage of scale in this respect.

Domestically, Midea Global Innovation Center in Shunde District, Foshan City is the core of Midea’s R&D arm, and Midea Global Innovation Center in Shanghai covers economic and technological highlands in the Yangtze River Delta. Overseas, with Midea America Research Center, Midea Germany Research Center, Midea Japan Research Center and Midea Milan Design Center as the cores, Midea makes use of the regional technological advantages, integrates global R&D resources, and builds these facilities into complementary regional R&D centers. Following the strategy of “Technology Leadership”, it attracts more professional talent and builds an organic global R&D network. It has over 15,000 R&D employees and over 500 senior foreign senior experts.

While establishing its own research centers around the world, Midea also works on constructing an open platform of innovative ecosystems. The Group cooperates with domestic and foreign scientific research institutions, such as Massachusetts Institute of Technology, University of California, Berkeley, University of Illinois at Urbana-Champaign, Stanford University, Purdue University, University of Maryland, The University of Sheffield, Polytechnic University of Milan, Tsinghua University, Shanghai Jiao Tong University, Zhejiang University, the Chinese Academy of Sciences, Harbin Institute of Technology, Xi’an Jiaotong University, Huazhong University of Science and Technology and South China University of Technology, in order to establish joint labs for deepening technological cooperation. The Group also carries out strategic cooperation with tech giants such as BASF and Honeywell to build a global innovation ecosystem.

The Group’s long-term focus on building technology, marketing, design, product and open innovation systems, building a cutting-edge research system and building reserves in technology for mid/long term, has provided a solid foundation for the Group to maintain technical superiority across the globe.

R&D and Innovation

Focused on users, developed innovative products and improved user experience, strengthened product competitiveness

The Company focused on users, continuously refined the whole value chain, as well as upgraded business scenes, products and services. In order to carry on with the “customer-oriented” strategic reform, the Company creates more user value in business scenes, products and services which are in direct contact with users, builds a customer-oriented organization and digital experience management system, as well as continuously promotes experience refinement in the whole value chain.

- **In terms of business scenes**, offline flagship, home decoration, combo and new retail stores are reshaped based on the new retail technology and user analysis. This, together with refined shopping paths and improving online consultation on e-commerce platforms, help sufficiently satisfy user demand for user scene-based interactions, shopping convenience and individualized shopping guide, thus further improving shopping experience. Meanwhile, the customer groups under the membership system in all distribution channels offer an opportunity for users to share, which can trigger fission expansion of the customer base..
- **In terms of products**, an information experience platform is put in place to understand life styles and potential demand of customers in different scenes. Through involving customers in the whole R&D process and profound R&D and technological accumulation, the Company is able to solve experience bottlenecks and pain points in the industry, offer customers better-than-expected product innovation, and boost customer satisfaction and loyalty. In respect of smart products, the Company continues to create surprises based on customers' life styles and diverse user scenes.
- **As for services, with the help of Internet tools**, Midea goes beyond the traditional model to build a “service + Internet” platform, in addition to continuous investments in service certainty, value-added services and active service. Meanwhile, by means of digital service, as well as platform-based and modularized R&D and production, Midea takes the lead to explore the C2M model for its home appliance products, offering single product customization and product suite customization for the whole house for consumers with home decoration needs. These measures to improve service experience are part of Midea's efforts to deliver better product experience throughout the product life cycle.
- **In terms of industrial design innovation**, in 2020, Midea won a total of 87 international design awards, including 27 Red Dot Design Awards, 25 iF Design Awards, 29 IDEA Awards and 6 G-mark Awards.

R&D and Innovation

In 2021, Midea will shift from the strategic focus from “Leading Products” to “Technology Leadership”. It will firmly increase R&D investment and build up the R&D scale advantage in key technologies, cutting-edge technologies, basic technologies, digitalization and intellectualization in particular. Driven by technology as the fundamental approach, it will make disruptive breakthroughs and build key technology barriers in all the product categories. Also, it will see to the full implementation of the customer-oriented principle with respect to all the products, services and business models. By way of “Comprehensive Digitalization and Comprehensive Intellectualization”, increasing efficiency internally and developing customers externally, as well as deepening the R&D model of “Three Generations”, Midea is implementing the strategy of “Being the Number One or the Only One”, with a purpose of maintaining product and technology leadership and enhance global impact in a comprehensive manner. Meanwhile, efforts will be made in bringing in top talent, strengthening the global R&D network, refining the R&D organizational structure, and building up an R&D-centric and innovation-driven model.

Continued to invest in R&D to build a global R&D platform, promote organization and technology integration, and put in place a responsive innovation in R&D system

Midea continued to invest in R&D, made innovations with respect to mechanism, and developed more leading products through both excellent user experience and differentiated technologies. It kept reforming its product development model according to the strategic focus of “Leading Products”. An innovative R&D model featuring a “Four-Tier R&D System” from the organizational dimension and “Three Generations” from the technology dimension has been put in place. Centering on customer needs and based on different organizations and technologies, innovation research is carried out on innovative product development, cutting-edge platforms, core components, differentiated selling points and basic product performance improvement. Through development of product groups across the world and building of a global product platform, Midea is building “Leading Products” and “Technology Leadership”.

While carrying out the core technology research, Midea has attached great importance to the transformation of R&D achievements. In 2020, 15 technological achievements made under the leadership of Midea were all certified as “Internationally Advanced” upon authoritative review, including “the Research and Industrialization of Source Transformation Technology for Adaptable Variable-Frequency Air Conditioners”, “the Research and Application of Intelligent Regulation Technology for Residential VRF Air-Conditioning System Under Multi-Temperature And -Humidity Scenes”, “the R&D and Industrialization of Key Technology for Comfortable and Efficient Window Air Conditioners”, “the Research and Application of Key Green Manufacturing Technology of Efficient Room Air Conditioners”, “the Research of Key Technology for the Design and Application of Disrotatory Fans”, “the Research and Application of the Pesticide-Residue-Free Technology of Deep UV Light + Photocatalyst in the Home Appliance Industry”, “the Development and Application of the Temperature-and-Humidity-Control Fast-and-Strong-Heating VRF System Technology (Enhanced Vapor Injection)”, “the Research

R&D and Innovation

and Application of Key Technology for Oil and Salt Control for Microwaves, Steamers and Ovens”, “the Research and Industrialization of Key Technology for the Compact Efficient Low-Noise Magnetron”, “the Research and Application of Key Technology for RF Roasting and Compound Cooking Based on Dual Solid-State Source Closed-Loop Control”, “the Research and Industrialization of Odor and Fume Purification Technology for Steamer-Ovens”, “the Research and Application of High-Temperature Steam Generation Technology for Residential Steaming, Baking, and Cooking Appliances”, and “the Research and Application of Key Technology for Smart Energy Saving of Wide-Temperature-Range Heat Recovery VRF”.

Guangdong Meizhi Compressor Limited is recognized as the “Research Center of Refrigeration Compressor Engineering Technology in Light Industry of China”, Midea Intelligent Lighting & Controls Technology Co., Ltd. as a “Provincial Enterprise Technology Center” and an “Engineering Research Center”, and Guangdong Midea White Home Appliance Technology Innovation Center Co. Ltd. as a “Guangdong Province Engineering Technology Research Center”. As of the end of 2020, Midea boasts eight certified technology or design centers at the state level, in addition to nearly 40 enterprise technology, engineering or design centers at the ministerial or provincial levels.

In 2020, a total of nine Midea products won a “Best Product Award” at AWE 2020. Additionally, the Residential Air Conditioner Division of Midea was granted the “Outstanding Contribution Award for Energy Efficiency and Environmental Protection” by the United Nations Industrial Development Organization for its continuous research and breakthroughs in regard of the environment-friendly refrigerant of R290 and the related environmental protection technology.

2020 marked the end of Midea’s three-year program of focusing on the quality instead of quantity in terms of patents. Against the backdrop of the patent quality improvement campaign, the Company focused on the quality instead of quantity in terms of patents and achieved remarkable results. In 2020, Midea was granted 2,890 invention patents in China, and 570 patents abroad, representing the most patents industrywide for five straight years. Also in the year, Midea lodged 13,859 patent applications at home and abroad. By the end of 2020, the total number of patent applications of Midea (inclusive of TLSC) exceeded 160,000 and more than 62,600 patents were granted. Midea continues to improve patent quality. A visualized tool for reviewing the quality of patent applications has been developed and utilized in 2020. Midea’s “High-Frequency Fast Cooling and Heating AC Technology” won a WIPO-CNIPA Gold Award for Chinese Outstanding Patented Invention at the 2020 21st WIPO-CNIPA Award for Chinese Outstanding Patented Invention. In addition, the “Intelligent Power Module” and other technologies of Midea won 2 WIPO-CNIPA Silver Awards for Chinese Outstanding Patented Invention and 15 WIPO-CNIPA Excellence Awards for Chinese Outstanding Patented Invention, as well as 1 Invention Gold Award at the 7th Guangdong Patent Awards. “The Key Energy-saving Technology and

R&D and Innovation

Industrialization of Wide-range Efficient VRF” with the HVAC & Building Division of Midea and Shanghai Jiao Tong University as the applicants won the 2020 China Association of Inventions Invention and Entrepreneurship Award (First Prize) and the 2020 China Energy Conservation Association Sci-Tech Progress Award in Energy Conservation and Emission Reduction (First Prize). Meanwhile, following the strategy of “Technology Leadership”, Midea are applying for thousands of patents regarding breezeless, disrotatory, brushless motor, smart home and other cutting-edge technologies.

Midea Group has been sticking to the double drivers of “production innovation + standard innovation”, implementing the standardization strategy of “innovation patent, patent standardization, standard internationalization, Midea standards going global”, and making active steps towards contributing to the standardization of industrial technologies. In 2020, Midea Group took part in the formulation/revision of 633 standards, including 27 international standards, 234 national standards, 145 industry standards, and 227 group standards. It is the major participant for the formulation/revision of the following standards: in the field of smart home, the CHCT-JSGF-080-2020 Technical Specifications for Split-type Air Conditioners with Breezeless Model for the breezeless technology for super-cold and VRF air conditioners, the Standard for Requirements of Evaluating Intelligent Performance of Refrigeration Appliances (international standard of IEEE), and the Automatic Electrical Controls for Household and Similar Use—Particular Requirements for Humidity Sensing Controls (national standard); in the field of HVAC and buildings, the Heat Pump Water Heater for Household and Similar Application (national standard), and the Cold and Hot Water Supply Units Integrating Air Source and Heat Pump (industry standard); in terms of key functions, the Sound Quality Ergonomics Evaluation of the Household Appliances Noise—Part I: Refrigerator (national standard); in terms of core components, the Household and Similar Adjustable Frequency Converters Safety—Part 4: Particular Requirements for Adjustable Frequency Converters for Washing Machines (national standard), the Technical Specification of Intelligent Power Module for Household Appliances (national standard), and the Automatic Electrical Controls—Humidity Sensor (industry standard); with respect to energy efficiency and testing, the Household and Similar Electrical Appliances—Test Code for the Determination of Airborne Acoustical Noise: Particular Requirements for Fans, the Measurement Methods for Electromagnetic Fields of Household Appliances and Similar Apparatus with regard to Human Exposure, the Standard Tableware for Energy and Water Efficiency Tests of Dishwashers, and the Minimum Allowable Values of the Energy Efficiency and Energy Efficiency Grades for Electric Ovens for Household and Similar Use, all national standards; and concerning health and safety, the Technical Specification for Green-Design Product Assessment—Electric Rice Cookers (industry standard). In 2020, Midea became the leader of the Intelligent Home Appliance Working Group of TC212/WG9 National Standard Committee of Automatic Controls for Household Use, continued to serve as the leader of the Sensor Standard Working Group WG10, and became the leader of the Electric Rice Cooker IEC/TC59 Function Working Group and the Electric Rice Cooker National Standardization Working Group. Midea Air Conditioner was granted

R&D and Innovation

the “First Prize of the Standard Innovation Contribution Award of China”, Midea Refrigerator won the “Outstanding Contribution Award” granted by the National Standard Committee of Automatic Controls for Household Use, and Midea’s air conditioners, refrigerators, and laundry appliances were included in the Demonstration Projects of Application of 100 Group Standards for 2020 of the Ministry of Industry and Information Technology of the People’s Republic of China (MIIT). Midea Air Conditioner has been recognized as an “Enterprise Standard Leader” for three consecutive years, with five enterprise standards and 169 products selected in 2020. With the highest energy efficiency and most selected products in the industry, Midea leads the way in terms of enterprise standards and product innovation.

Product Quality and Safety

Focusing on user needs, Midea built a professional team of quality and technology, which covered the whole value chain of design, tests, manufacturing, supplied materials and suppliers, installation and maintenance, and after-sales maintenance. Special equipment and resources (500 million+) were invested to introduce simulation, FMEA, derating, tolerance and other methods and carry out positive reliability design based on product demand. We dynamically followed up market problems and user feedback, made reverse analysis and improvement, and conducted rapid closed-loop management to improve product reliability and user experience and offer users trustworthy products.

Midea has built the Total Quality System (TRS) and the Capability Maturity Model (R-CMMI) to further identify product shortcomings, develop the core competitiveness of corporate quality, enhance brand competitiveness, and achieve high-performance global operations. Midea has shifted to the consumption upgrade (reliable, durable and good to use) and reputation shaping rather than merely meet the basic needs of users (conformity, acceptable and usable) as it previously did. Moreover, it shifted from the extensive quality management mode to the development of refined quality capacity. Product quality/reliability was endowed from the very start of design, realized in the production, and guaranteed through the full-life-cycle system management. Quality/reliability activities were carried out throughout the entire procedures such as product development, production and after-sales to ensure product quality and user satisfaction.

The quality level of product safety, environmental adaptability, abnormal protection, operational stability and long-term durability was improved from the very start of design, so as to avoid design defects, and reduce product maintenance rate and batch design problems. Reliable manufacturing begins with fine and error-proofing process design and depends on the control of process variation. Throughout the whole process of product development, we ensured that the manufactured products reached the expected quality level through the front-end process design and manufacturing process management. Focusing on the voice of users, we continuously improved quality and reliability and enhanced our technical capabilities. We continuously invested resources in failure analysis, study failure mechanisms, dived into root cause analysis, achieved double closed loops in technology and management, and input the voice of users into new product development.

Digitization & Intelligence Driven

After 52 years of development, Midea has become a global technologies group with comparative maturity in digitalization and intellectualization. As of 2020, Midea has invested over RMB12 billion in the development of smart manufacturing system, and summarized a mature architecture of the smart manufacturing system. 22 business systems have been independently developed around the architecture. Midea has basically achieved end-to-end operational and management models for products, products throughout their full life cycles, and user orders. Through continuous implementation of digital transformation and the strategy of “Comprehensive Digitalization and Comprehensive Intellectualization”, Midea Group steadily increased its operating revenue and significantly improved its operating efficiency, own funds and asset position. Two “Lighthouse Network” factories, namely the Residential Air Conditioner Factory in Guangzhou, and the Microwave & Cleaning Appliances Factory in Shunde, were built.

Efficiency was improved by virtue of digitalization and intellectualization of the value chains. Through continuous development of smart manufacturing, Midea has achieved a value chain system that integrates automated equipment, transparent production, intelligent logistics, mobile management and data-based decision-making and is dedicated to accurate delivery, efficiency improvement, quality enhancement and digital transparency. As a manufacturing company, Midea actualized all possible functions from marketing, manufacturing to supply, which covered the whole manufacturing value chain. In the framework of Midea’s new Industrial Internet platform, the application layer covered front-end marketing, digital R&D, smart manufacturing and corporate management. It is fair to say that Midea offers an Industrial Internet solution featuring whole-value-chain output. In addition, Midea also introduced Hiconics Eco-energy Technology (a mechanical and electrical business group), Media Mold and other enterprises, and introduced new energy management for its industrial parks. As a result, its scope of digital empowerment is wider and wider.

