

# 2019

Corporate Social  
Responsibility Report



## Compilation Instructions

### 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 January 1 to December 31, 2019, with certain events mentioned in this report occurring before or after the aforesaid period

### Date of publication

April 30, 2020 (the next report is expected to be published in April 2021).

### 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 2019, the data collection was conducted in accordance with the existing work process of the Company. The financial information herein is based on the 2019 Annual Report of Midea Group Co., Ltd.

### References

The fourth generation (G4) of "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-CSR3.0)" 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".

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# 走远路 万丈光芒

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## Letter to Shareholders

While a heart-shaking fight against the pandemic is now on globally, this once-in-a-century “black swan” incident has casted tremendous changes to the lives of everyone. We sincerely hope everyone stays safe and healthy. And we have strong belief that the haze will eventually disappear and there will always be bright light.

In this nationwide operation, Midea was amongst the first companies to respond and participate in frequent support missions, reflecting the heritage of utmost importance from Midea's development history of 50 years—taking rapid actions amid crises and changes, bearing responsibilities amid challenges and chaos.

Now, as the world is faced with changes that have not been seen for a century, history-making global economic fluctuations and a continuous stream of uncertainties come thick and fast. In light of this unprecedented time, by committing to its unhesitating strategies and responsibilities, Midea has managed to maintain steady growth in business performance. In 2019, Midea achieved revenue of RMB279.381 billion, marking a year-on-year increase of 6.71%; and achieved RMB24.211 billion in net profit attributable to shareholders of the Company, recording a year-on-year increase of 19.68%. Midea was ranked 312th among Fortune Global 500 in 2019, moving up by 169 places since its debut in 2016. As for Fortune China 500, Midea was ranked 36th, topping the industry chart for 5 consecutive years. In addition, Midea was ranked 33rd among BrandZ™ Top 100 Most Valuable Chinese Brands in 2019 with an increase of brand value by 20%. Midea ranked 27th on the list of Brand Finance Tech 100 in 2019, moving up 16 places in comparison to the year before, leading its industry peers throughout the country.

2019 was yet another year that gave us the feeling that time flies. As market iteration cycles become more rapid, one may

say this is a tempestuous era with so many tides. Things change drastically, yet vision, dreams, perspectives and ambitious setup will always persist. No one could stay young forever, but young people will always be there. Companies decline and fall, but there are always some firms which are thriving. For us, nothing is more critical than upholding our long-term perspective mindset and adapting to external uncertainties with determined strategic focus.

We are devoted to the three strategic focuses of "Product Leadership, Efficiency Driven, Global Operations" to continue to set the stage for our business. Today, such three strategic focuses have already become our guidelines for daily business and operations. Business performance is, therefore, said to be continuously improving. Moreover, we increased investments in weaker product categories and made bold moves on new product categories and new business models in 2019. Whereas our international layout increases in clarity over time, we do look forward to business prosperity in the days to come.

We uphold our user-centric strategy and promote business reforms. We continued to break through stereotype in 2019 and placed interests and needs of users first in the top-down systematic and comprehensive business model reforms across the Group to enhance connections between our services and products and users.

We are committed to building future-oriented innovation capabilities and R&D scaling advantages. In 2019, we kicked off our plan to build a global R&D network of “4+2”, promoting the Shanghai Global Innovation Center, Midea America Research Center, Midea Germany Research Center and Midea Japan Research Center as comprehensive technology R&D centers, and Midea Milan Design Center as Industrial Design Center. We progressed in promoting global R&D resources integration and enhancing the world's R&D layout plus innovation mechanisms.

We insist that human capital is the most essential component for an enterprise, taking further steps to strengthen employee rights and interests and invest in employee care. Over the past year, the core management and all employees have maintained an excellent fighting spirit, learning ability, as well as accountability. With rapid growth in the mid-level young managers and non-stop inflow of fresh blood, we have created a diverse internal culture that fuels the Company's long-term development.

These long-term layouts and investments, together with the unwavering commitment to sticking to and promoting Midea's culture, are all Midea's wealth of tomorrow. They also provide the confidence for us to believe in Midea's achievement in long-term steady growth and safeguard the interests of our shareholders.

Actually it is not the changing world, but how we interpret the changing that affects us most. With merely past knowledge, we will never be able to reach further future. The manufacturing industry's underlying logic for achieving growth from the past has been profoundly altered. The most active business pulse in the digitalization era is the speed and ability to create value.

Like the stirring melody in a grand and complex symphony, Midea will renew and refocus our strategies amidst the vast changing world. We will launch and strengthen the next round transformation of comprehensive digitalization and intellectualization. As we have learned from the past, every successful transformation requires the courage to risk life, through devotion, persistence and perseverance. By promoting comprehensive digitalization and intellectualization, Midea's product models and business value chain are going to observe groundbreaking changes, whereas Midea will evolve from a hardware-based company to a data-driven innovative technology group that takes affirmative steps forward.

We shall strive to achieve changes in the format of products and thus transform our traditional business of simply selling hardware to a software-driven business, intensifying contents and services at the same time.

It is in our list to achieve changes in business methodology and promote reforms in research, production and sales. And with digitalization tools and approaches, we are going to promote online and offline integration, decentralization and flat management.

The goals are to foster changes in business models, achieve direct communication, direct contact and high-frequency interaction with users, in order to uncover user value and transform to an Internet mindset.

When the going gets tough, the tough get going. In the face of a series of challenges brought forth by the coronavirus epidemic, we shall remain true to our original aspiration and carry our dreams through long distances. Let us be prepared for strategic deployment, resource investments and team building efforts—all in the long term. They do not have to be magnificent fireworks that echo down in history but can still become the sparkling lights in our unique stories!

Future is defined by the path we've been through! At this moment, Midea is flourishing and the most shining Midea is still ahead of us and far from being achieved.

We hereby express our gratitude for all shareholders' support all the way along.

Board of Directors, Midea Group  
April 2020



## Company Profile

- Name of the Company: Midea Group Co., Ltd.
- Total number of shareholders: 172,279
- Stock exchange listed: Shenzhen Stock Exchange
- Registered address: No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan City, Guangdong Province, China
- Time of establishment: 1968
- Total shares issued: 6,971,899,574
- Time listed: September 18, 2013

RMB **302.0** billion

Total assets

RMB **279.4** billion

Total revenue

Around **150,000**

Number of employees

USD **4.678** billion<sup>1</sup>

Source: BRANDZ™ Ranking-The Most Valuable Chinese Brands Top 100 for 2019

Brand value

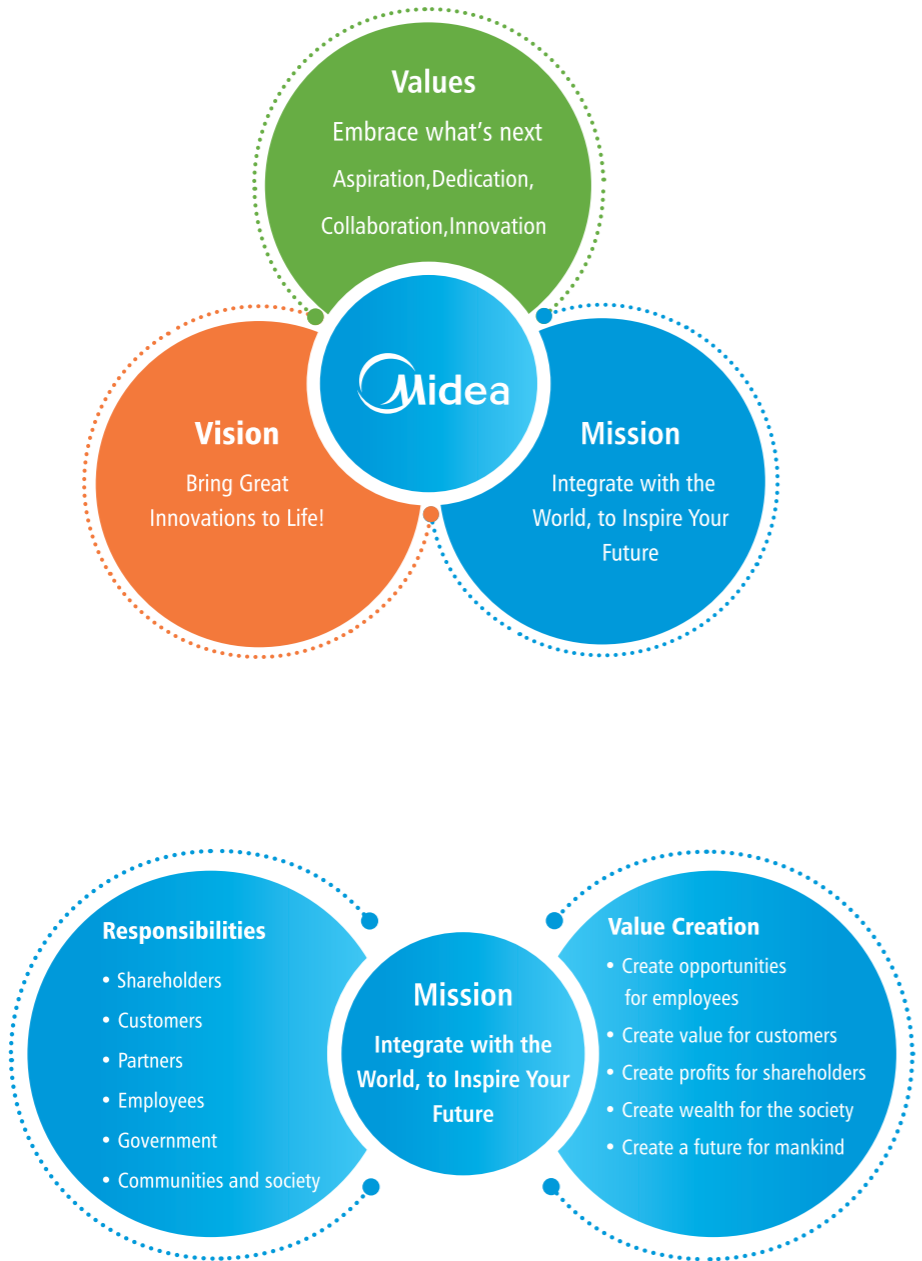
# About Midea



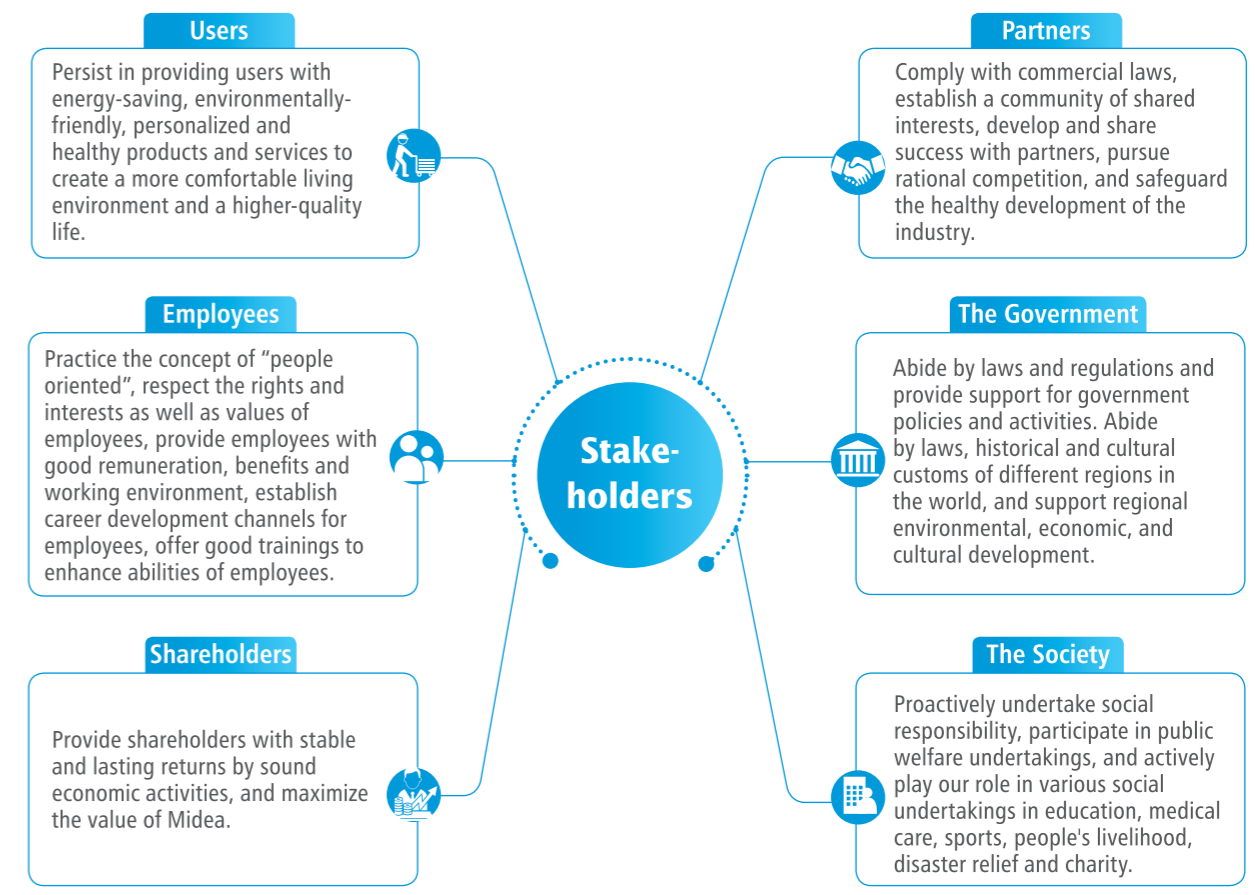
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# Midea Philosophy