Driven by data, a data ecosystem was created. Media applied big data analysis to conduct on-demand design, on-demand production and precise guidance, and thereby created a Media ecological data circle and developed a data-driven instinctive. Intelligent analysis, precise guidance and smart marketing were conducted for production and R&D, and after-sales services were improved. The new Industrial Internet system integrates the Group’s different departments for external empowerment, which benefits both customers and the Group. Customers can enjoy more services in more areas under one-stop services and help the internal departments of Midea Group identify new customers. In addition,

Digitization & Intelligence Driven

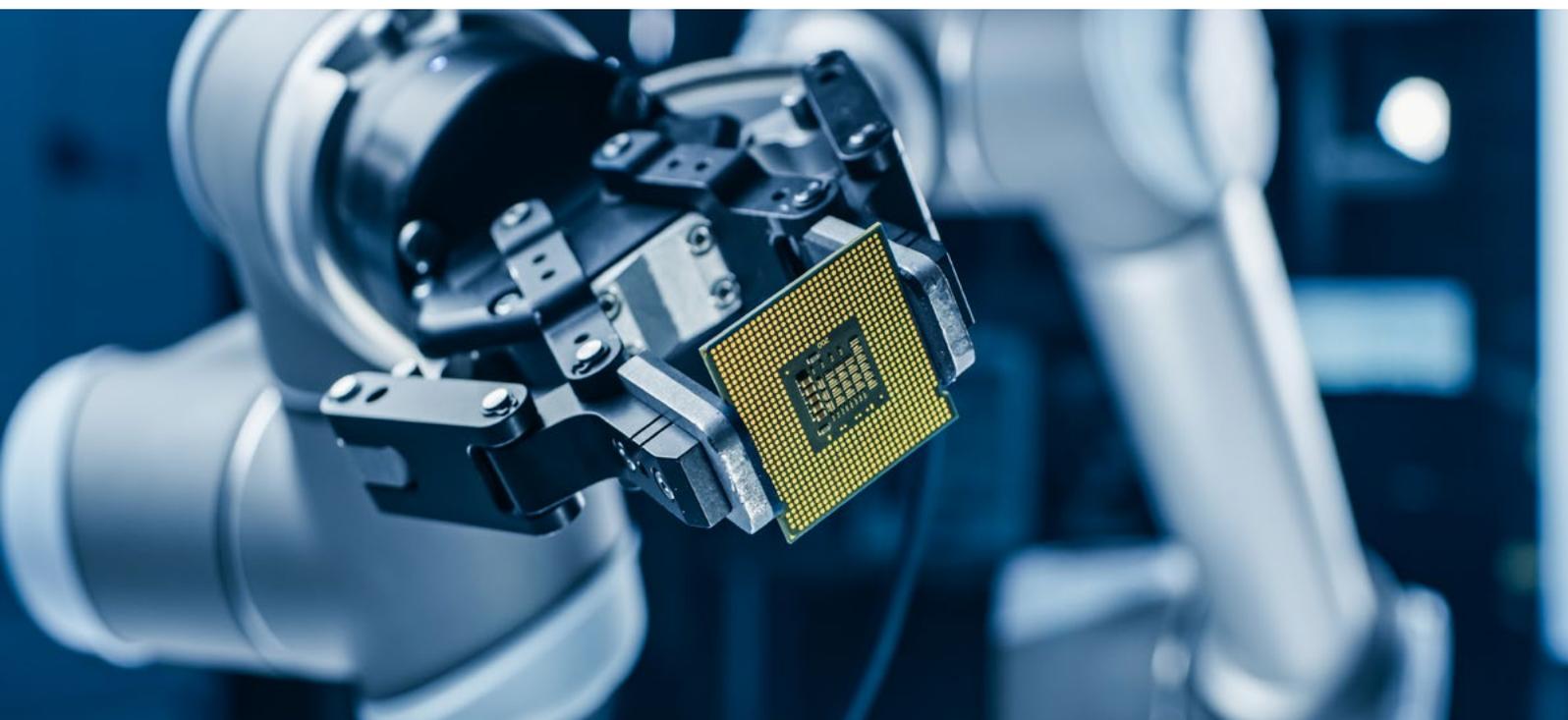
digitalization brings forth continuous staff reduction, constant release of inventory, continuous quality improvement and higher production stability of Midea Group.

Guangzhou Factory - Lighthouse Network: Guangzhou Hualing Refrigerating Equipment Co., Ltd. (hereinafter referred to as “Guangzhou Factory”) persists with innovation-driven development and intelligent transformation as part of the implementation of Midea Group’s strategy of “Comprehensive Digitalization and Comprehensive Intellectualization”. In September 2020, the company was selected as a member of the “Lighthouse Network” by the World Economic Forum (WEF). It has five major achievements:

- 1. Big data operation throughout the whole value chain:** Guangzhou Factory enables functions such as event processing before, during and after production, automatic early warning, data-driven improvement and online review. With big data empowerment, it achieves digital transformation, drives efficient operation throughout the whole value chain, and made three major achievements: Building industrial big data marts, building factory monitoring and scheduling centers, and regulating data operation systems of factories. The labor efficiency increased by 28%, the unit cost decreased by 14%, and the order lead time was shortened by 56%.
- 2. Intelligent production scheduling:** The core algorithm engine, based on a genetic algorithm, facilitates the integration and optimization of resources and systems at factories, helps factories achieve optimal scheduling, and significantly improves the convenient production and indicator efficiency of factories. The scheduling accuracy rate can reach 95%, the work order completion rate has increased by 80%, and the planning efficiency has increased by 83%. Thanks to fast scheduling, the user scheduling time is reduced by one to two hours, and the scheduling efficiency is increased by 70%. Thanks to automatic scheduling correction, the occurrence of abnormal JIT material delivery is reduced by 40%, and the N-point launching accuracy rate has increased by 50%. Thanks to the basic data health examination system, the UPH data accuracy reaches 95%, and the influence of abnormal data is reduced by 50%.
- 3. Industrial AI vision:** A variety of AI algorithm functions and end-to-end solutions for vision, hearing and data analysis are provided. The end-side-cloud integration facilitates collaborative operations. After the AI quality inspection technology was adopted, the detection rate of quality defects increased by 70% and the product yield rate has been improved. Visual inspection: The inspection cost decreased by 55% and the inspection accuracy increased by 80%. Voiceprint quality inspection: The rate of missed inspection and false inspection decreased by 95%. Face recognition: The personnel control rate reached 100%. Predictive maintenance: The failure time decreased by 80%, the failure rate decreased by 36%, and the downtime decreased by 57%. Parameter recommendation: The first-pass yield increased from 94.1% to 96.3%. Application of black-white and color shot technology of intelligent AI to quality inspection: The detection rate reached 99.9%, an industry leading level.

Digitization & Intelligence Driven

4. Whole-process digital logistics management: With intelligent logistics, whole-process transparency has been achieved, which covers supplier delivery, admission reservation, car parking management, unloading management and leave management. The inventory layout is optimized to help customers reduce inventory and improve cargo turnover efficiency. The number of cargo transit is reduced, so as to reduce the cargo delivery period and save logistics costs. Digital warehousing management and visual vehicle management have been realized, so as to improve the turnover efficiency of distribution centers. Digital warehousing management and visual vehicle management have been realized, so as to improve the turnover efficiency of distribution centers. In total, 56% of the order delivery periods have been improved; the inventory area at distribution centers decreases by 70%; the inventory turnover days decrease by 31%; and the warehouse sales per unit area of Guangzhou Factory reach 769.9 sets.
5. Internet data SaaS platform: Integrated with Internet big data, a one-stop online analysis system has been created to drive the closed-loop management of “research, production and sales” and improve the whole-process visual R&D monitoring of nine key process indicators in the trial production stage. The average trial production cycle is reduced by 37%. Personnel efficiency has been significantly improved. The UPPH is improved by 28%. User comments are categorized and attributed to form a user experience monitoring system, which has quantified user experience and improved user stickiness. At the same time, it streamlines market operation, product planning, user insight, quality improvement and monitoring of public opinions.



Digitization & Intelligence Driven

Microwave & Cleaning Appliances Factory in Shunde - Lighthouse Network

The Microwave & Cleaning Appliances Factory in Shunde (MCA Shunde Factory), which focuses on manufacturing microwave ovens and ovens, has the most comprehensive industry chain in the microwave oven industry. As the largest microwave oven manufacturing base in the world, it has been included in the Global Lighthouse Network. The MCA Shunde Factory has been successful in the implementation of “Digital Manufacturing” and “Globalization 4.0” on the basis of digital transformation of the entire value chain including digital procurement system, flexible automated production, digital quality management, intelligent logistics, and unified distribution via Midea Cloud Sales.

1. Digital procurement system: Crawler and data cleaning technologies are leveraged to network-based intelligent search for high-quality suppliers. The price review models for more than 50,000 kinds of materials are defined according to such parameters as process, material, and specification. Dynamic pricing and procurement are performed in line with historical data and market conditions to provide reliable quality guarantees for procurement of materials at the front end of the supply chain.
2. Flexible automation: Factories apply more than 30 kinds of production and logistics automation technologies for a wide range of products. In particular, magnetron workshops use advanced technologies such as automatic unstacking, RGV distribution and ASRS automatic storage to enable sharing of production lines for more than 20 models without process switches. The combination of automation and digitalization allows for unmanned operation as well as management of the reliability of the manufacturing process through the digital system. The reliance on manual inspections has been reduced by system foolproofness.
3. Digital quality management: 5G + AI + cloud technologies are applied to enable machine-enabled visual quality inspection and AI deep learning. Thus, key quality elements can be intelligently identified and controlled, such as sheet metal stamping parts, product labels, materials (cartons, screws, etc.) to minimize the risk of errors and omissions arising from manual quality inspection, with a recognition rate of above 99% and zero batch accidents. In addition, digital and intelligent algorithms are also employed for anti-error and fool-proof quality control of the elements of the whole process, such as initial samples, key position, and straight-through rate. The actions are on-line and free from human interference and can guarantee product quality.

Digitization & Intelligence Driven

4. Intelligent logistics: AI algorithm and 5G technology are combined to control automated guided vehicles (AGV) for efficient scheduling, intensive storage of more than 3,200 kinds of materials, and unmanned management of 4,200m² warehouses. The application of intelligent logistics technology eliminates direct human engagement in warehousing, distribution, inventory check and other processes, avoiding quality risks such as misuse and mixed use of materials, logistics/distribution errors, etc.
5. Midea Cloud Sales: It allows for unified marketing and distribution to more than 140 agents, over 24,000 distributors and nearly 20,000 small corporate customers. The turnover rate is raised through multi-level inventory transparency, data middle-office integration, collaborative management, and platform-based analysis and notification of cross-regional inventory allocation solutions under optimized algorithms.

Quality Design

<p>Product characteristics Reliability design and test Time-related properties</p> <ul style="list-style-type: none"> • Security • Environmental adaptability • Life & durability • Stability & reliability • Protection against anomalies • Testability • Guarantee 	<p>Material selection & application Reliability design Reliable material selection</p>
	<p>Manufacturing process Reliability design Reliable process</p>
	<p>Installation and maintenance design Easy to install an maintain</p>

Repurchases and Dividend Payouts

Constant, Generous Profit Distribution

In order to share growth with shareholders, Midea gives high priority to shareholder returns and rewards shareholders with real benefits while maintaining a steady operating performance and increasing profitability. Since the Group listing in 2013, Midea has distributed cash dividends of RMB46.8 billion, with over 40% of the net profit attributable to shareholders of the Company being distributed as cash dividends every year. Midea reviews its shareholder return plan at least every three years to ensure a consistent profit distribution policy and protect investor interests.

With confidence in its prospects and value growth, as well as in order to facilitate the return of its share price to rationality, protect shareholder interests and build up a long-term stable investor base, Midea Group launched in 2019 the biggest-ever repurchase plan in the history of China's A-stock market and repurchased shares with RMB3.2 billion in response to the internal and external complexities and fluctuations in market value. This has helped maintain a stable market capitalization and protect shareholders' interests. In face of a heavy hit from the COVID-19 pandemic in 2020, the Company promptly launched share repurchase plan for its equity incentive schemes/employee stock ownership schemes. As of 31 December 2020, Midea has used RMB2.7 billion for the share repurchases.

Profit distribution and share repurchase plans since the Group listing in 2013:

Year	Cash dividends (tax included)	Amount used in share repurchase	Cash dividends as % of net profit attributable to common shareholders of the Company in the consolidated statement	Cash dividends + amount used in share repurchase as % of net profit attributable to common shareholders of the Company in the consolidated statement
2020	11,066,392,174.40	2,700,000,000	40.65%	50.57%
2019	11,131,489,692.80	3,200,000,000	45.98%	59.19%
2018	8,561,589,853.70	4,000,000,000	42.32%	62.09%
2017	7,900,827,088.80	-	45.71%	45.71%
2016	6,465,677,368.00	-	44.03%	44.03%
2015	5,120,869,473.60	1,000,000,000	40.30%	48.17%
2014	4,215,808,472.00	-	40.14%	40.14%
2013	3,372,646,778.00	-	63.43%	63.43%

Repurchases and Dividend Payouts

Compliance

Compliance is a key component of sustainability of enterprises. Midea Group attaches importance to compliance and observes business ethics. Compliance is the obligation of every Midea employee. In the face of the COVID-19 pandemic and the complex political and economic situations at home and abroad, Midea has upheld the basic principles of honesty, compliance with law, integrity and compliant operations. We have upgraded our strategic focus to “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact”. Fully understanding that compliance is the cornerstone of business development, Midea will, as always, abide by the laws and regulations applicable to domestic and global business operations to render high-quality products and services to users across the globe.

In 2020, we were exposed to the increasingly complex compliance risks associated with global operations. To enhance comprehensive compliance risk management, we established Midea Group Legal Compliance Center at the Midea Group headquarters as well as a professional compliance management team, responsible for improving the Group’s compliance management system and special management of material compliance risks. The Legal Compliance Center is responsible for coordinating group-wide compliance management and reporting significant compliance matters to the Group’s Risk Management Committee. The Chief Compliance Officer is responsible for leading the Midea Group Legal Compliance Center and compliance officers of business divisions to actively carry out group-wide compliance management. The Legal Compliance Center also takes charge of managing overall compliance risks, transmitting and implementing the requirements of senior executives, helping to predict and prevent overall compliance risks, formulating and constantly optimizing specific compliance policies and procedures, and developing and communicating compliance culture. It is committed to safeguarding the soundness, stability and sustainability of Midea’s global operations in cooperation with all Midea employees.

Midea empowers its three lines of defense against compliance risk from the Group level to the business division level and embeds compliance rules into specific business processes. At the Group level, we focus on key compliance risk areas related to Midea’s global operations, currently including anti-corruption & anti-commercial bribery, anti-monopoly & anti-unfair competition, anti-dumping & countervailing, data and privacy protection, trade compliance, production safety & environmental protection, intellectual property rights, product compliance, and subsidiary governance. For these key areas, we have set up special compliance working groups headed by special compliance officers to guide the day-to-day compliance risk management on the business frontline. We have established a special working group for trade control compliance and a special working group for data compliance. In addition to day-to-day compliance work, we regularly share the latest developments and fascinating

Repurchases and Dividend Payouts

views on the above key compliance areas through Weekly Compliance Newsletter and Monthly Compliance Newsletter on Meixin, which include analysis and risk reminders in light of Midea's compliance conditions.

The Code of Business Conduct of Midea Group, released in 2017, is crucial to corporate compliance management. It combines basic legal and moral requirements on the basis of Midea's corporate values, serving as the foundation of Midea's compliance system management. Midea Group requires all its global employees to be familiar with and abide by these principles and rules. Midea managers work to ensure compliance and play an exemplary role in complying with the requirements of the Code of Business Conduct of Midea Group. Managers are required to well understand the requirements of Code of Business Conduct of Midea Group, transmit them to employees, and comply with them at the same time. In 2020, Midea employees around the world attended compliance and integrity courses online and offline, and the first Duty Performance Training for Directors, Supervisors and Senior Executives of Midea Group was organized.

In 2020, Midea formulated 12 compliance standards and guidelines, including the Midea Anti-monopoly Compliance Standard, Midea Supplier Code of Conduct, Midea Personal Information Protection Management Policy, Midea Anti-bribery Compliance Standard, and Midea Anti-Money Laundering Compliance Standard Guidelines. Midea's compliance policies on employee behavior, anti-corruption, export control, supply chain, anti-monopoly and anti-unfair competition are available to all employees on the internal website. We are well aware that compliance is not just about ourselves; it also concerns our entire value chain. Therefore, while these compliance principles are observed within Midea, we support and encourage our business partners, suppliers and other stakeholders to follow the same standards on integrity and compliance. We show zero tolerance towards any illegal and immoral conduct. We have put in place a set of standardized and effective internal rules and regulations to see that all our employees abide by the law and maintain integrity. Midea provides channels for employees and external partners to report integrity and compliance issues and takes effective measures to prevent retaliation against informers and complainants.

We continue to enhance our business ethics standard while managing to maintain excellent performance. We have integrated our strategic focus, long-range values and integrity & compliance principles into the day-to-day work of every employee for full implementation and compliance. We join hands with all business partners to become a socially responsible enterprise that continues to thrive!

Repurchases and Dividend Payouts

Anti-fraud

In 2018, the Company introduced the Code of Business Conduct of Midea Group, which explicitly specifies the requirements for anti-corruption. The Code emphasizes the importance of complying with the local country's laws and fighting against unfair competitions through “no commercial bribes”, “no bribing government officials” and “political donations, charitable donations and sponsorships”.

In 2020, the Company continued to improve its anti-corruption system and repeatedly emphasized integrity, compliance and red line through touch anti-corruption measures, case notification, publicity and education, so as to create a transparent, honest, fair and market-oriented business environment. In the meanwhile, as the sponsor of the Enterprise Anti-Fraud Alliance, the Company took an active part in the summits of alliance and compliance exchanges to build a clean business environment.

The Company persistently upholds high standards of ethics and integrity in global business operations, firmly abides by applicable anti-corruption and anti-bribery laws and regulations, prevents any forms of corruption and bribery, and observes integrity and transparency principles in dealings with business partners and government agencies to ensure compliance.



2020

SOCIAL RESPONSIBILITY REPORT

Environmental Protection

Environmental Protection

According to the 14th Five-Year Plan, by 2030, green ways of working and living will be widely adopted; carbon emissions will fall steadily after peaking; the ecological environment will fundamentally improve; and the goal of making China a beautiful country will be achieved. During this period, to achieve peak carbon emissions and carbon neutrality will be one of the top priorities. Expediting adjustment and optimization of industrial and energy structures for early peak coal consumption is key to achieving peak greenhouse gas emissions by 2030 and carbon neutrality by 2060. Home appliances are the second largest source of household energy consumption, generating up to 30% of residents' carbon emissions. It is inevitable for the home appliance industry to design and manufacture green home appliances by green means.

Environmental Key Performance Indicators

As a leader in the home appliance industry, Midea integrates the green concept of into products and manufacturing. Midea, which provides more than 400 million products for global consumers every year, advocates the incorporation of the concept of environmental management into the whole product lifecycle covering design, manufacturing, use, and recycling. R&D, materials, packaging and other aspects are taken into consideration to make products green.

Midea always attaches great importance to and puts into practice the principles of environmental protection and green development. It constantly makes technological innovations and advances to minimize energy consumption and greenhouse gas emissions and performs equipment upgrading and lean production to save energy and cut emissions. The Central Economic Work Conference has identified "taking solid steps toward the goals of achieving peak carbon emissions and carbon neutrality" as one of the key tasks for 2021. In this context, the Group will accelerate efforts to save energy and diminish emissions on many fronts. It will move faster to build a green industrial chain and cooperate with all upstream parties to promote green manufacturing on the whole industrial chain. In terms of production model, it will work to make manufacturing automated and intelligent and leverage the Internet and big data to pursue high-end manufacturing. It will expedite the upgrading of its energy management capacity in the production process with digital technology. The enhancement of digital management efficiency has transformed nearly 20 plants, cutting the electricity for production of each product by 15%. More and more creative scenes of smart homes and smart appliances with low energy consumption have been rolled out. Midea promotes the application of energy-efficient products in the market with innovative

Environmental Protection

products that better meet the needs of the times. It develops and adopts more green packaging ways through the construction of green logistics. It makes technological progress to advance low-carbon transformation and foster the use of green energy.

It is difficult for the traditional manufacturing industry to save energy and reduce consumption, and the key lies in energy management and planning. As the manufacturing industry adopts digital and intelligent means, all the problems can be easily solved. Midea M.IoT, a digital and intelligent Industrial Internet platform, connects each key node of energy use in manufacturing and production planning system to enable transparent, visual and controllable energy efficiency management. Since December 2018, Midea's Wuhu Plant has carried out a program to make energy efficiency management digital and intelligent at the industrial park, factory, workshop, production line, equipment and other levels, by setting up hundreds of electricity meter collection points. As a result, energy consumption for production of a single unit was diminished by 16.2% in half a year, and total energy consumption was reduced by 5.4%, equivalent to saving 21,000kWh electricity per day. The solution has been adopted by 16 Midea factories of air conditioners, laundry appliances, refrigerators, etc. Its successful application in Midea also means that this solution has the potential for being promoted in the industry or even other industries. It is of far-reaching significance for the green manufacturing transformation.

In response to China's national strategy of achieving carbon emissions by 2030 and carbon neutrality by 2060, the home appliance industry needs to adopt low-carbon designs in the whole industry chain in order to fulfill their social responsibilities and obligations. Low-carbon designs primarily include 1) using eco-friendly refrigerants for air conditioners to lower direct greenhouse gas emissions from air conditioning products; 2) enhancing energy efficiency of air conditioning products to see that the efficiency of air conditioning products in the Chinese market increases by 15% in 2021 and continues to rise by 15% in 2030, under the China Green Refrigeration Action Plan; 3) making production lines intelligent to enhance production efficiency and minimize the energy consumption of each air conditioner.

Midea has been accelerating the adjustment and optimization of the industrial and energy structures, with a continuous drop in comprehensive energy consumption per RMB10,000 output value -- it declined from 0.0139 in 2017 to 0.0117 in 2020, down 15.83%. Carbon dioxide emissions per unit output value decreased -- by 16.33% from 0.0496 in 2017 to 0.0415 in 2020. Greenhouse gas emissions were reduced by 68,175.6265 tons in 2020 compared to 2019. At the same time, Midea has been actively developing and utilizing clean energy, with the share of clean energy used up 14.95% from 4.75% to 5.46%

Environmental Protection

No.	Indicators	Unit	2017	2018	2019	2020
1	Comprehensive energy consumption per RMB10,000 output value	Tons of standard coal/RMB10,000	0.0139	0.0126	0.0125	0.0117
2	Renewable energy as a percentage of total energy consumption	/	/	4.75%	4.96%	5.46%
3	Comprehensive water consumption per RMB10,000 output value	Tons/RMB10,000	0.967	0.894	0.801	0.693
4	Greenhouse gas emissions per unit output value	Tons of carbon dioxide/RMB10,000	0.0496	0.0460	0.0456	0.0415
5	Electricity consumption	1,000kWh	1641930.201	1824987.738	1955428.791	1882945.304
6	Total greenhouse gas emissions	Tons of carbon dioxide equivalent	974536.155	1072780.138	1149997.143	1081821.517
7	Direct greenhouse gas emissions	Tons of carbon dioxide equivalent	99406.120	98554.311	105287.314	105558.289
9	Indirect greenhouse gas emissions	Tons of carbon dioxide equivalent	875130.035	974225.827	1044709.829	976263.227
10	Total energy consumption	Tons of standard coal	272571.372	294378.517	315152.474	306487.574
11	Total water consumption	1,000 cubic meters	19004.779	20851.126	20189.382	18078.980
12	Total sewage discharge volume	1,000 cubic meters	6986.932	7580.319	8034.717	7891.756
13	VOCs per unit output value	Tons/RMB100 million	0.078	0.086	0.106	0.118

Low-carbon and energy-saving development is not only a regulatory requirement but also the social responsibility of enterprises. At the same time, it is expected to become a new driver for technological innovation and development. There is big room for improvement, and we need to work harder. To facilitate the realization of the national goals of peak carbon emissions and carbon neutrality and make the globe a better living place for mankind, Midea will continue efforts to achieve its goals. Midea Group adopts an environmentally-friendly and energy-saving development strategy, effectively promotes sustainable and harmonious development with the environment, and firmly implements green design and clean production to provide the society with green products and services.

Green Technologies and Products

Midea Group attaches great importance to the R&D and investment into green technologies, energy conservation and environmental protection and constantly expand the coverage of green home appliances. Among the various products of the Company, products at Level I Energy Efficiency accounted for 75% of the total domestic SKU sales of air conditioners, much higher than the industry average of 21%. In 2020, that percentage for refrigerators was 78%, higher than the industry average of 10%; and that percentage for freezers stood at 91%, higher than the industry average of 15%. The corresponding proportion for laundry appliances was 77%, also higher than the industry average of 15%. The percentage for electric water heaters was 80%, higher than the industry average of 56.6%. In addition, the percentages for electric rice cookers, purifiers and electric fans stood at 19.31%, 34.48%, and 22.03%, respectively.

Midea's technological research and innovation are solely aimed at making products more eco-friendly.

“R290 Eco-friendly Natural Refrigerant Application Technology”

-- No damage to the ozone layer and no greenhouse effect

“Patented Technology of High Water Saving Film”

-- Making reverse osmosis water purifier more recoverable and efficient in water use

“i-Intelligent Washing Machine Precision Delivery Technology”

-- Effectively lowering the emission of phosphorus-containing chemical detergents

“Midea Commercial Air Conditioner Building Management System (M-BMS)”

-- Increasing the refrigeration energy efficiency of large public buildings by around 30%

Green Technologies

On 16 October 2020, Midea won the Outstanding Contribution Award for Energy Efficiency and Environmental Protection from the United Nations Industrial Development Organization (UNIDO) for its air conditioner products' outstanding contribution to environmental protection. Ole Reinholdt Nielsen, Chief at UNIDO Montreal Protocol Division, and Ma Jian, Chinese Deputy Representative at UNIDO, presented the award to Midea as commendation for the corporation's outstanding contributions to global energy conservation and emission reduction with continuous R&D, manufacturing and promotion of residential air conditioner products that conform to the highest environmental standards.



Green Technologies

Outstanding Contribution Award for Energy Efficiency and Environmental Protection: Midea Air Conditioner Contributes to Global Energy Conservation and Emission Reduction

Over the past decade, Midea has worked closely with UNIDO on the program Leading Residential Air Conditioner Industry to a Greener Way, which aims to replace the environmentally harmful refrigerant HCFC-22 with low-carbon and environmentally friendly propane (R-290), as propane refrigerant system not only can directly lower greenhouse gas emissions but also improve energy efficiency by 10%-15%, thus further indirectly reducing the temperature rise effect arising from energy consumption. According to UNIDO, Midea's environment-friendly refrigerant has replaced 67.8 tons of ozone-consuming substances, and helps reduce 967,490 tons of CO2 emissions every year.



Huge investment in environmental protection technologies has enabled Midea to obtain more than 200 patents in the field in China and globally. Its R-290 products have been widely recognized by the international community because of their technical advantages such as extremely low GWP refrigerant, high energy efficiency, low noise, and rigorous safety control. Midea has invested more than USD7 million to convert its production lines into R-290-driven products. Its 83 laboratories since inception have been committed to the R&D of low-carbon, eco-friendly and energy-efficient residential air conditioning products. The UNIDO has expressed its appreciation for Midea's vision in protecting the environment and thanked the corporation for its excellent cooperation. It gives a comment on the award certificate that, "this project is the outcome of a decade of R&D efforts of Midea, reflecting its technical strengths and dedication to protecting the earth."

Green Technologies

Midea's R290 air conditioners entered the European market in 2014 and since then have enabled Midea to receive a number of top awards in the industry around the world. In 2018, the Company won the Highest Science and Technology Progress Award from the China National Light Industry Council. In the same year, at Milan Mostra Convegno Expocomfort (MCE), it was officially awarded the world's first "Der Blaue Engel" certificate, which is currently the highest and most authoritative certificate for energy efficiency and environmental protection of air conditioning products.

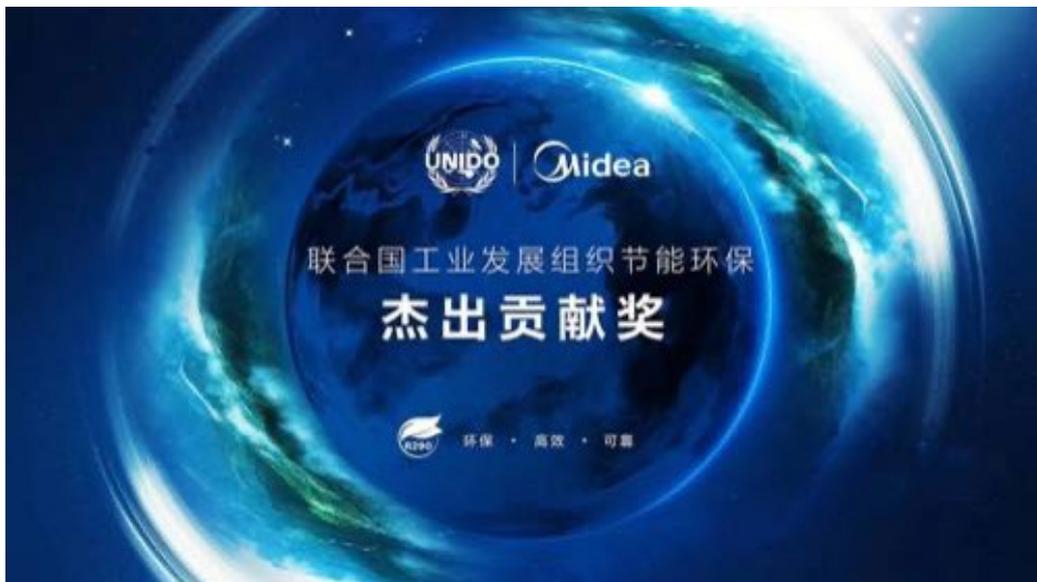
In 2019, with outstanding achievements in the application of eco-friendly refrigerants, Midea was one of the key enterprises in the air-conditioning industry that provided alternative technology support for the 41st Meeting of the Open-ended Working Group of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer. In the same year, Midea won the "Low-carbon & Eco-friendly Technology Leadership Award" in recognition of its outstanding contribution to the popularization of the R290 room air-conditioner.

Backed by the Multilateral Fund for the Implementation of the Montreal Protocol, Midea has technically upgraded five R22 room air conditioner production lines. In particular, one demonstration production line was upgraded by UNIDO as the implementing agency, eliminating R22 consumption of 240 tons per year, equivalent to 13.2 tons of ODP equivalent. Under the HPMP program, four R22 room air conditioner production lines (contract number: C/III/S/13/036) were ungraded, among which two production lines were converted into R290 product lines, cutting a total of 250 tons of R22 consumption per year, equivalent to 13.7 tons of ODP equivalent, and the other two were converted into R410A product lines, reducing a total of 743 tons of R22 consumption per year, equivalent to 40.9 tons of ODP equivalent. Considering that the GWP value of R410A is slightly higher than that of R22, the total annual consumption of refrigerants by the five production lines is estimated to lower the greenhouse gas equivalent by 67.8 CO₂ tons.

With many honors, Midea's environmental protection products are particularly popular in the market. Midea's R-290 air conditioners have entered the European market with sales of more than one million units, in addition to sales of more than 200,000 units in the Chinese market. The Company is the leader of low-GWP eco-friendly refrigerant air conditioning products in China and even the globe. To satisfy the increase in demand, Midea has its modified production lines that now have an annual output of 750,000 units.

Green Technologies

The success in Midea's air conditioning R290 products could not have been achieved without the Company's complete and large air conditioning production lines, as well as consistent determination to develop and upgrade green, efficient and healthy air conditioners for the benefit of the global environment. As a Fortune Global 500 company and a leader in the global air conditioning industry, Midea will make more contributions to the more energy-efficient, eco-friendly and healthier development of the entire industry. In addition to R290 eco-friendly natural refrigerant application technology as one of its key green environmental protection technologies, Midea has attached great importance to energy conservation and environmental protection in various fields for many years, with great achievements in green technologies. The Company's technological innovations since 2020 are briefly stated here.