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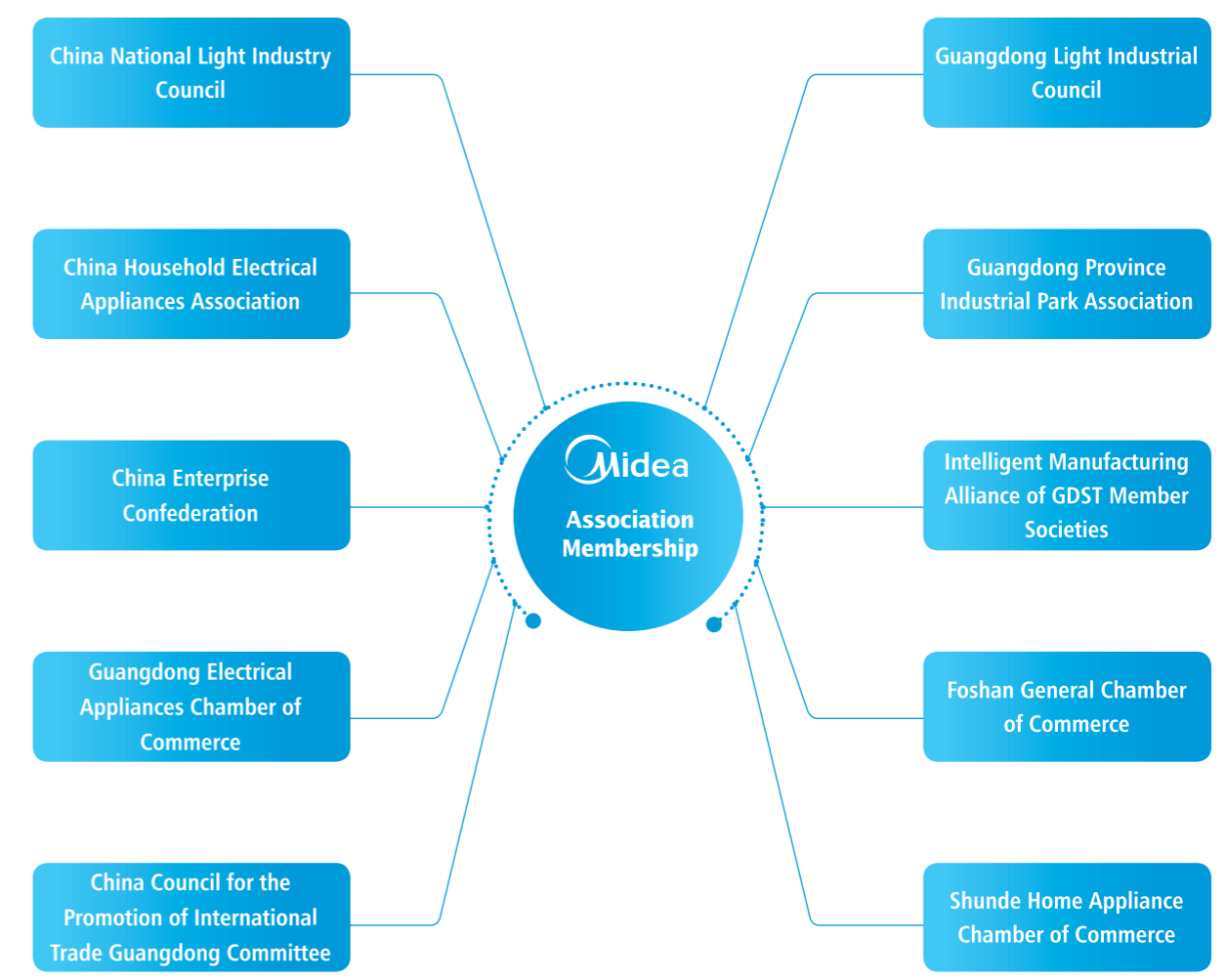
## Honors Won

| Time      | Honor  | Awarding Unit  |
|-----------|--|--|
| Dec. 2019 | Best Intelligent Data Management   | MarTech Insight Award  |
|           | Model Enterprise for Industrial Product with Green Design  | The Office of the Ministry of Industry and Information Technology                                    |
|           | Award for Contribution to Popularization of Science 2019   | Guokr.com  |
| Nov. 2019 | Best Responsibility Advancement Award  | finance.sina.com.cn  |
| Oct. 2019 | Chinese Enterprise with Outstanding Contribution   | news.163.com, China Industrial Economy News, and China Enterprise Reform and Development Society     |
| Aug. 2019 | No. 16 of China Top 500 Private Enterprises 2019   | All-China Federation of Industry and Commerce  |
| July 2019 | No. 312 of 2019 Fortune Global 500   | The Fortune  |
|           | No. 36 of 2019 Fortune China 500   |  |
| June 2019 | No. 5 of China Light Industry Top 100 Enterprises 2018   | China National Light Industry Council  |
| May 2019  | No. 253 of The Forbes 2018 Global 2000   | The Forbes   |
|           | 2019 Best 5 of Performance of China Real Estate Suppliers  | China Real Estate Association, E-house China R&D Institute, and China Real Estate Appraisal          |
|           | No. 13 and No. 3 respectively of the 2019 Brand Value List of Chinese Listed Companies and the Overseas List   | National Business Daily  |
|           | No. 33 of 2019 BrandZ™ Top 100 Most Valuable Chinese Brands  | WPP and Kantar Millward Brown  |
|           | AWE Gold Award, AWE Product Award, AWE Intelligence Innovation Award, and AWE Design Award   | China Household Electrical Appliances Association  |
| Mar. 2019 | Best Service Provider for Q4 2018  | Black Cat, a consumer service platform of Sina   |
| Jan. 2019 | No. 13 of Top 500 Most Credible Chinese Enterprises, No. 2 of Top 100 Most Credible Chinese Private Enterprises, No. 7 of Top 100 Most Credible Chinese Manufacturers, No. 11 of Top 500 Most Credible Chinese Listed Companies for 2018 | China Enterprise Reform and Development Society, and China Cooperative Trade Enterprises Association |
|           | No. 138 of The Most Valuable Global Brands Top 500   | Brand Finance  |

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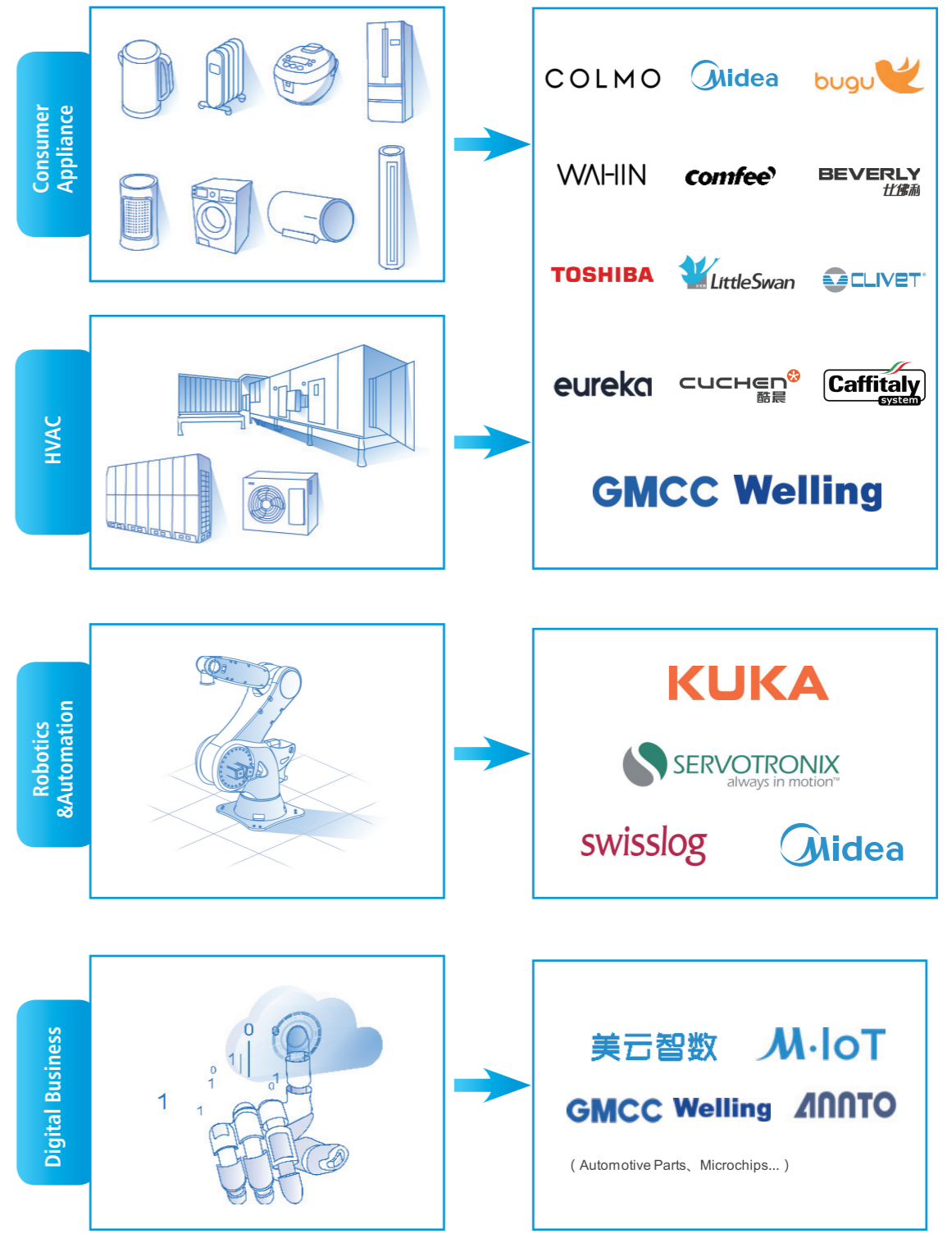
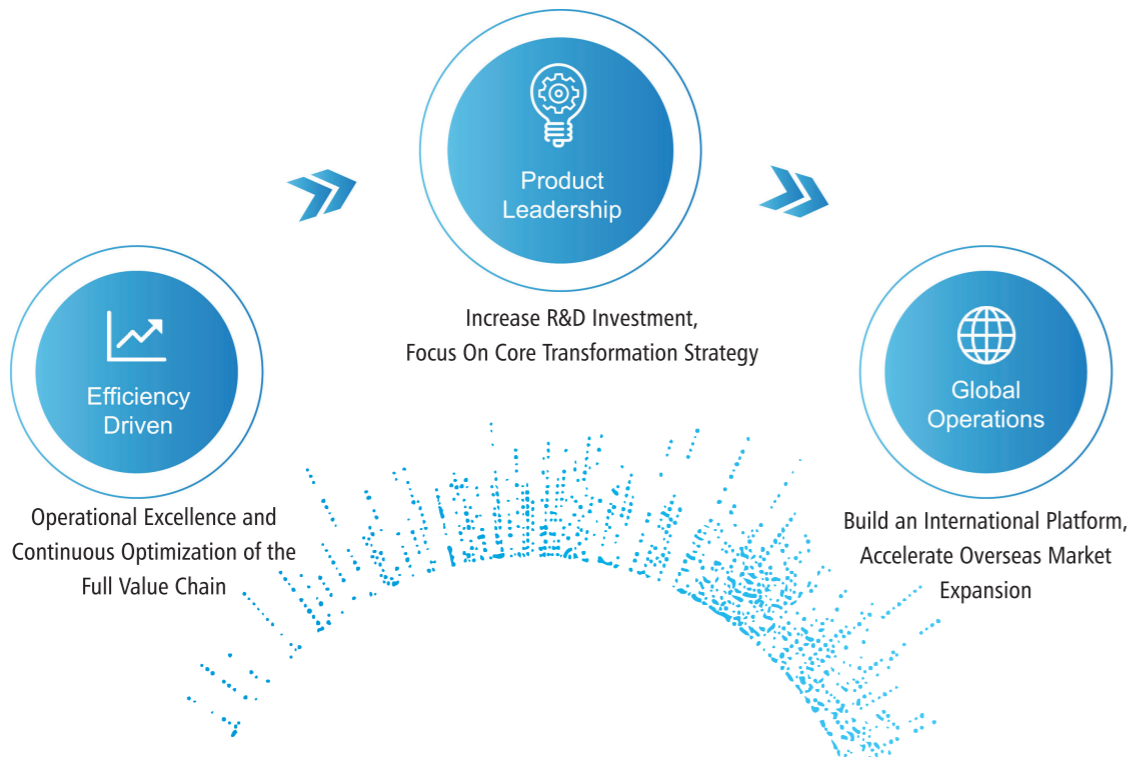
## Association Membership