In December 2020, "the Key Technology of Wide-Ambient-Temperature Energy-Efficient Air-Source Heat Pump for Heating and Its Industrialization" with the HVAC & Building Division of Midea and Shanghai Jiao Tong University as the applicants won 2020 China Energy Conservation Association Sci-Tech Progress Award in Energy Conservation and Emission Reduction (First Prize), indicating our leading position in air-source heat pump technology. In particular, four major technologies, namely, quasi-two-stage compressed gas-liquid mixed injection low-temperature strong heat technology, big and small temperature difference compatible air-source heat pump, fuzzy control self-learning defrosting, and big data cloud platform for energy management, have been certified as "Internationally Advanced" by academicians. The promotion of related products is of great significance to advancing China's energy transformation and achieving carbon neutrality. In January 2021, the Small Domestic Appliance Division won the Guangdong Technological Progress Award (Second Prize) for research and industrialization of the rice cooker technology for better rice digestion and absorption. As for laundry appliances, the pioneering "One-Tub Tech (OTT)" and "No-Hanger-Rod Damping Pyramid System" require only one inner tub.

Green Technologies

The no-outer-tub design prevents contamination and helps provide healthy laundry experience. With the entire inner tub made from stainless steel, the UV sterilization technology and the nano silver ion technology, it creates a 100% clean washing environment. Upon technology upgrades, the capacity of the tubs is increased by one to two kilograms, achieving a big capacity in a compact size for users who want to get their big items washed. Harmful substances generated in the production process are reduced through a taller machine and the paint-free technology, enabling Midea to play its part for environmental protection.



Green Products

Midea not only pays attention to the use of green materials for products but also extends the green concept to the outer product packaging. With a complete product packaging design system and a professional packaging design team of 16 professionals, the Company constantly improves the integrated packaging design, upgrades the foam material process, reduces the use of packaging materials, and explores the utilization of recyclable eco-friendly materials. These can reduce 11,500 tons of waste materials every year. While launching a large number of new green products powered by high tech, Midea has led or participated in the formulation of more than a dozen evaluation standards for green design products. At the end of 2019, the new national standard for air conditioning energy efficiency, of which Midea served as the major participant in the revision, was officially issued, raising the new standard for energy efficiency by 14%. It has effectively promoted the application of variable frequency energy-saving air conditioners.

In late 2020, Midea Group has upgraded its business structure from four business divisions (consumer appliances, HVAC systems, robotics & industrial automation systems, and innovation business) to five business divisions (the Smart Home Business Group, the Electromechanical Business Group, the HVAC & Building Division, the Robotics & Automation Division, and the Digital Innovation Business). And the achievements in green innovation made by the Smart Home Business Group are summarized as follows from the perspectives of smart scenes of the living room, balcony, kitchen and bathroom.

For smart living room scenes

Midea Air Conditioner continued to lead the way in the industry in terms of innovation. Launched initially in the industry, Midea iColor XT Series Air Conditioner applies the unique third generation wind guiding technology to the omnidirectional revolving air duct, and such integrated flow duct is extended by 30% outside. The technology allows the 180° turning of the spherical revolving air duct to precisely lead the wind direction and deliver wind to the entire space in a wide-angle manner, realizing a more complete range of flow coverage so as to cool or warm the space as expected more quickly. Based on such achievements, it has been granted several awards such as the 2020 User Experience Innovation Product Gold Award by IFA, the 2020 G-mark Award and the 2020 China Household Appliances Innovation Award. Midea Freshness Pro Artistic Floor-Standing Air Conditioner, innovatively adopts the dual and adjustable duct design in the aviation sector. The axial inner duct and the centrifugal outer duct can help achieve an even and comfortable feeling. Air flows from the top air outlet, axial air outlet and centrifugal air outlet interact to provide an even and breezeless feeling with fresh air across the entire

Green Products

space, upgrading user experience with this wind-harnessing-wind technology. Besides, the design of the product is inspired by “Chinese gardens”, which helps the product win the Best Product Award at AWE 2020, the 2020 CMF Design Award, and the Best Design Award at the 2020 4th Good eXperience Award. In light of its insights on overseas customers, Midea has launched a pioneering U-shaped widow air conditioner, which is equipped with an insulating U-slot and the “Noise Barrier” technology featuring noise absorption from both the inside and outside. Representing a break from the traditional way of installation for window air conditioners, this product allows users to freely open the window and enjoy fresh air, with little noise from the outside.

Portable products for the living room scene: In terms of portable air conditioners, Midea continued to focus on the customers’ pain points and made some progress. Its new product reaches a cooling speed twice faster than that of traditional air conditioners and an 8-meter distance of wind delivery through the initial hose-in-hose ventilation system and the 102° coverage of wind delivery, which raises the standards of the portable AC industry. With respect to dehumidifiers, Midea has launched Xiaofangwu Dehumidifier, the first dehumidifier of which both the machine body and the water tank can be folded for storage. With its beautiful appearance and futuristic technology, it gains much popularity with young customers at home and abroad. Smart Seasons, an M-Smart Air product in the Seasons product family, is a combo capable of cooling, heating, double purification, humidification, with smart coordination among these functions. It applies the 3° declined air duct for flow adjustment created by Midea to achieve natural perturbations and deliver waveband-like wind, and reaches the surprising speed of 150+m/min to produce cooling effect brought by the strong wind. In addition, it can reach efficient heating by just a switch from the cooling mode to the heating mode, thanks to the PTC ceramic heater with a maximum power of 2,000W. The wireless-charged smart humidification module of this product offers excellent humidification experience, while its dual purification system can eliminate smog, formaldehyde, pollen and bacteria by means of dual filters and ion disinfection. What’s more, Smart Seasons also supports the AI smart customization of a healthy micro-environment via the MSmartLife App, so as to provide a “hands free” experience through audio communication and interaction with the product.

For smart balcony scenes

With respect to laundry appliances, COLMO Space Capsule Series Dual-Tub Front-Loading Washing Machine features the largest-capacity upper tub of 5kg and lower tub of 10kg in the industry. In a true technological breakthrough, the upper and lower tubs are able to conduct spin-drying at the same time, a first practice in the industry. The two tubs work without interference with each other, solving a technological bottleneck and showing the industry a new way of sorting laundry and setting a new standard of 6S sorting laundry with separation, capacity, silence, health, luxury care and built-in in one device. Besides, fitting well in the space without gaps, the built-in washing machine adopts the one

Green Products

screen for two tubs control technology and the door caulking technology from the automobile industry. The crystal-clear glass door sets a new trend in the industry. The pioneering “One-Tub Tech (OTT)” and “No-Hanger-Rod Damping Pyramid System” require only one inner tub. The no-outer-tub design prevents contamination and helps provide healthy laundry experience. With the entire inner tub made from stainless steel, the UV sterilization technology and the nano silver ion technology, it creates a 100% clean washing environment. Upon technology upgrades, the capacity of the tubs is increased by one to two kilograms, achieving a big capacity in a compact size for users who want to get their big items washed. Harmful substances generated in the production process are reduced through a taller machine and the paint-free technology, enabling Midea to play its part for environmental protection. The 4.5-cubic-foot top-loading washing machine targeted at the North America market is equipped with a butterfly-shaped infusion structure, functioning in three steps of water intake, dispersion and rotation while putting detergent in automatically in two times, where a water force collides and impacts with the up-and-down tumbling clothes to achieve 24% more cleanness. It is well received by the American users. This 4.5-cubic-foot washer and another 7.5-cubic-foot clothes dryer are both jointly developed by Midea America Research Center and the Laundry Appliance Division, representing a new page for Midea’s laundry appliances in the U.S. market.

For smart kitchen scenes

With regard to integrated kitchen solutions, COLMO-S67 Range Hood brings users a new experience of sight, sound, smell, taste and touch by enabling the product to perceive like human beings. Users can enjoy cooking without being bothered with smoke through the whole process since the range hood has pioneered the third-generation AG air duct system and employs the smoke sensor technology that enable the automatic adjustment of air pressure. Equipped with shock-absorbing rotor motor for the first time, the range hood reduces the average noise by 12dB and is easy to operate with an innovative flat control panel. It has won favor from the market and clinched sales of over 10,000 units in 2020. Midea Charcoal Stove-Q67T Gas Stove is designed to meet the different taste needs of family members, whose left side is equipped with a burner for flash-fry while the right side is equipped with a charcoal burner for stewing, providing 14 kinds of fire with burner valves for precise control.

As for cooking, employing an infrared detector, Midea Constant Temperature Cooking Microwave Oven allows accurate temperature control from 30°C to 100°C since microwave algorithms are adopted. Intelligent defrosting function is available with the efficiency increased by 25%, saving time to cook more delicious and nutritious dishes. “Fresh” Steamer-Oven features the micro-pressure steam and charcoal grill functions, though which nutrition can be effectively retained with flavor released. High-temperature steaming and baking allows the cooking for health food of fat and salt reduction while the zero steam emission technology enables the steamer-oven to have a dew point of less than 50

Green Products

degrees Celsius and a condensate recovery of up to 150g, effectively enhancing the cooking experience. It was granted the “Product Innovation Award” at the 16th China Household Appliances Innovation Award. Low-Fat Electric Pressure Cooker MY-HT5090PG, the first of its kind, is able to enhance aroma and remove as much as over 92.3% of fat through pressure-variable boiling. MJ-BL1858A Washable Blender, equipped with removable blades, an electroless body and underneath heating—all technological firsts in the industry, is easy to clean in a thorough manner for it is the first of its kind of which the entire body is washable in water.

In regard to tableware washing, Midea Chinese-style Sterilization Dishwasher GX1000 is a dishwashing solution perfect for health, cleanness, and intelligence. In terms of technologies, its quint-rotatory arms super cleaning patented technology can remove stubborn stains. The main body is kept fresh and clean due to the original photocatalyst odor-free system. The layered washing function is convenient and satisfies personalized demands. With respect to design, the gray appearance is special and elegant. Top-control and front-display design, the top knife and fork basket, and no-bending-over operation are ergonomically convenient. This product has been granted the Product Innovation of the Year Award.

With respect to drinking water, Midea Zero Staleness Water Purifier is the world’s only large-capacity water purifier certified by NSF, setting the standard for zero staleness, thanks to its original zero staleness technology. The salt removing rate of the first cup of water exceeds 70%. Each cup of filtered water is directly drinkable. Moreover, the original 10-year RO filter technology of Midea CWRC800-B139 (I2000) Water Purifier addresses the issues of frequent replacements of the filter and the related charges. With whole new technologies plus the patented slow stripping & rotary deep-cleaning system, the RO filter and the entire water system of the machine can be fully self-cleaning. Therefore, the product was granted the 2020 Red Star Design Award. Midea YR1908 I-Family Water Dispenser embraces a pioneering whole-process sterilization system. Its sterilization rate is as high as 99.9%, attributable to the bacteriological filtration membrane, high-temperature dynamic sterilization, and self-reflow. Water safety is guaranteed during the whole process from inflow to outflow. Furthermore, the original dual-core heating technology enables the thermostatic precision at the outlet to reach $\pm 1^{\circ}\text{C}$, significantly strengthening user experience.

Green Products

Concerning refrigerators

In June 2020, the “Pesticide-Residue-Free Series” and the “Odor-Free Series”, two of Midea’s core technologies for refrigerators, were both certified by industry experts. The innovative “Pesticide-Residue-Free Series” break through multiple technological bottlenecks. It adopts deep UVC light in its fruit&vegetables zone, a drawer design for the refrigerating chamber that allows for high photolysis efficiency, as well as the light energy ion technology to degrade pesticide residue in fruits and vegetables in a highly effective manner, thereby delivering “an organic farm” as well as a green and healthy life to all families. The related “Research and Application of the Pesticide-Residue-Free Technology of Deep UV Light + Photocatalyst in the Home Appliance Industry” was certified as “Internationally Advanced” by industry experts. Likewise, the innovative “Odor-Free Series” generates low-temperature plasmas within the refrigerator via a miniaturized high-voltage power supply and the dielectric barrier discharge technology, so as to stimulate odor-decomposing catalysts for an odorless, highly sterile environment in just 19 minutes and keep the food safe from staphylococcus aureus, escherichia coli, listeria monocytogenes and salmonella. This technology is leading the industry into “a new era of fast and clean refrigerating experience” by providing superior user experience. The related “Research and Application of the Odor-Free Technology of Catalysis-Assisted Non-Thermal Plasma in the Home Appliance Industry” was certified as “Internationally Advanced” by industry experts.

For smart bathroom scenes

Midea Morning Dew Electric Water Heater CQ6, a newly launched product, was recognized as a “Certified Intelligent Product” at the China Smart Home International Summit Forum. In line with the concept of “clean water life” and aiming to solve consumers’ pain points, Midea adopted a creative all-time magnetic cleaning system, including pre-filtration, purification, post-cleaning and whole-process monitoring. The sterilization rate is up to 99.99%. The four-in-one process guarantees clean water and healthy showering experience. Pain points of general electric water heaters, such as dirt, bacteria, and insufficient water for showering, are solved, so customers can enjoy a comfortable shower. Midea Artificial Sunlight UV8 Gas Water Heater is the first zero cold water product with UV sterilization function in the industry. The UV sterilization function has two models, cold and hot. The real-time sterilization rate at the flow rate of 13L/min surpasses 99.5%. It was granted the Enterprise Standard Innovation Award at the 16th China Household Appliances Innovation Award and certified as a “Seven-Star + Healthy Water Heater” by the China Household Electric Appliance Research Institute. Highlights in the futuristic and stylish appearance include a quite big round membrane and the arc smile-like light effect at the bottom. During the Double 11 shopping festival in 2020, this product was ranked first in prices among high-end products in the industry.

Green Products

Electromechanical Business Group

As one of Midea's five major business divisions, the Electromechanical Business Group comprehensively focuses on the core components of home appliances, automobile, industrial control and 3C with the application of the motor + sports equipment and motor + drive control technologies. It provides customers with innovative system solutions. The Electromechanical Business Group continues to increase R&D investment and adheres to the strategy of "Leading Products", with the largest market share in air-conditioning compressors, air-conditioning fans, washing motors and other products. It has leading product competitiveness. In particular, over the past two decades during which China's air-conditioning energy efficiency standard was constantly upgraded, the Electromechanical Business Group, in response to policy and market changes, has developed and widely promoted energy-efficient compressors and motor products based on its technical strengths. It has rolled out many industry-leading products to facilitate the upgrading of air-conditioning industry, gained a large market share thanks to its outstanding technical strengths and fast R&D pace, and achieved significant business value. Its products and technologies have also been recognized by the industry, including breakthrough diffusion welding technology, which won the China Machinery Industry Science and Technology Award (Special Prize). The new sliding-vane high-efficiency compressor technology won the "China National Light Industry Council Science and Technology Award (First Prize)". Meanwhile, Midea won the Anhui Province Patent Gold Award for the first time for its AC compressors. The lubrication and antifriction technology for the pump body of a compressor won the "Best Component Award" at AWE 2019 and the "Award for Core Component of 2020 Air Conditioner Industry".

The HVAC & Building Division

Midea is also a customer-oriented and professional provider of integrated air management solutions, as well as a world leader in HVAC. Midea Commercial Air Conditioner leads the industry in terms of R&D strengths, product technologies, market performance, etc. In February 2020, CAC applied the PCI sterilization technology to the existing product portfolio, creating a comfortable environment and better protecting the health of users. Consumers, with increasing demand for indoor air conditioning, found air supply and heating in winter uncomfortable, and that the use of other heating equipment made air conditioning more complex and expensive. In June 2020, Midea rolled out All-Season Multi-Functional Series Floor-Heating Air Conditioner that combines "floor heating + commercial air conditioner" to meet diversified home demands. Smart cooling and comfortable heating are both available in just one system. In July 2020, Midea Commercial Air Conditioner adjusted its business strategy to focus on the to-business sector (ToB) for real estate, hotel chain, rail transit, data center, healthcare, agriculture, forestry, animal husbandry, fishing, culture, education, large venue, commercial office and other application scenarios and industries. It provides professional system solutions to expand more engineering fields. In the future, the HVAC & Building Division of Midea will closely follow the core strategy of "Comprehensive

Green Products

Digitalization and Comprehensive Intellectualization”. With the determination to make continuous breakthroughs, it will, on the basis of unceasing product innovation and service improvement, establish a more comprehensive intelligent product system for a wider range of intelligent application scenes. In November 2020, “The Key Energy-saving Technology and Industrialization of Wide-range Efficient VRF” with Midea HVAC & Building Division and Shanghai Jiao Tong University as the applicants won the 2020 China Association of Inventions Invention and Entrepreneurship Award (First Prize). In December 2020, the paper titled *New Defrosting Technology and Intelligent Defrosting Strategy of Air-Source Heat Pump* jointly published by Midea HVAC & Building Division and Shanghai Jiao Tong University won the 2019-2020 “Carrier Cup” Special Prize for Excellent Paper from the *Refrigeration Technology*.