## Business Profile

Midea Group started its business in 1968 and entered the field of household appliances in 1980. In 1981, the "Midea" trademark was registered and "Midea" was officially born. In recent years, after a series of mergers and acquisitions at home and abroad, Midea has become a global technologies group that operates in consumer appliances, HVAC, robotics and automation, and digital business. It owns more than 10 well-known brands at home and abroad such as Midea, Little Swan, WAHIN, Welling, Annto, COLMO, BUGU, Comfee, GMCC, Eureka, Clivet, KUKA, Swisslog, Servotronix and Toshiba (authorized brand).

Over decades of booming development, Midea has grown from a seed into a towering tree. It keeps refining the distribution of power among stakeholders, and building sustainability by taking on economic, environmental and social responsibilities. A modern system of corporate governance has been put in place. Meanwhile, Midea sticks to the core strategic objectives of "Product Leadership, Efficiency Driven and Global Operations", implements the core strategy of "Comprehensive Digitalization & Intellectualization", builds core competitiveness of products, and promotes digital transformation to build a "digital Midea". It adheres to the philosophy of green development, and adopts an environmentally-friendly and energy-saving development strategy, which has effectively strengthened its sustainability. In addition, Midea has been dedicated to various work for the public good and proactively shouldering social responsibility as a way to share with the society the dividends of its development.



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## 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 Directors, Supervisors and Senior Executives which has been approved by the Company, decision-making for the remuneration of directors, supervisors and senior executives is carried out in a procedure where remuneration is proposed by the Remuneration and Appraisal Committee and approved by the Board. Decisions are made finally after the deliberation of shareholders' meeting. 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 2019, Midea launched the Sixth Stock Option Incentive Scheme, the Third Restricted Share Incentive Scheme, the Fifth Global Partner Stock Ownership Scheme and the Second 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.

For further information about the remuneration and equity incentives given to the directors, supervisors and senior management in the year, please refer to the 2019 Annual Report of Midea Group Co., Ltd., which has been disclosed on the same day with this CSR report.

## Truthful and Transparent Information Disclosure

- True
- Accurate
- Timely
- Complete
- Fair

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.

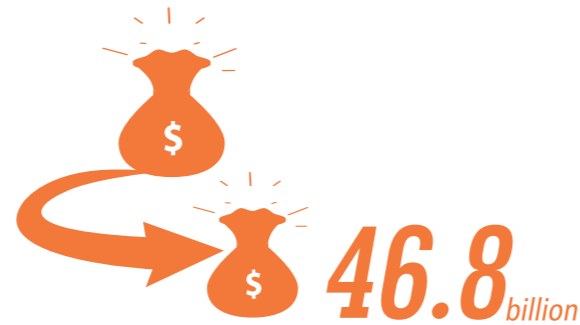
## Excellent Management of Investor Relations

Midea actively communicates with investors and conveys its operating policies and performance to all shareholders and investors in a timely manner, so as to boost investor confidence and its share price. In 2019, Midea held 4 performance briefings (telephone conferences), as well as participated in 13 overseas roadshows organized by large securities firms and around 80 investors conferences held by domestic and foreign securities firms. A total of more than 240 visits were paid to Midea during the year, including 2,500 person-times of institutional investors, representing a high number of investor visits among A-stock companies. In addition, Midea holds an Investor Day every year, where its major management personnel will brief investors on the Company performance and answer their questions for a better understanding of the Company among investors. Midea's official website has an investor relations column and Midea answers questions from investors on the interactive platforms. By doing so, Midea maintains market attention and strengthens minority shareholders' understanding and confidence. During 2019, the percentage of foreign shareholding in the Company reached a peak of nearly 28%, showing that the Company's stock is one of the most popular investments for foreign investors who are seeking long-term value.



### 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 Group listing in 2013, Midea has distributed cash dividends of RMB 46.8 billion (2019 profit distribution plan included), 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.



Since Group listing in 2013, Midea has distributed cash dividends

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 2018 the biggest-ever repurchase plan in the history of China's A-stock market and repurchased shares with approximately RMB 4 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 2019, it launched another share repurchase plan for its share incentive schemes. As of 31 December 2019, Midea has used around RMB 3.1 billion for the share repurchase.

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

Unit: RMB

| Year | Cash dividends    | Share Repurchase | Cash dividends as % of net profit attributable to common shareholders of the Company in the consolidated statement | Cash dividends + share repurchase as % of net profit attributable to common shareholders of the Company in the consolidated statement |
|------|-------------------|------------------|--|---|
| 2019 | 11,131,489,692.80 | 3,100,000,000    | 45.98%   | 58.78%  |
| 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%  |

### Skillful Brand Management

#### Brand investment

"Midea" has become a national brand in China upon years of branding efforts including brand cultivation, brand asset accumulation, as well as strengthening its presence at home and abroad. It launched marketing campaigns during the Spring Festival for over two decades in a row. It has also sponsored the national swimming and diving teams for more than ten consecutive years and is a strategic partner of the Chinese Swimming Association. Through ongoing marketing innovations leveraging digital tools, social media, etc., "Midea" brand has become more appealing to younger consumers. In recent years, Midea has further refined its brand portfolio to better cater to different consumer groups for growth opportunities.



#### Brand defense

The Company is equipped with a well-established defense mechanism in brand management. Externally, the Company cooperates with a number of public opinion monitoring companies to carry out all-round monitoring on domestic and foreign mass communication contents. Based on the Group's global business layout, the monitored contents include contents involving the Company's product development, industrial trends and changes in global political relations, which cover a wide range with strong adoptability. In addition, the Company has established solid think tank resources in the interpretation of global policies, global strategic acquisitions and crisis review and response through close communication with a number of international PR companies. Internally, the Company has established a comprehensive internal crisis response mechanism and a crisis response group to ensure the timeliness and effectiveness of crisis response.



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## Stringent Management of Information Security

In order to realize the vision of “promote digital operations for the whole value chain, establish a “digital Midea” through digital, intelligent and international means, build the Midea Industrial Internet, and facilitate the construction of Midea as a technologies group”, the IT function of Midea Group followed the guideline of “protect the integrity, confidentiality and availability of business data, and ensure the security, stability and continuous operation of the information system” and established the Information Security Department. This department is responsible for building a global system of information security management comprising organization, management, technology, business and emergency, with focuses on business data, information system, staff awareness and process control.

The Information Security Department covers every link under the overall structure of “information security in governance, management, operation and technology”. It works using the scientific methodology of “framework test, replication, benchmarking, global application, and refinement”.

### Vision

- Promote digital operations for the whole value chain
- Establish a “digital Midea” through digital, intelligent and international means
- Build the Midea Industrial Internet
- Facilitate the construction of Midea as a technologies group

### Guideline

- Protect the integrity, confidentiality and availability of business data
- Ensure the security, stability and continuous operation of information system

### System construction

- **Management system:** Organization, management, technology, business, emergency
- **Security construction:** Business data, information system, staff awareness, process control

### Example of Case

In face of the technology tides of big data, Industrial Internet, IoT and AI, the Information Security Department has conducted research and launched programs in fields of these cutting-edge technologies. So far, the relevant framework test, replication, benchmarking have been completed and ISO27001 certified. The Big Data-Based Situation Awareness Platform, the Information Security Operation Platform and the Security Response Center equipped with the corresponding talent have been put in place. The department will continue to carry out global standard application and PDCA-based refinement, so as to build a smart, adaptive ecosystem of information security and provide thorough protection for information security of Midea Group and Midea users.

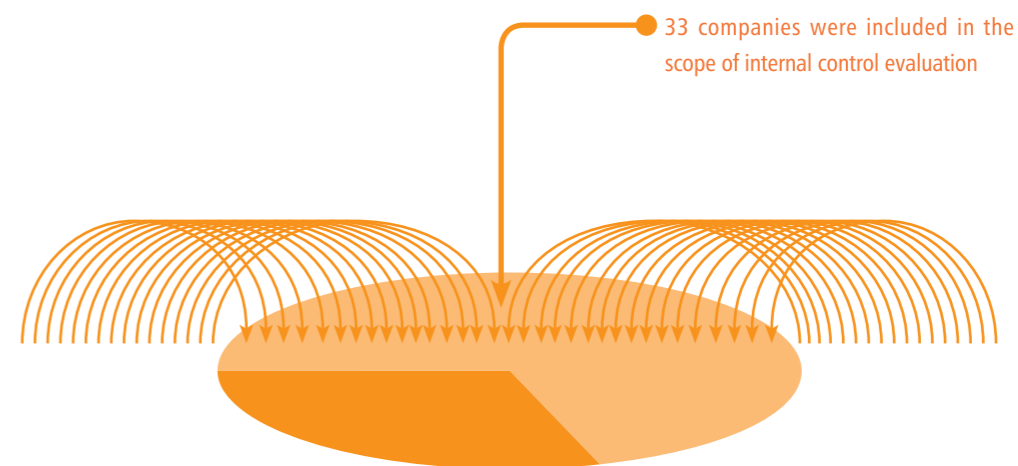


## A Sound Internal Control System

In 2019, based on potential risks and taking into consideration its realities, Midea has continuously improved its internal control system, so as to adapt to the changing external environment and the internal management requirements.

The Board of Directors of Midea authorized an internal control project team to implement an internal control evaluation, and evaluate the internal control over the companies and businesses included in the evaluation scope in 2019. The internal control project team consists of two levels, namely the steering team and the executive team.

In 2019, a total of 33 companies were included in the scope of the internal control evaluation. The total assets and operating revenues of these companies accounted for over 70% of the corresponding items in Midea’s consolidated financial statements.



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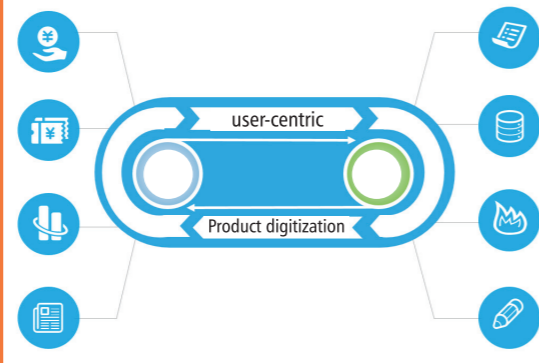


## Responsibility to Users

As the era of smart manufacturing begins, a reshuffle takes place in the landscape of the global manufacturing sector. Amid fierce competition, Midea puts forward the core strategic objectives of "Product Leadership, Efficiency Driven and Global Operations, and implements the core strategy of "Comprehensive Digitalization and Intellectualization", dedicating itself to creating a more comfortable, higher-quality life for its users. Being user-oriented, Midea is building a smart home ecosystem. It continues to enhance R&D and product development to help solve consumers' pain points, so that they can enjoy a smarter and more comfortable life. Meanwhile, it also adheres to the strategic objective of "Efficiency Driven". It is building smart factories and an Industrial Internet ecosystem to boost the operating efficiency of the whole value chain. In the meantime, it promotes its global business layout, formulates a global supply cooperative mechanism, strengthens localized operations in overseas business, and promotes product globalization.