Green Supply Chain

Materials supplied by all of Midea's suppliers must comply with ROHS and REACH requirements, satisfy the environmental directives or certifications required by national and local regulations and the government, and meet Midea's environmental directive requirements and green design requirements. A quality management system has been put in place for this purpose.

Midea requires all suppliers to follow the quality responsibilities under environmental protection laws and regulations (including but not limited to the RoHS, PAHs restrictions, REACH regulation, battery directive, packaging directive, Toshiba ODM projects, POPs regulation, California's Proposition 65, restriction on the use of hazardous substances in children's products, and management measures for the restricted use of hazardous substances in electrical and electronic products).

Specifically, suppliers should provide materials which meet the latest requirements in Party A's enterprise standards and technical documents, and relevant laws and regulations regarding the restriction on the use of hazardous substances in environmental protection products, and provide material testing reports on hazardous substances restricted by environmental protection regulations according to Midea's requirements (Midea releases the report submission information on the announcement platform of the GSC system or SRM system, and Party B replies on the announcement platform). The testing reports should be valid for one year, and the suppliers should keep testing reports, drawings, management regulations and other technical documents and quality records related to the RoHS and the REACH regulation for ten years.



Green Manufacturing

■ Pollution Prevention & Control and Ecological Protection

Midea Group strictly observes the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China, and the relevant laws and regulations of the places where the subsidiaries of the Group are located. The Group has clearly defined the red line of environmental protection management in production and operation activities and set forth requirements and regulations for management of environmental regulation compliance, new reconstruction and expansion projects, waste water and gas discharge standards, etc. With reference to ISO14001 environmental management system standard, all business divisions have established EHS management organization and formulated environmental management policies for systematic management. No environmental violations that had a significant impact on the Group occurred in the year. In strict compliance with the Basel Ban Amendment in the disposal of e-waste, Midea does not export any such waste to any non-OECD country. KUKA, a subsidiary of Midea, has a corporate culture with sustainable development as its integral part, which represents its responsible business practices aimed at protecting the environment, our employees, customers, investors and social environment. The company believes that the responsible use of natural resources for an intact environment and the continuous improvement of measures to that end are crucial prerequisites for economic success. As an industrial company, KUKA has made considerable contributions to reducing environmental pollution, with the aim of diminishing the consumption of energy and other resources as well as emissions and wastes.

■ Resource-saving Production and Environmental Protection

KUKA products and systems represent innovation and quality. It is committed to adopting efficient production processes to protect the environment and reduce pollutants. Therefore, the environmental management team will work with the responsible staff to continuously consider and assess environmental issues. As for environment (ISO 14001), energy (ISO 50001), quality (ISO 9001) and other industry-specific regulations, most manufacturing bases of KUKA operate under globally recognized management system standards. We have established a specific framework for this through the Quality, Health, Safety and Environmental Management Guide. Over years, KUKA has owned a cross-regional environmental management system, which falls within the scope of responsibility of the Group's Executive Board of Directors.

Green Manufacturing

■ Reduction of Energy Consumption

KUKA has overhauled and partially updated its continuous painting line in Augsburg. Swisslog in the UK has improved energy efficiency by replacing the general lighting in the plant. In Switzerland, infrastructure for the use of local heating has been established. Furthermore, other environmental and energy-saving impacts on purchase of new components have been assessed. More and more KUKA plants use eco-friendly and green energy to meet their major electricity needs. By 2021, all plants in Augsburg, Bremen and Auburn will be fully supplied with green electricity. Prior to this, Dortmund's Swisslog site has managed to be fully supported by green power.

■ Focusing on Emissions and Water Consumption

Midea subsidiaries have also made many efforts to protect the environment. KUKA as an industrial company reduces pollution from manufacturing by diminishing the consumption of all kinds of energy. The company also attaches equal importance to the emission management of waste water and gas, and almost all its plants conform to relevant standards, e.g., ISO 9001, ISO14001, and ISO50001. To achieve its SDGs, the company adopts corresponding waste management mechanism. It transfers the wastes (e.g., heavy metal pollution) from manufacturing to recycling agencies with rich professional experience, while reducing wastes through process optimization, including using eco-friendly materials for product packaging.

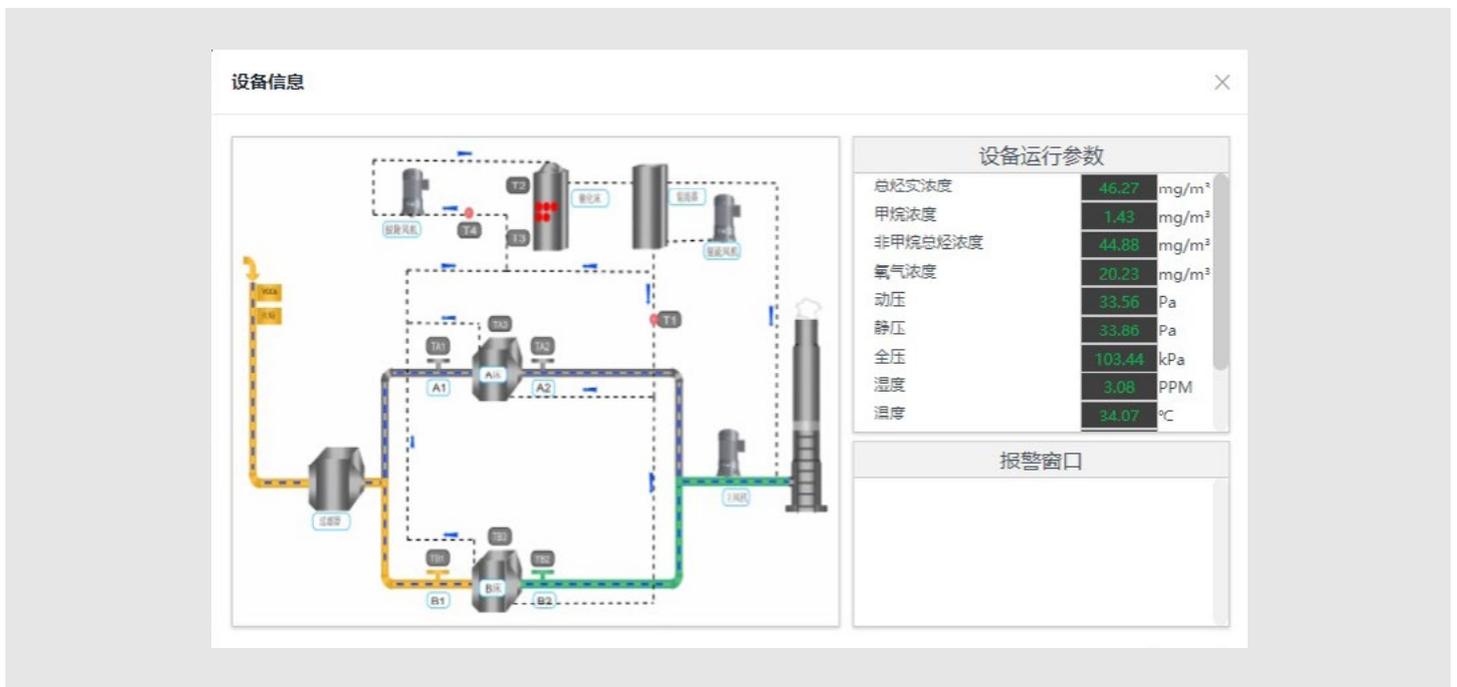
With a certified environmental management system, KUKA is able to make sure that energy consumption and production processes have as little impact on the environment as possible. KUKA also believes that the development of emissions and volume of wastes are an integral part of the environmental management system. Manufacturing wastes are sorted and disposed of by trained personnel or recycled professionally.

Only a small volume of water is used in spray painting workshops and cooling processes. KUKA's largest manufacturing base saw a decline of 10,863 cubic meters in total water consumption in 2020 and a decrease of 4,354 tons in total CO2 emissions. KUKA effectively lowered total energy consumption in 2020. This was attributable to the enhanced energy efficiency of buildings and energy-saving measures, as well as the decline in production and work from home stimulated by the pandemic. KUKA is investing in eco-friendly and future-oriented energy supply. It launched globally its energy data collection project in 2019 with a view to achieving strategic environmental and energy goals. In the fiscal year 2020, the subsidiary adopted a new software solution for assessment, analysis and reporting for accounting purposes. It is a powerful tool that can raise the efficiency of buildings and processes.

Emission and Treatment of Waste Gas

The waste gas from the subsidiaries is mainly the industrial waste gas and dust produced in the production process. Corresponding waste gas treatment systems have been set up for different types of waste gas. Waste gas is discharged at a high altitude after emission concentration of benzene, toluene, xylene and VOCs in it is up to the Emission Limits of Air Pollutants, a local standard. Dust producing equipment operates in a closed environment, with a fully automatic dust sucker or powder dust collector treating powder dust without discharging it outwards.

The Company attaches great importance to the emission and management of air pollutants and strictly abides by applicable laws, regulations and standards. It strictly monitors the operation and maintenance of waste gas treatment facilities through management measures and digital means to ensure that the concentration and total volume of waste gas emissions conform to national or local standards as well as the requirements of pollution discharge permits.



Emission and Treatment of Waste Gas

The Group has established the indicator of pollutant emission reduction ratio per unit output value and guide business divisions to minimize air pollutant emissions in a variety of ways, including but not limited to upgrading environmental protection facilities, refining production process, and improving production materials. For example:

1. The Electromechanical Business Group has changed the dip coating process for electromechanical motor products, replacing oily paint with water paint. According to the monitoring data and the “One Plan for One Factory” prepared under guidance of the environmental protection authority, the annual VOCS emission is reduced by about 410 tons and paint slag by about 68 tons.
2. The HVAC & Building Division disposes of waste gas by area or proportion of use, thus cutting down unnecessary energy consumption by equipment. In particular, the high flushing and drying facilities are used continuously. But due to the low utilization rate of silk printing room facilities, the anti-rust paint used in the production of water tank is substituted by anti-rust plastic sleeve to lower environmental pollution.
3. The HVAC & Building Division adopts eco-friendly water paints (including in-plant construction projects) and replaces the volatile oil used for high flushing with eco-friendly volatile oil, thus diminishing the treatment volume of volatile oil while lowering the maintenance frequency of environmental protection equipment.



Solid Waste Management

The solid waste from subsidiaries is classified into hazardous solid waste, general solid waste, and household solid waste. With respect to hazardous solid waste, Midea Group has put in place a corresponding hazardous waste management system with specific requirements for the relevant collection, storage, transportation and disposal according to laws and regulations. And solid waste is treated by qualified treatment institutions. General solid waste, after being classified at the subsidiaries, is collected and treated by resource recycling plants. And household solid waste is treated by the local sanitation administration.

Midea encourages its business divisions to actively explore measures to reduce hazardous wastes, render them harmless and make use of them. It has tracked the generation and disposal of hazardous wastes in various processes and formulated source improvement measures. As a result, hazardous wastes were reduced by 1,890 tons in 2020. The specific cases are as follows:

1. The Shunde AC Compressor Factory uses vacuum infrared drying devices to separate the oil, water and cutting fluid from the iron mud, and the remaining components are iron powder that can be disposed of as general wastes and reclaimed. Thus, it can reduce hazardous waste iron mud by 1,600 tons and 5,000 packaging buckets each year.
2. The Wuhu AC Compressor Factory centralizes material supply to reduce the use of oil barrels. The new refrigerator oil tank area (phase III) has added two new 50 cubic meters of storage tanks, which are transported via pipelines to the workshops for utilization. Therefore, it pushes down the cost of handling by forklifts and personnel and reduces the risk of forklift loading and unloading and entry into workshops. 2. Estimated based on the current output, 100 tons of waste oil barrels can be diminished every year.
3. The water treatment and sludge drying project of the Shunde AC Compressor Factory can reduce the weight of sludge by approximately 180 tons each year.
4. The Refrigerator Division has built a new foaming material premixing station to change the original barreled foaming black and white materials to 35-cubic-meter filling foaming material for production, and this can reduce industrial waste barrels from manufacturing and 50 tons of waste oil barrels.

Waste Water Treatment

The waste water from subsidiaries is classified as household waste water and industrial waste water. Household waste water is discharged to the municipal waste water treatment network and waste water treatment plants after being pre-treated in septic tanks, etc. And industrial waste water is discharged to the municipal waste water treatment network and waste water treatment plants after being pre-treated in the subsidiaries' waste water treatment stations. Meanwhile, the rain sewage diversion system is promoted in old factories and the existing production processes are improved to reduce waste water.

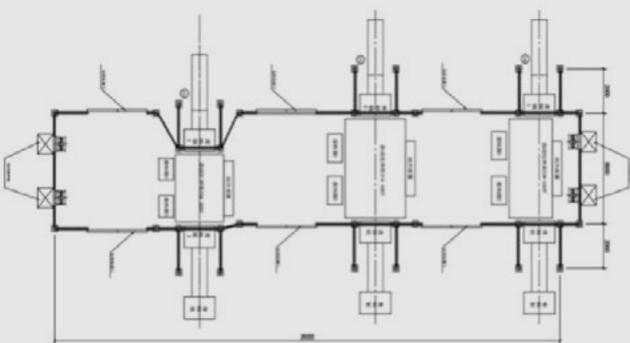
The Company strictly complies with all applicable laws, regulations and standards, such as the Law of the People's Republic of China on the Prevention and Control of Water Pollution and the Action Plan for Water Pollution Prevention and Control. All business divisions have established their regulations on sewage discharge management to strictly monitor the operation and maintenance of sewage treatment facilities to ensure that the concentration and total volume of pollutants discharge conform to national or local standards as well as the requirements of sewage discharge permits. All business segments and subsidiaries have actively adopted new sewage treatment equipment and optimized the sewage treatment processes in a bid to lower the discharge of water pollutants.

The HVAC & Building Division has managed to save water consumption by reducing the washing process through the spray line pre-treatment, thus diminishing the discharge of waste water. Meanwhile, it actively advances the water recycling project that reuses the production wastewater (spraying waste water) after three-stage filtration treatment for production lines, reducing sewage discharge by 39,000 tons.

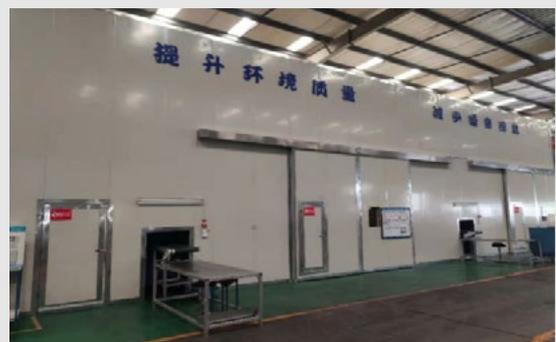
Noise Management

To reduce the main noises generated from manufacturing in the plants, the Group adopts eco-friendly and low-noise equipment and increases measures such as foundation shock absorption and sealing sound insulation on the basis of reasonable equipment arrangements in workshops. Meanwhile, it uses the factory building, doors and windows as sound insulation and expands greening of factory interiors and project boundaries to amplify sound absorption and sound insulation, with the aim of ensuring that the noises within factory boundaries are up to standard.

In particular, four punches in the sheet metal workshop of the Residential Air Conditioner Division generated a large volume of noise, and their noise pollution seriously affected the safety of the working environment and did not meet the requirements for occupational health and environmental protection. To address the issue, a new noise isolation room has been built. In line with the layout of machines on the site and considering the convenience of maintenance and use, the three punches have been surrounded to effectively reduce noises. The noise in the noise isolation room is 105dB. After going through the room, the noise in the workplace drops to below 85dB (noise hygiene standard for industrial enterprises), and the noise within factory boundaries is below 65dB, which conforms to the noise requirements for occupational health and environmental protection.