### Example of Case



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## Product Leadership

### Star Product Atlas: Residential Air Conditioners

#### Midea Dongfeng Air Conditioner



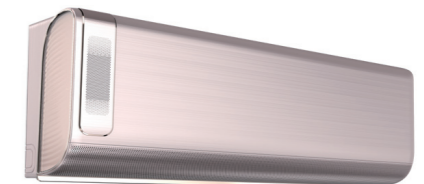
#### AWE Top Award

- Tailored to "multiple family members and large residential space"
- Three unique technologies—disrotatory turbine multi-vector softened disturbance, double-layer distance circulating air, and rectification and supercharging
- Free adjustment of breezeless zones, and uniform room temperature up to 20 meters

#### Midea Freshener Air Conditioner

#### Golden Choice Award

- To offer coziness in four dimensions, namely, air temperature, sensation, cleanness and freshness
- The S+ breezeless system to prevent AC-related illnesses such as a cold
- The dual hybrid power new wind system for constant fresh air without having to open the window
- The unique intelligent dual washing system for a clean filter in just 9 minutes automatically
- The intelligent central voice system to support dialects, home appliance connection and IoT remote upgrade
- The whole new 4th-generation smart cleaning system—the pasteurization technology to enable 30 minutes of heating of the indoor heat exchanger at 56°C
- The NeIT sterilization module to keep the air fresh through adaptive cruise control



Star Product Atlas: Commercial Air Conditioners

MDVS Intelligent All DC Strong Heating VRF

- Good Design Award (G-mark)/China Machinery Industry Science & Technology Award (Second Prize)/ Chinese Association of Refrigeration Energy-Saving and Eco-Friendly Product / Hong Kong Innovative Invention Award (Gold Award)/ Guangdong Province Sci-Tech Progress Award (Second Prize)/ Foshan Science & Technology Award (Second Prize)

- An A-IoT module for remote fault diagnosis
- The multi-channel liquid cooling system (MCLCS) to ensure smooth running of the device even at a temperature as high as 54°C
- The M-AI intelligent all DC enhanced vapor injection control technology to enable strong heating at even -25°C
- More accurate temperature control based on the adaptive refrigerant, with the annual performance factor (APF) reaching 5.3
- An efficient G-type heat exchanger with a super large surface to reach 32HP on single module and 128HP as a whole and save 50% floor space



Midea All-Season Household Central Air Conditioner

"Ergonomics-Thermal Comfort" Certificate

- The visualized fresh air technology to enable all-dimensional air monitoring around the clock
- The smart wind panel to enable smart air distribution directions and autonomously turn off when no one is at home
- The enhanced vapor injection technology to ensure heating without weakening at -15°C and stable heating at -25°C
- A pioneering central humidifier with a capacity as high as 4L/h to humidify the entire house
- The pioneering IH refrigerant heating technology to enable strong heating to 40°C in just 4 minutes and 20 seconds after turning on



Star Product Atlas: Refrigerators

COLMO Mantle Lava Series Refrigerator

- Long-lasting antibacterial effect enabled by DPS+ to keep the food fresh for long enough
- The week-long freshness technology to preserve the original taste of the food
- The Veg-Fruit Purification Chamber to degrade pesticide residue through DUV, like having an organic farm at home

Midea Pesticide-Residue-Free Series Refrigerator

- The Veg-Fruit Purification Chamber to degrade pesticide residue through DUV, like having an organic farm at home
- Silver ion to prevent bacteria and pathogen from replication to keep the food fresh
- PST+ smart 360° sterilization
- Nano water shield, a coating which makes stains easy to clean

Star Product Atlas: Laundry Appliances

Little Swan Ultra Fine Bubble Water Magic Cube Series Front-Loading Washing Machine

- Internationally Advanced Technology Certificate from the Certification Center of Light Industry Council (CLC)
  - Cold washing to offer more protection to the shapes and colors of clothes by achieving the same clean effect without heating
  - Unique "Ultra Fine Bubble" technology to save around 50% detergent for healthier washing



Beverly OTT Series Fully Automatic Washing Machine

- iF Award
  - A big capacity in a small size to save energy and 30% water for the same capacity
  - The revolutionary "One-Tub Tech (OTT)" + "No-Hanger-Rod Damping Pyramid System" to enable washing without the outer tub
  - UV and nano silver ion sterilization to create a 100% clean washing environment



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Star Product Atlas: Small Home Appliances

Midea Low-Sugar Rice Cooker

Certified by China Household Electric Appliances Research Institute (CHEAR) to be the first low-sugar rice cooker tailored to people with high blood sugar

- The sugar leaching technology to reduce the reducing sugar by around 50%
- A titanium tank with a braising valve and Binchotan coating to prevent the rice from sticking to the tank
- The unique sugar control curve to increase resistant starch by around 23% to reduce the absorption of glucose by the human body in a healthier way



Midea Seasons Fan Heater

Red Dot Award , IDEA Award and Good Design Award

- A combo of fan, humidifier and heater for all seasons
- The pioneering adaptive heating-and-cooling switching air channel, equipped with an ultra large rotor to cool you down instantly in a hot summer
- Integration of PTC quick heating and atomizing humidification for warm and humid air in just 3 seconds, as well as 9 sections of unequally spaced curved rotor blades for a quiet experience



Star Product Atlas: Kitchen and Water Heater Appliances

Midea Chinese-Style Sterilizing Dishwasher

"Best-selling Model of 2019 China Dishwasher Industry", "Best-selling Model Online of 2019 China Dishwasher Industry" and Germany VDE Certificate

- The DUV sterilization technology and the 70°C washing to help eliminate 99.99% bacteria
- AI Wash mode to automatically recognize the degree of contamination for smart washing
- The proprietary hot air drying technology to allow tableware to be kept in a dry and antibacterial condition for a fairly long time
- The silver ion antibacterial odor-removing technology to help users solve the pain point of odor after long storage
- Innovative Chinese-style customized baskets for easy placing of Chinese-style tableware in addition to other styles of tableware