Schematic diagram of noise isolation room



Site picture

The HVAC & Building Division has established a separate noise isolation room in the discharge area of high-impact equipment to reduce the noise in the area. The vacuum box pump group used in the workshop has muffled release valves, and the electric batches used by employees have been changed to quiet volume batches (reducing pneumatic air batches). Besides, all the new eco-friendly equipment has undergone shock reduction treatment to lower the release of noises.

Green Logistics

1. Green distribution

Annto Logistics Technology Co., Ltd. (Annto) developed its network planning for warehousing and distribution based on its domestic sales channels, realizing logistic chain optimization which started from factory warehouses and Regional Distribution Center (RDC) to its national distribution centers and sectoral pre-warehouses. Annto improved its logistic efficiency by constructing a national network that links directly to village-and-town level with less storage nodes and management areas. In addition, Annto reduced the distance and time of private customer distribution through intelligent distribution of inventory and direct store delivery. Compared with the traditional sale-and-distribution method which requires midway transits and dispatches, this new method of Annto also featured lighter packings and more portable delivery.

2. Green warehousing

Midea developed a unique shared inventory system and formed a centralized but shared inventory deployment strategy by connecting the manufacturing end and the selling end of its industrial chain, reducing the cost of its inventory liquidating. The efficiency of its warehouse allocation was improved with the help of smart distribution system based on intelligent algorithm.

3. Goods were transferred on standardized pallets and were consigned with its original package with the help of integrated warehousing, feeder and distribution services, reducing the need for extra packing.

The integrated warehousing, feeder and distribution services reformed the old sale-and-distribution method which requires midway transits and dispatches, reducing freight loss and damage. The whole logistic process has become more environmental friendly and portable since goods with its original packages can be sent to customer directly without extra protection materials. Standardized pallets were heavily used during the logistic process in order to construct a more uniformed delivery unit for customers by pallets recycling, and to reduce secondary packaging and extra protection waste during delivering. More than 60,000 plastic standardized pallets are used currently by the Company.

Green Logistics

4. Intelligent parks raise the efficiency of circulation

With the support of IoT and information technology like RFID, the efficiency of circulation in warehouse and transit has been raised dramatically. Through making inventory visible and controllable and deeply controlling inventory by using smart WMS, logistics companies can manage their warehouses much more precisely and efficiently. Empowered by IoT, intelligent logistic parks can sense and identify data in a more visual way. With the help of some hardware devices such as RFID devices, geology collecting GPS devices and video reading devices, logistics parks can collect real time information of goods, cars and warehouse and intelligently make decisions, which helps to reduce cost and improve efficiency.

5. Create green transportation passage with the use of new energy vehicles

Transportation is a key procedure of logistics. By employing new electric vehicles, not only the energy consumption and waste gas production of traditional vehicles, which are a large sum, can be decreased, but the transporting vehicle exhaust in cities can be lowered. Since 2021, Annto will launch pilot projects in Wuhan, Zhengzhou and Xi'an, putting into operation 100 new 4.2m energy vehicles. Besides, Annto plans to advocate new energy vehicles in 30 offices throughout the country in ways of purchasing and renting, aiming to be a model in creating a new city fulfillment network. Until 2025, Annto will have a sum of 15,000 new energy vehicles, privately-owned or shared. And gasoline vehicles will all be replaced by electric ones, helping to reduce carbon emissions and protect environment.



Green Recycling

Midea actively responded to the advocacy of government in taking corporate social responsibility. With the after-sale service system of Midea, domestic customers can get their waste home appliances recycled by dialing 400 customer service hotline to place an order or filling an order in the Wechat account of Midea Service. The order will be put into after-sale CSS. Midea also encouraged customers to replace their old appliances for new ones in Midea Shopping Mall or through the WeChat mini app of “Midea Home Delivery”. After Midea’s after-sale engineers receive the order, they will come to customers’ house to serve. Midea, through its own logistics channel Annto, will transport the items to qualified detaching companies, which manage them later. With the “Internet + Recycling” model, an end-to-end home appliance recycling system is created. So far, the recycling items mainly include old air conditioners, refrigerators and laundry appliances.

In 2020, about 190,000 distributors, 12,000 service outlets and 120,000 engineers actively promoted the after-sales return policy featuring “fast refunds & replacement” for all product categories. Sales outlets across the country actively promoted the “trade-in” campaign. In December, Midea became the first to provide the service of “get a new one instead of repairs for products with deficiencies within 365 days and 100% free of charge” for small domestic appliances, microwave and cleaning appliances. A 5-year warranty service is provided for COLMO residential water purifiers and a 6-year one for COLMO dishwashers, which are much longer than the average guarantee time in the industry. Long years of guarantee perfectly shows our confidence in the product quality. An AC recycling platform is created in the Wechat account of Midea Service, which provides AC recycling services for customers, bringing them convenience and avoiding placing home appliances at an unknown place, thus polluting the environment.



2020

SOCIAL RESPONSIBILITY REPORT

Social Responsibility

Community Welfare Activities

Measures taken for targeted poverty alleviation

1. Summary of the work done for targeted poverty alleviation during 2020

In 2020, Midea Group donated RMB9.60 million, RMB5 million and RMB1.13 million respectively to Leizhou and Xuwen in Zhanjiang City and Liangshan Yi Autonomous Prefecture in Sichuan Province to support the local industry, education, infrastructure, living environment, etc. By doing so, it has provided strong support to help lift registered impoverished households from poverty and win the battle against poverty nationwide.

During the COVID-19 pandemic, Midea Group was amongst the first companies to respond and participate in frequent support missions. It has donated anti-pandemic materials and home appliances worth approximately RMB116 million in total to Hubei Province, Guangdong Province, Shanghai, etc., making a contribution in the fight against the pandemic.

Indicator	Measurement unit	Quantity/Progress
I. General information	—	—
Of which: 1. Monetary inputs	RMB'000	15,730
2. Supplies converted to cash	RMB'000	
3. Number of registered impoverished individuals that the Company has helped lift from poverty	Person	22,730
II. Inputs by item	—	—
1. Poverty alleviation through industrial development	—	—
Of which: 1.1 Type of poverty alleviation projects through industrial development	—	Helping develop tourism
1.2 Number of poverty alleviation projects through industrial development	Number of project	18
1.3 Input amount to poverty alleviation projects through industrial development	RMB'000	3,995
1.4 Number of registered impoverished individuals that the Company has helped lift from poverty	Person	6,344

Community Welfare Activities

Indicator	Measurement unit	Quantity/Progress
2. Poverty alleviation through labor migration	—	—
3. Poverty alleviation through relocation	—	—
4. Poverty alleviation through education	—	—
Of which: 4.1 Input amount for impoverished students	RMB'000	
4.2 Number of students that the Company has helped	Person	
4.3 Input amount for improving educational resources in impoverished areas	RMB'000	1,924.4
5. Poverty alleviation through improving health conditions	—	—
6. Poverty alleviation through improving environment	—	—
Of which: 6.1 Type of project	—	Improving environment
6.2 Input amount	RMB'000	160
7. Assurance of minimum living standard	—	—
8. Social assistance in poverty alleviation	—	—
Of which: 8.1 Input amount for poverty alleviation in East and West China	RMB'000	1,130
8.2 Input amount for fixed-point poverty alleviation	RMB'000	
8.3 Input amount to poverty alleviation public welfare foundations	RMB'000	
9. Other projects	—	—
Of which: 9.1 Number of projects	Number of project	43
9.2 Input amount	RMB'000	8,520.6
9.3 Number of registered impoverished individuals that the Company has helped lift from poverty	Person	17,560
III Awards received (content, level)	—	—

Community Welfare Activities

2. Targeted poverty alleviation plans for the coming future

In 2020, Midea Group donated RMB9.60 million, RMB5 million and RMB1.13 million respectively to Leizhou and Xuwen in Zhanjiang City and Liangshan Yi Autonomous Prefecture in Sichuan Province to support the local industry, education, infrastructure, living environment, etc. By doing so, it has provided strong support to help lift registered impoverished households from poverty and win the battle against poverty nationwide.

During the COVID-19 pandemic, Midea Group was amongst the first companies to respond and participate in frequent support missions. It has donated anti-pandemic materials and home appliances worth approximately RMB116 million in total to Hubei Province, Guangdong Province, Shanghai, etc., making a contribution in the fight against the pandemic.

Employee Care

In 2020, Midea Group firstly started the project of Midea Love & Care Week, initiating the first Love & Care Week themed “care for workmates in Hubei pandemic area”. With the love and care from every Midea employee, Midea Group offered RMB3,768,000 in total to those employees in Hubei as aid funds, benefiting 3,768 front-line workers who could not work as usual and received much less salaries because of the pandemic. With warmth and kindness, we adhered to the philosophy of “Together we are One Midea”. In the future, Midea will continue to maintain the public spirit and bring love and care to more people in need.

During the pandemic, Midea always followed the core philosophy of “Employees First”, taking timely, systematic and effective measures to show care to staff at home and abroad.

1. Considering the spreading condition of the epidemic, the Group quickly set up an emergency response team and worked jointly to care for employees and carry out pandemic prevention. At the same time, we opened a round-the-clock staff contact line and a psychological counseling line for all workers. If employees encountered emergencies of any kind, they could contact the emergency response team for help.
2. The Group quickly launched the global procurement plan for masks and other materials. Externally, we shouldered social responsibilities, donating RMB100 million and other medical supplies to Hubei. In the meantime, we donated to Huoshenshan Hospital and Leishenshan Hospital all home appliances that were needed. Internally, adhering to the principle of “Employees First”, the Group sent free-of-charge masks to employees in the infected areas of Hubei and Wenzhou for quite a few times, and set up centralized observation dormitories for quarantined employees to stay for free.



Employee Care

3. During the pandemic, the Group responded in time to delay start of work until February 10, encourage telecommuting, and pay salaries and benefits on time in spite of the delayed start of work. Before starting work, the emergency response team launched investigation, overall disinfection and goods checking in all parks and office buildings of all divisions to ensure the health of every workers who got into the office area. After starting work, the Group offered masks to every employee working on site every day.
4. For the staff stationed overseas in 2020, the Group offered awards, including: honoring them with a title of "The Most Beautiful Countermarching People" and awarding medals to them; offering salary incentives (special reward, pandemic subsidy, etc.); perfecting benefits (revising policies in visiting family members, reimbursing isolating fees and offering caring bags of pandemic prevention).

The "May I" Support Funds

Midea has established the "May I" Support Funds in 2007 to build itself into a friendly enterprise, and tide the employees over family difficulties due to critical diseases or accidents. Employees can apply for aid funds for himself/herself or their immediate family members over medical expenditures on critical diseases or accidents. RMB37 million of such funds has been given out to Midea employees and their families for the period from 2016 to 2020.

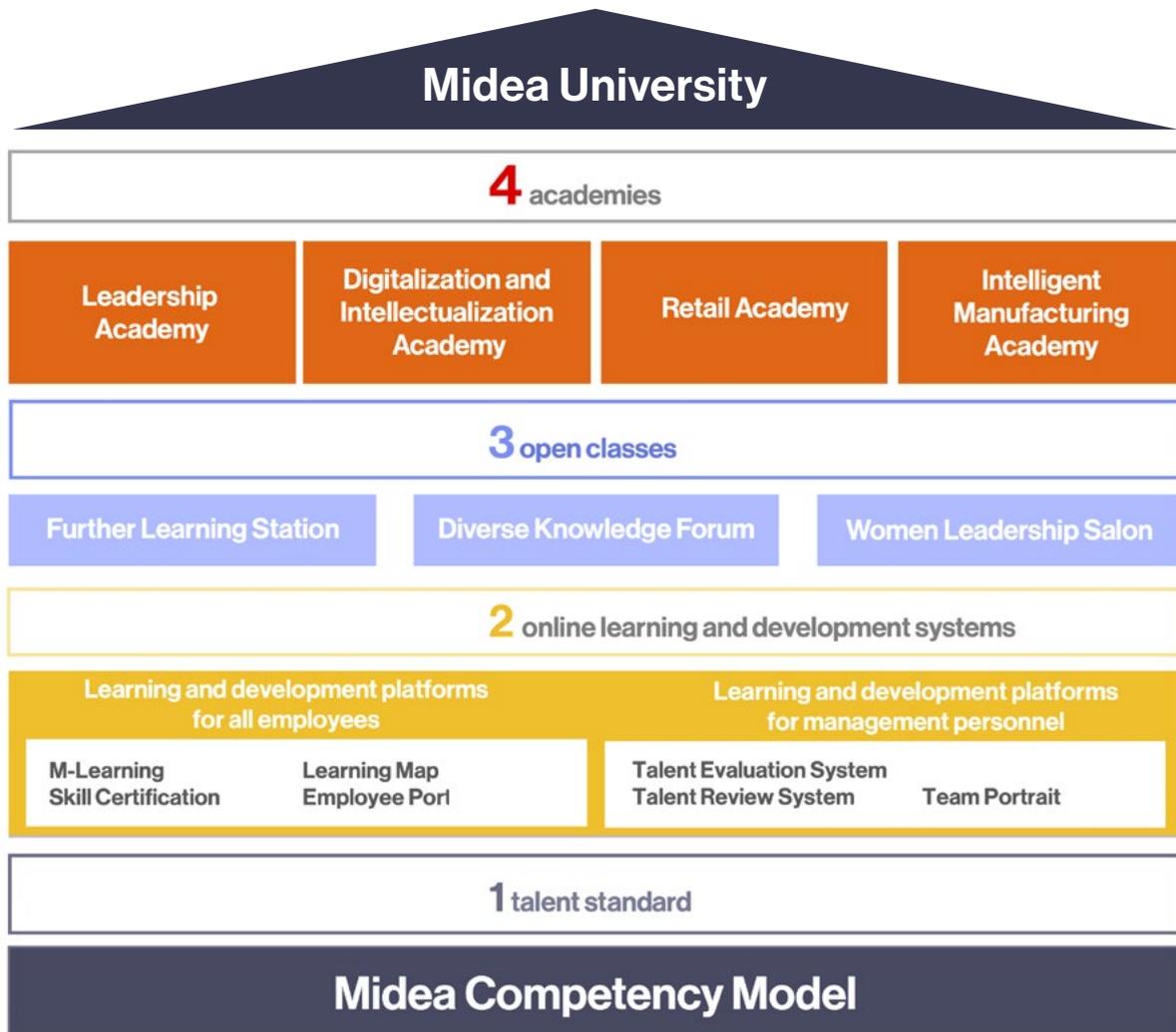


Employee Training

A Multi-tier Talent Development System

In Midea, new employees will receive orientation and job-specific skill training or tutoring, while in-service ones will be given irregular trainings inside or outside the Company to help improve their professional and universal skills. In this way, Midea people enjoy better development opportunities.

Midea has also put in place a multi-tier talent development system, including a mature leadership development program comprising the Sailor Project, the Voyager Project and the Pilot Project to cultivate reserve talent for manager, director and general manager.



Employee Training

The attendances at internal training sessions were 5,448,046 in 2020, of which 27,467 were management personnel, 2,233,420 technical and marketing personnel and 3,187,159 operational personnel. The trainings included:

1. Building Leadership Development Programs such as the Sailor-Voyager-Pilot program and a High-Potential Leaders Training system to facilitate talent management and training. 55 talent training programs were carried out, where 3,205 highly skilled managerial staff were trained for a total of 68,160 man-hours.
2. Building a professionalism promotion system. 809 such programs were carried out, where 326,282 staff were trained for a total of 2,609,472 man-hours.
3. Providing channels for common skill improvement. 682 such programs such as the Lecture for Staff were launched, where 73,679 staff were trained for a total of 262,188 man-hours.
4. Improving individual comprehensive ability. 140 external trainings for individuals at junior, middle and senior levels were organized, where 515 staff were trained for a total of 8,073 man-hours.
5. In order to help new graduates develop themselves fast and foster a new power for the Company, 63 relevant programs such as the Re-Education of New Graduates, the Training Camp for New Graduates, and the Orientation Training Camp for New Graduates were organized, where 9,647 new graduates were trained for a total of 256,733 man-hours.
6. Facilitating organizational learning. 6,013 internal sharing sessions were held, where 235,870 employees were trained for 367,901 man-hours. With the addition of 888 new internal trainers, annual teaching time reached 7,805 hours in total. And a total of 852 courses were designed in the year.
7. 12,399 key technical staff and working team leaders were trained for a total of 258,723 hours.
8. 110,728 staff visited M-Learning, a mobile app developed by Midea for online training, for a total of 476,7219 times in 2020.

To make it a more attractive employer, KUKA, one of the subsidiaries of Midea Group, provides active and effective trainings and advanced education programs to help staff balance work and family while promoting career diversity and equal promotion opportunities.

Employee Training

For vocational trainings on young people, KUKA has provided not only professional knowledge for decades, but also the opportunities for learning in a cross-cultural environment, and global thinking and action within the entire group. The Company has performed the trainings as required and maintained high standards in terms of training quality and performance level. Therefore, KUKA apprentice graduates have always obtained impressive results in the vocational trainings and become the qualified experts to get into work. The German plants in Augsburg, Obernburg and Bremen, for example, provided professional trainings for most their employers, including industrial technicians, lathe/milling machine operators, electromechanical technicians, automated electronic technicians, warehouse logistics experts, and freight and logistics service experts, industrial clerks, IT experts, technical product designers, etc.

Apart from the traditional apprenticeship, KUKA has also offered a dual training program for bachelor's degree at Hochschule Augsburg - University of Applied Sciences. In addition to the dual comprehensive courses of mechanical engineering, electromechanical engineering and electrical engineering, disciplines such as business administration, information technology, technical information systems, business information systems, etc. are available as well.

As part of further education planning, KUKA has accompanied and supported employees' personal and professional development. At KUKA Academy, KUKA has provided a wide variety of training courses on methodology, technological theory and individual advanced education. These courses include standard courses such as computer language, specific professional courses in areas of sales, procurement, business management, strategy implementation and project management, as well as seminars on leadership, communication and change management.

With the new education center built at Augsburg base, KUKA will further concentrate the scope of training. KUKA Academy has provided not only internal training for employees, but also language courses, computer courses and career development courses on other specialties.

Health and Safety of Employees

Challenges amid COVID-19

The COVID-19 outbreak has created a global public health crisis, and is now bringing challenges to all companies around the world. In the early stage of COVID-19 outbreak, KUKA immediately took preventive measures to protect the health of employees and their families and reduce the impact of the epidemic on business development. In early January, KUKA has established a coronavirus task force to develop concepts for health and safety, take preventive measures and regularly inform employees buqiof current developments on COVID-19. Whenever conditions permit, KUKA allowed employees to switch to work from home and established some other emergency workplaces during production to maintain a safe distance. Thanks to existing technical equipment and years of remote work experience, KUKA significantly increased the proportion of employees working from home in a short period of time. To ensure work, KUKA introduced a short-term working mechanism in April 2020.

Such vacation plan temporarily alleviated the business in Augsburg and tackled the difficulties in ordering. KUKA also adopted a similar model in other countries. By 31 December 2020, KUKA had a total of 13,700 employees with a decrease of 2.2% from the previous year. The number of employees in System Division dropped to 3,033 employees, down 5.5% from last year; that in Robotics Department also decreased by 5.5% to 5,197; that in Swisslog increased by 1.9% to 2,209; that in Swisslog Healthcare fell by 0.3% to 1,155; and that in China was 1,516 at the end of the year with an increase of 9.7% from previous year.

Protection of Employees' Rights and Interests

In Midea, we appreciate the value of employees and provide employees with a democratic communication platform and borderless communication channels to ensure their voices to be heard. For example, there is a direct communication channel to HRD on HR service system, where employees can directly communicate with the group HR director about personal growth and development; "Midea Quarterly Talk", a live show, is launched for the communication between employees and executives. Every quarter, senior executives are invited to have a live show for the latest trends and policies of the Company and listen to the employees' ideas. Moreover, "Midea Talk", a community communication platform, is established for Midea employees to post questions or suggestions on all levels of products, services, life, etc. by using their real or anonymous names. Midea Talk has become an important platform for employees to talk and get their problems solved properly.

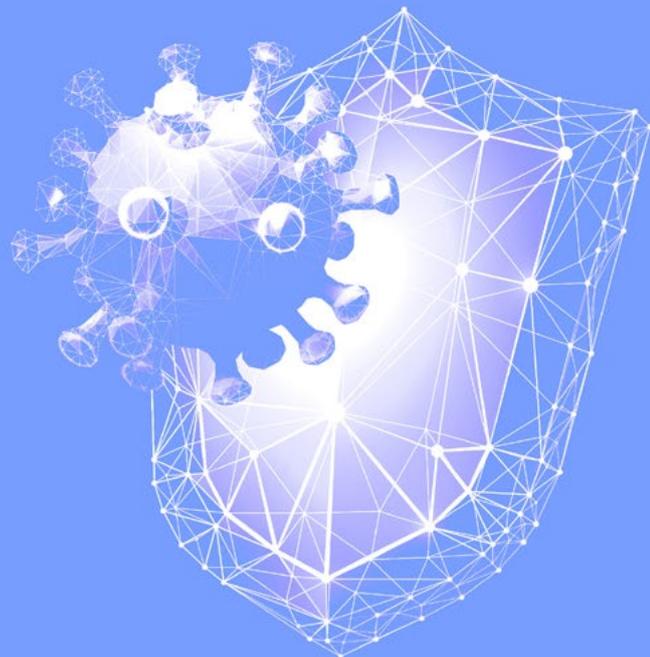


Protection of Employees' Rights and Interests

The welfare system of Midea covers six sections: Guarantee, Enjoy Work, Enjoy Life, Love Your Family, We Care and Specific Benefits, providing comprehensive welfare guarantee for employees and their families. Midea provides the employee groups with benefits such as housing subsidies and interest-free loans for car purchases, so that they can comfortably live and work at workplace. The Company attaches great importance to the health management of employees. Besides annual physical exams and commercial insurance, the Company also offers professional sports area, traditional Chinese medicine physiotherapy centers, dance studios, etc. Whenever the employees are troubled by career development, family-work balance, etc., they can also call the psychological counseling hotline for help. Midea also cares about employees' families. The Company will send customized gifts to employees to express the blessings at the important occasions in their lives, such as marriage, birth etc. The employees can accompany their children with pay when they are going to have important exams. Last but not the least, the Company also provides commercial insurance for family members, adding a further risk protection for the whole family.

Staff associations

Midea has established over twenty associations of recreational activities. Each year, these associations organize cross-division and cross-unit recreational activities for staff to enrich their lives, lead them to maintain a healthy lifestyle, and create a warm and harmonious atmosphere in the Midea community.



Employee Diversity and Equality

To make it a more attractive employer, KUKA, one of the subsidiaries of Midea Group, provides active and effective trainings and advanced education programs to help staff balance work and family while promoting career diversity and equal promotion opportunities.

KUKA's HR department, which reports directly to the CEO, is responsible for the HR processes of the company worldwide. From the regional layout, the company has established relevant departments in hub cities of every region, such as in the U.S. and Europe. These departments are primarily responsible for implementing the relating policies and coordinating at local level. The interests of staff are protected by terms and guidelines. For example, in Germany, the company is not allowed to collect data on staff covered by labor bargaining agreements under the protection of local policies.

To make it a more attractive employer, the company will offer its staff high-level training and continuous education programs, rich and equal opportunities, a balance between work and life, high-level health and safe work standards. In Germany, KUKA has signed the "Diversity Charter" to provide a diverse and non-discriminatory work environment for its staff. The company assesses its performance as an employer by forms, such as questionnaires sent to staff.

Diversity and Inclusion as a Priority

Diversity, including promoting and utilizing the diversity of our employees, is a source of creativity, innovation and business for KUKA to succeed. Living at KUKA and promoting diversity is an integrated part of the corporate culture. The company offers flexible working time in all aspects for staff to better combine their work and private life. It is KUKA that accepts and encourages diversity, which is thus able to benefit from the experience and competence of its diverse staff. Meanwhile, as a signatory to the Diversity Charter, KUKA further reinforces the content of diversity in its structure.

Promoting Network

KUKA supports the internal network of women, OrangeWIN, which helps to understand and promote the competency of women. Restricted by the pandemic, only four events (two of which were virtual) were held during the reporting year. The internal guiding program initiated by OrangeWIN aims at exchanging experiences and further development with targets. Besides, since 2011, KUKA has also been involved in the Augsburg Cross-Guidance Program devoted to maintaining gender equality at work and MigraNet aimed at realizing the integration of immigrant groups in home ownership.

Employee Satisfaction & Engagement Surveys

Midea Group launches employee satisfaction & engagement surveys every year, with the satisfaction and engagement level of its staff increasing year by year. Specific measures taken to boost employee satisfaction and engagement include:

1. further optimize the mechanism of the organization, promote the small front-end of operation, further empower the front line, release the vitality of the organization, and enhance the motivation of staff;
2. make a sound value-oriented HR management policy centered on staff experience and growth;
3. undertake the optimization of ranking system and performance system, and comprehensively reflect the recognition for personal ability and value contribution of staff through performance rating and position promotion development;
4. improve training courses, and support staff to improve their ability and acquire professional knowledge and skills online anytime and anywhere through various training empowerment channels and ways.

美的集团2020年度敬业度调研开始啦!



10月18日正式启动，变革由你引领

2020

SOCIAL RESPONSIBILITY REPORT

Appendices

Midea Supplier Code of Conduct

Midea Supplier Code of Conduct (2020)

This Midea Code of Conduct (“Code”) formalizes the important principles under which a supplier to Midea Group and its worldwide subsidiaries (“Supplier and Midea respectively”) is required to comply with.

Diversity and Inclusion as a Priority

Supplier shall operate in compliance with this Code and the applicable laws of the countries/regions in which it operates. If there is any conflict between applicable laws and this Code, Supplier shall notify Midea and follow Midea’s advice.

Corruption

Bribery, extortion and kickback in any forms are strictly prohibited. Supplier shall act with utmost integrity, honesty and transparency, and comply with all applicable anti-bribery and anti-corruption laws, including but not limited to the US Foreign Corrupt Practices Act (“FCPA”) and UK Bribery Act. Supplier is forbidden to influence official’s judgment or gain improper competition advantage. Officials include employee of State owned enterprise or organization (such as State owned hospital and school).

Gift and Entertainment

Midea prohibits accepting gift and entertainment exceeding reasonable reason and value from any of its vendor. This applies to Supplier’s employee, agents, and each of their immediate family members. With regard to inspection, audit, bidding involving the Supplier, no business dinner (except reasonable working lunch), transportation and travel accommodations, shall be offered to Midea’s employee or its agent. Cash and cash equivalents (i.e. gift cards, vouches) shall never be offered at any time (including any traditional holiday in any counties/regions), regardless of value.

Child Labor

Supplier shall comply with local laws with regard to the minimum age of employees and the minimum age for workers shall not be lower than 16 years.

Midea Supplier Code of Conduct

Forced Labor

Midea forbids any forced, debt bonded, indentured, slave and all the other inhumane labor.

Harassment

Supplier shall treat employee with respect and dignity and shall not carry out any corporal punishment, physical, sexual, psychological or verbal harassment or abuse towards its employee. Supplier shall avoid using monetary fines as a disciplinary measure.

Wage and Benefits

Supplier shall pay the employee the compensation which is not lower than the minimum compensation required by local law and shall provide all legally mandated benefits. In addition to payment for regular hours of work, employee shall be paid for overtime hours as required by local law (if any). Supplier shall provide accident insurance to its employee or work related accident and compensation according to the local law for work related accidents resulting in permanent disability.

Working Hours

Supplier shall ensure that on a regularly scheduled basis, except in extraordinary business circumstances, employee are not required to work more than the limits on regular and overtime hours allowed by the law of the country of manufacture. Except in extraordinary business circumstances, all employee shall be entitled to at least one day off in every seven day period.

Health and Safety

Supplier shall provide to employee a clean, safe and healthy working environment in compliance with all legally mandated standards for workplace health and safety in the countries/region in which they operate.

Clean, safe and healthy working environment includes all requirements of the applicable local law in the following areas: fire safety, machine guards, personal protective equipment, lighting, temperature and ventilation, and toilet facilities.

Midea Supplier Code of Conduct

Nondiscrimination

Supplier shall ensure employment, including hiring, payment, benefits, advancement, termination and retirement, is based on ability and not on other personal characteristics such as color, race, religion, age, nationality, sexual orientation, gender, HIV, marital status, pregnancy, political affiliation, union membership, disability or any other characteristic that is not related to the individual's inherent requirements of the job.

Women Rights

Supplier shall ensure women employers receive equal treatment in all aspects of employment. Pregnancy tests shall not be a compulsory condition of employment. Employers shall not be forced to use contraception.

Freedom of Association and Collective Bargaining

Supplier shall recognize and respect any rights of workers to exercise of free association, including joining or not joining labor union or any other association, as long as such free association is lawful under the local law. Supplier shall also respect any legal right of employer to bargain collectively.

International Purchase

Midea is committed to complying with all customs, trade and export laws. Supplier is expected to comply with all applicable export and import laws when transferring goods, services, software or technology within its country or across national boundaries, abide national and international sanctions and embargoes, and make sure that all duty obligations are duly satisfied.

Environment Protection

Supplier shall comply with all local environmental laws and shall avoid using materials that are considered harmful to the environment (including chemicals). Supplier should encourage the use of processes and materials that support sustainability of the environment.

Subcontracting

Midea's prior consent shall be obtained if the Supplier uses any subcontracts to manufacture Midea products or provide service to Midea. Supplier shall ensure that its subcontractor will comply with the requirement in this Code of Conduct.

Midea Supplier Code of Conduct

Whistleblower Protection

Supplier shall set up internal policy to ensure the protection of worker whistleblower confidentiality and prohibit retaliation against worker whistleblower reporting violation of this Code of Conduct.

Midea Ethics Hotline

Midea sets up the following ethics hotline and email to receive and handle the relevant complaint.

Ethics hotline: 0086-757-26605599

Email: compliance@midea.com

Address: office of integrity, B27, no. 6 Midea Avenue, Shunde District, Foshan, PRC

Midea Supplier Compliance Commitment

Midea Supplier Compliance Commitment

To: (Insert the full name of Midea entity) ("Midea")

As supplier of Midea, we have received, read and fully understand "Midea Supplier Code of Conduct" and "Midea Supplier Integrity Commitment" ("Midea Supplier Compliance Commitment").

We undertake to comply with the Midea Supplier Compliance Commitment, and agree that it is core obligation to Midea.

We will procure that all our affiliates, directors, management, employees, representatives and agents abide by the requirements of Midea Supplier Compliance Commitment. Any violation may constitute a serious breach by our side, and Midea is entitled to unilaterally terminate any relevant cooperation with us immediately.

Supplier Stamp/Signature

Date

Guidance on Resolving Conflicts of Interest

1. The following conducts belong to conflict of interest

An employee shall assume Ethical Accountability, if he or his Interested Party commits any of following conducts, by taking advantage of the employee's duties, position or influence therefrom. Ethical Accountability defined in this section is equal to company red lines.

- a.** Holding shares (including performance shares and shadow shares) or positions in business partners; Participating, in any form, in the control or operation in business partners; Partnering with members of business partners to form business entities or carry out business activities;
- b.** Borrowing from or lending to business partners properties, including money, vehicles, real estates and etc; or seeking private business opportunities with the business partner
- c.** Any activity with business partners in a private way, or accepting their banquet invitation;
- d.** Setting up or investing in (minor investment made on stock exchanges excluded) any business entity that is in competition relationships with company, or by any means control or participate in the business of such business entity;
- e.** Without consent of the Company, setting up or investing in (minor investment made on stock exchanges excluded) any business entity that closely relates to the employee's duties, or by any means controlling or participating in the operation of such business entity;
- f.** Taking advantage of employee's position and professional duties to participate in part-time work;
- g.** Failing to disclose timely when an employee faces incompatibility, within the scope of his duty, with internal Interested Parties or Interested Parties from business partners;
- h.** Any other conducts that affect a fair, impartial business judgment and decision-making;

Guidance on Resolving Conflicts of Interest

2. MIP Process for declaring gift and conflicts of interest

0704 Filing and Declaration Process by Audit (Gift/Conflicts of Interest Declaration included)

3 Resolving conflicts of interest

3.1 Employees

- a.** An employee who is involved in conflicts of interest shall, by initiating an MIP Process 0704, proactively declare the same to Ethics Office and provide relevant evidence.
- b.** An employee may proactively resolve conflicts of interest by means of, including but not limited to, returning or surrendering illicit gains obtained therefrom, withdrawing shares, terminating employment, terminated cooperation and etc.
- c.** A business unit may resolve conflicts of interest by means of, including but not limited to, terminating the business relationship with the partner involved or the employment relationship with the employee involved or arranging a position transfer for the employee;
- d.** In principle, an employee shall resolve conflicts of interest within 1 month and shall not be allowed to take any duty in relation thereto within 2 years.

3.2 New recruits

- a.** Prior to onboarding, a new recruit shall disclose and declare to the Company any conflicts of interest between the intended position and himself/ herself or his/ her Interested Parties;
- b.** In principle, the Company shall not recruit any candidate that is involved in conflicts of interests related to business partners or his/her would-be supervisor/subordinates (e.g., those conditions prescribed in clause a,b,c,g and h)
- c.** Candidates involved in conflicts of interest set forth in d,e,f, shall resolve the conflicts before onboarding by withdrawing investments, terminating employment relationship or cooperation and etc.
- d.** In principle, an employee, within 2 years after the resolvancy of the conflicts of interest, shall not be allowed to take any duties in relation thereto.

Code of Business Conduct of Midea Group

Introduction

Midea Group (hereafter referred to as “Midea” or the “Company”) is a technologies group in consumer appliances, HVAC systems, robotics and automation systems, and smart supply chain (logistics). Based on the principle of “creating value for customers”, Midea focuses on continuous technical innovation and is dedicated to “creating a better life for people”. Employees of the Company shall comply with laws, regulations and business ethics to ensure Midea remains an outstanding corporate citizen. Each employee shall carefully read and comply with the regulations in this Code of Business Conduct of Midea Group (hereafter referred to as the “Code.”) Violators will be punished. By establishing the Code, we are providing guidance to all employees so that they can act with integrity when conducting business on behalf of the Company. Nonetheless, the perfect code does not exist and it is also impossible for this Code to cover all issues occurring in business. If a business activity falls outside the scope of this Code, employees should consider whether the current choice is made in accordance with their basic moral compass, whether it is legal, and whether it conforms with the values of Midea.

1. Compliance with Laws, Regulations and Ethical Requirements

- 1.1** Midea is a global company and our business is conducted in accordance with the laws and regulations of the countries or regions where it operates.
- 1.2** Each employee of the Company shall abide by the highest ethical standards, conduct business in good faith, respect others, and set strict demands on themselves.
- 1.3** The integrity and compliance of an organization originates from senior management. Management shall set an example in respect to ethics and integrity, perform its management and supervision duties, and ensure all managed personnel understand their responsibilities pursuant to the Code and other policies of the Company.
- 1.4** Employees who violate the Code or other applicable laws and regulations may be subject to disciplinary action, depending on the types and severity of the violations, and, where the violations are serious, their employment may be terminated.

Code of Business Conduct of Midea Group

2. Fair Competition

- 2.1** The sustainable development of Midea's business is possible only by strict compliance with laws and regulations and fair competition.
- 2.2** The Company refuses to make any monopolistic agreement with any person or entity, or abuse its dominant position in the market. It shall stand against the concentration of business operators that has or may have the effect unfairly or illegally eliminating or restricting competition.
- 2.3** When conducting market transactions on behalf of the Company, employees shall: comply with all relevant laws, the principles of freedom of choice, equality, fairness and honesty; abide by generally accepted business ethics; and avoid participating in unfair market competition by way of dumping, infringing on other's intellectual property, false advertising, engaging in collusive tendering, unfairly damaging reputations or other engaging in other unfair competition.

3. Avoiding Conflicts of Interest

- 3.1** A conflict of interest between the Company and an employee occurs when an employee appears to be, or does not act in the Company's best interest due to a family (close or extended, so throughout) relationship, beneficial relationship or outside commercial interests.
- 3.2** Conflicts of interest may be caused by any family relationship or common interests between an employee and a competitor, supplier or customer of the Company, or a family relationship or common interests between internal employees of the Company.
- 3.3** Employees shall report conflicts of interest and/or any appearances of conflicts of interest promptly and act for the maximum benefits of the Company at all times.

4. Gifts, Entertainment and Hospitality

- 4.1** Offering gifts, entertainment and hospitality:
 - 4.1.1** To develop external contacts and business relationships, it may be proper to offer courtesy gifts, entertainment, or business banquets that conform with business customs. During these activities, employees must be familiar with the policies on suppliers and customers in advance and act in accordance with such policies.
 - 4.1.2** Gifts, entertainment and business banquets must comply with the standards set by the Company. It is forbidden to present gifts or hold banquets for illegal gains.
- 4.2** Accepting gifts, entertainment and hospitality:
 - 4.2.1** To the extent that the business practices and local customs are respected, employees may occasionally accept some gifts that have symbolic value or invitations or entertainment of reasonable price, but shall refuse any other gifts, entertainment or invitations.
 - 4.2.2** Employees shall not take advantage of their position to ask for or accept any interests from suppliers, customers or other interested parties.

Code of Business Conduct of Midea Group

5. Anti-corruption

- 5.1** Prohibition of commercial bribery: Product competitiveness is the foundation of Midea and the Company aims to manufacture high-quality products and improve services in a fair, honest and ordered business environment. We are against obtaining business opportunities through unfair competition by offering money or other benefits to relevant personnel of counterparties or other personnel that may influence a transaction.
- 5.2** Prohibition of offering bribery to government officials: Gifts, entertainment or business banquets may violate the integrity requirements of local government officials. Without approval and authorization by the compliance departments, employees shall not provide any property, entertainment or hospitality to government officials or their near relatives. Providing money or other benefits to government officials in the name of the Company or as an individual associated with the company, may violate the laws of the country of business and other countries throughout the world, may incur large fines and/or criminal punishment on individual or Company, or may harm the reputation of the Company.
- 5.3** Political donations, charitable contributions and sponsorship:
- 5.3.1** Midea makes no donation to political parties, politicians or political organizations.
- 5.3.2** As a responsible member of the society, the Company assumes social responsibilities by participating in public benefit undertakings; actively playing a role in education, medical health, livelihood, disaster relief, charity and other social undertakings; and donating funds and goods.
- 5.3.3** The Company may provide sponsorships for legal business purposes but not for improper competition advantages or other illegal purposes.
- 5.3.4** All donations and sponsorships must be transparent.

6. Anti-money Laundering

- 6.1** Employees shall not engage in money laundering activities by covering up and concealing the nature and sources of illegal income and gains made from drug dealings, terrorism, smuggling, embezzlement and bribery, disturbing financial management order, etc.;
- 6.2** The Company shall review the implementation of internal anti-money laundering tasks, and conduct anti-money laundering investigations on suspicious high-amount transactions without delivery and sales records in the system and without clear transaction reasons.
- 6.3** During the course of establishing business relations or entering into transactions with clients, the Company will follow the “Know Your Customer” principle to know and identify the clients, and, according to the applicable laws and regulations, provide assistance to financial institutions which conduct their “Know Your Customer” investigations.

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7. Compliance with Export Control and Customs Laws

- 7.1** Midea complies with the export control and customs laws applicable in the countries where it operates. Export control is generally applicable to the transfer of critical goods, services, hardware, software or technologies crossing the borders of some countries, including email transmission and other forms of network access methods. It may also include the transfer of critical information to certain individuals in the same country. Direct or indirect exports to or imports from sanctioned countries or parties may violate export control laws, and countries or parties may be designated and sanctioned by the United Nations or relevant countries for diplomatic policy, public order, and national security considerations, or their involvement in criminal activities. Violations of the aforesaid laws and regulations may result in severe punishment, including but not limited to termination of employment, fines, imprisonment, revocation of import and export licenses, adding into trade sanction lists and exit /entry restrictions, etc.
- 7.2** Employees engaged in the import & export business of the aforesaid goods, services, hardware, software or technologies shall comply with applicable laws and regulations about economic sanctions, export control and imports, as well as related policies and procedures established by the business department they work for.

8. Prohibition of Transactions Using Inside Information

- 8.1** Before publishing confidential information of Midea, especially information that may potentially affect the securities price of the Company, no employee shall conduct securities trading with such information, give securities purchasing advice based on the information, publish the information, or disclose it to any third party who is not entitled to know, or assist others in manipulating the prices of shares and their derivatives. Otherwise, the employee may violate the law and face punishment.
- 8.2** All employees, directors, supervisors and senior management of the Company are forbidden to trade securities by using inside information. They shall also comply with the restrictive legal regulations on the purchase & sales of the Company's shares, including restrictions on the proportion of shares sold in a special period or shares reduced, as well as the restrictions on short-swing trading and trading in window period.
- 8.3** If an employee has the knowledge of non-public information, he/she shall be prudent in both words and actions.

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9. Protection of the Assets and Reputation of the Company

Assets and reputation are the essential ingredients for Midea to develop and grow. Each employee shall protect the assets of the Company within their control scope, and maintain and improve the reputation of the Company in all countries. The assets of the Company include tangible assets and intangible assets. Intangible assets include intellectual property right, non-public data, information, and other business secrets.

9.1 Tangible assets:

- 9.1.1** Tangible assets of the Company include cash, property, office supplies and facilities, machines and equipment, inventory products and parts, stamps, vehicles, computer hardware systems, and other materials.
- 9.1.2** Employees shall protect the Company's physical assets from being stolen, lost, damaged or misused.
- 9.2** Intellectual property: Intellectual property includes patents, trademarks, copyright, know-how, technical secrets, computer source code, software programs, and other intellectual achievements made in work that are owned by the Company and must be protected. It is the technical achievement of the Company made in reliance on the huge input of human and material resources, and an important asset concerning core competitiveness. All employees have the responsibility to protect all intellectual property of the Company.
- 9.3** Trade secrets: Each employee shall maintain the consciousness of protecting the Company's trade secrets including product plans, pricing, business strategies, and take necessary and reasonable confidentiality measures for technical information, business information and other trade secrets that are accessed understood and obtained at work in a cautious and honest manner. Without prior approval, the information must not be disclosed to the third parties or any other employee who lacks the right to know for any reason or in any form. Where an employee leaves his or her job, he/she shall return all obtained materials relating to the technical and business information of the Company and shall not copy, disclose, publish or sell such information.
- 9.4** Reputation: The reputation of the Company improves by continuously innovating products, optimizing services, improving management quality, treating customers and vendors fairly, undertaking social responsibilities and other practices during market competition. Since the recognition by consumers and the public is critical to the sustainable development of the Company, every employee shall maintain the Company's good reputation, and not make any speeches, statements or reports publicly or through the media, or social platforms, that may damage the image and business reputation of the Company. To ensure provision of accurate information to the media and the public and maintain the Company's reputation, without approval from the management of the business units they belong to or the Group functions responsible for public relations or investor relations in accordance with their mandates, employees shall not

Code of Business Conduct of Midea Group

accept the requests for information or interviews from the media or the social public. Instead, the employee must pass the requests to the departments responsible for information disclosure or public relations, or take actions only after obtaining written approval from the above departments. To the requests from financial media or financial analysts, only the Group function responsible for investor relations can give such approvals.

10. Compliance with the Business Approval Matrix System of Midea

“Operate as per authorization” is the core value of Midea. Reasonable centralization, ordered decentralization, well-regulated authorization and the proper use of authorization constitute the basic principles of the Company’s business regulations. To ensure ordered business management, the Company has established a unified process approval matrix system, and each employee shall comply with this system.

11. Cooperation with Business Partners

Midea expects its suppliers, distributors and other business partners to comply with the relevant portions of this Code, the Company’s values and the laws observed by the Company, and adopt similar principles in terms of stakeholder, environmental responsibility, anti-corruption, fair competition and other matters.

12. Accurate and Complete Work Logs

- 12.1** The financial records of Midea, including accounting vouchers, financial books, accounting reports, must be clear, complete, accurate and comprehensive, and must not be intentionally deleted, altered, forged or falsified;
- 12.2** Business records must promptly, accurately and clearly reflect the nature and specific status of each transaction. Employee records, customer information, financial vouchers and contract documents in paper or electronic form generated during the business contact must be properly kept;
- 12.3** The meeting minutes in the work and the Company’s internal process applications should be as normative as possible. Employees shall pay attention to preserving important e-mails and business communication records for emergency needs.

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13. Providing a good working environment

- 13.1** Midea is committed to fully complying with the applicable laws and regulations on labor and workplace environment in the countries or regions where it operates, respecting the rights and interests and values of its employees and providing good remuneration and benefits, and a healthy and safe working environment to employees. It has established career development paths and provided training to enhance employee skills.
- 13.2** Drug and alcohol abuse will seriously impair an employee's ability to work safely, will pose a safety risk, and may reduce productivity and general employee morale. Midea strictly prohibits possession or use of illegal drugs or alcohol on Company property; employees shall not use any illegal drugs or alcohol during work or work under the influence of illegal drugs or alcohol, except for moderate alcohol consumption in group activities, as well as compliance with the legal drinking age.
- 13.3** The Company forbids any discrimination based on race, skin color, culture, religion, political opinion, marital status, gender, and any other characteristic protected by law, and adopts a zero-tolerance policy to harassment, violence or other aggressive behaviors in any form.

14. Privacy Protection

- 14.1.1** Unless otherwise authorized by the employee or for legal use, the Company shall not disclose any employee's personal information obtained during recruitment or management to any third party without performing due diligence regarding that third-party's security protocols. Employees shall not take advantage of the Company's internal information network or other channels to illegally detect, collect or provide employee information to others, and shall not disclose any personal information about any employee obtained at work to any third party who does not have the right to know.
- 14.1.2** The Company may view, copy and use the documents, e-mails, videos and audios that any employee stores in or transmits from a work computer, records of business communication by a work phone or other means of work-related communication, attendance, business trips, and any other information about work. Employees shall not store private personal information in a work computer as such information will not fall under privacy protection.
- 14.2** Customer Information such as user data obtained during business activities will be kept strictly confidential.

Code of Business Conduct of Midea Group

15. Using Resources in a Sustainable Manner, Paying great Importance on Environmental Protection and Providing High-Quality Products and Services

- 15.1** Midea complies with national and international standards on environmental protection. Environmental protection and smart applications have become the development direction of home appliances. The Company makes a positive effort to promote energy-saving appliances and avoid wasting resources. The Company actively promotes the use of clean energy during production to reduce pollution and emissions. The employees are required to have a sense of conservation to avoid waste of resources during production and work.
- 15.2** Midea is committed to providing products and services that meet or exceed customers' expectations on quality, reliability, safety and value to win the trust of customers. The Company adopts and implements strict product quality control standards and systems, and ensures that all products are designed and manufactured in accordance with the laws and regulations on product quality and safety, as well as the requirements contained in the contracts with customers. The Company is also devoted to improving the product and service quality in partner with the suppliers by implementing quality improvement plans, and maintains and enhances the product and service image of the Company.

16. Consultation and Reports

- 16.1** The Code describes the legal and ethical principles of Midea but does not answer all the questions that employees may encounter in their daily work. If an employee is not sure how to apply or understand the Company's compliance principles or has any other questions, he/she may consult the legal & compliance officer in his/her organization or Midea.
- 16.2** When the employee is aware of or has any evidence of any violation of the Code, he/she must report such violations through the relevant channels of the Company. Midea encourages the employees to make compliance report by using their real names and all complaints will strictly be kept confidential, such as the content of the complaints and the personal information of the complainant. Midea will not tolerate any forms of retaliation against a person reporting conduct. Employees who feel they are retaliated after reporting can report the issue to their management or group compliance departments.

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16.3 The employee can choose the following venues to report the violations of laws or this Code:

Immediate supervisor: The employee may report to their immediate supervisor or higher levels of managers if he/she wishes or

Legal & compliance officer: The employee may consult and report to the legal & compliance officer in his/her organization or Midea Group through Midea Connect, e-mail, telephone, etc.

The employee may also:

Call the complaints hotline: +86 757 2660 5599

Send an e-mail to: Compliance@midea.com