Midea Electrical Storage Water Heater

China Water Heater Industry Summit Health Pioneer Award

- Automatic memory of the user's habits to automatically select the best way of water heating, which can save 40% power
- The variable frequency quick heating technology to allow the user to choose the right heating power for different water heating needs
- One of the first batch of full-star water heaters, which can inhibit 91.3% scale and eliminate 99.9% bacteria to minimize health risk and provide a skin-friendly showering experience



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Star Product Atlas: Microwave Ovens and Cleaning Appliances

Midea S1 Steam Oven

iF Award, IDEA Award, Contemporary Good Design, and Foshan Mayor Cup

- High-power three-dimensional baking to offer a fantastic cooking experience
- High-temperature steam in 30 seconds to bring out the original taste of the food
- A combo of steamer and oven with a compact design to save kitchen space
- The slight dome design to avoid dripping and preserves the original taste of the food



Midea Constant Temperature Cooking Microwave Oven

iF Award, IDEA Award, Contemporary Good Design, and Foshan Mayor Cup

- Constant temperature cooking to make cooking easier
- Different temperatures for different food for a better heating effect
- The fresh defrosting technology with efficiency up by 25% to lock the meat juice and nutrients



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To Be User-Oriented

Midea Commercial Air Conditioner is the first to promise a 10-year warranty

On January 14, 2020, Midea Commercial Air Conditioner made an official promise to consumers that every Midea Multi-Split Residential Central Air Conditioner and Midea Residential Air Source Water Heater purchased on or after January 1, 2020 can enjoy a 10-year warranty, which is the longest warranty of its kind. As such, Midea is the only company that offers a 10-year warranty for both Multi-Split Residential Central Air Conditioner and Residential Air Source Water Heater.



Midea Residential Air Conditioner organized a User Experience Day to get closer to users

On September 22, 2019, the Residential Air-Conditioner Division of Midea Group organized key personnel from the four major systems of R&D, marketing, customer services and operation of the whole value chain to visit around 50 users in three cities—Guangzhou, Zhongshan and Jiangmen. By doing so, we come to know how users are using our products, what they have to say about our products and what else they need. In this way, we can shift faster from being “product-oriented” to “user-oriented” and think in the user’s shoes.



Against the backdrop of the Industrial Internet, Midea Group has been dedicated to improving user experience from every link, including products, marketing and service. To be “user-oriented” is not just a slogan. It comes with tangible actions throughout the entire group. And Midea will continue to be user-oriented and create a better product experience for users.



## Considerate Services to Ensure a Perfect Product Experience

Service as part of sales has now become a new focus of competition among home appliance manufacturers. How to make users perceive and be touched by every service has been a question that Midea Group has been contemplating. As an answer to that, the Company primarily looks to uniform service standards, promote differentiated services and innovate smart services in pursuit of a perfect service system.



### 1 Uniform Service Standards

Standardization is no doubt the most influential factor in after-sales service. In addition to building a sound after-sales service network and improving the quality of aftersales staff, the Company has established uniform standards for on-site cleaning and maintenance of home appliances, and put in place a service system that is distinguished from the general service standards adopted across China.



### 2 Promote Differentiated Services

In terms of the strategy of differentiated services, the Company offers innovative service experience both online and offline so as to build a reputation for excellent service on the market. With an individualized warranty policy, Midea breaks the usual practice in the home appliance industry and comes up with a new idea for service. In order for better specified service functions, sorting, identification, training and appraisal of service outlets are carried out. Additionally, a high-level technical service center is set up to boost consumer satisfaction with the products and brands of Midea Group.



### 3 Innovate Smart Services

As online sales are on the rise, the Company has put in place a complete delivery and service system based on the big data and Internet technologies, with a view to offering more efficient and considerate services to consumers. From appointment making, sorting and the last-mile delivery, all platforms of the Company work closely together in a strict manner to ensure the seamless connection of customer demand and service to be provided in the system, representing a well-established delivery-installation integrated network. It has considerably improved consumer experience. As for after-sales service, users can get access to the Tap To Repair, Charges, Follow Up and other functions in the official WeChat account of "Midea Service" no matter where he is.



In the future, the Company will continue to build the new competition system that focuses on the development of the whole industrial chain and is driven by service. By taking a customer-oriented approach and leveraging the big data and Internet technologies, the Company will offer more standard, well-organized, friendly and considerate services as a positive contribution to the transformation of the industry towards service improvement and management upgrade.

## Focus on Technological Innovation

In 2019, 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. **2,704** invention patents were granted to Midea by the Chinese patent office during the year, the largest number among home appliance makers. Also in the year, Midea launched **13,525** patent applications at home and abroad, of which over 50% were invention-related and overseas applications more than doubled the number of last year. By the end of 2019, the total number of patent applications of Midea (inclusive of TLSC) exceeded **140,000** and **57,000** patents were granted. As shown in the "Public Announcement on the Results of the 21<sup>st</sup> China Patent Awards" issued in 2019, Midea's "High-Frequency Fast Cooling and Heating AC Tecnology" won a China Patent Gold Award. In addition, the "Intelligent Power Module" and other technologies of Midea won **2** China Patent Silver Awards and **15** China Patent Excellence Awards, as well as **2** Invention Gold Awards at the 6<sup>th</sup> Guangdong Patent Awards.



In terms of innovation in industrial design, the Company won a total of 93 international design awards during 2019, including



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Focusing on consumers, Midea continue to strengthen R&D investment and product development, and build a globally competitive R&D system. According to the strategic objective of "Product Leadership", an innovative R&D model of "Three Generations" has been put in place, namely, "Generation I product development, Generation II platform research, Generation III technologies and product concepts research". Innovation research is carried out on innovative product development, cutting-edge platforms, key 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 up "Product Leadership".

While carrying out the core technology research, Midea has attached great importance to the transformation of R&D achievements. In 2019, 25 scientific and technological achievements made under the leadership of Midea were all certified as "Internationally Advanced" upon authoritative technical review, including



Product innovation achievements

- The Research and Industrialization of Key Technology of Body Sensing and Interaction of Room Air Conditioners
- The Integrated Technology of High Seasonal Energy Efficiency Heat Pump Room Air Conditioners for Areas with Hot Summers and Cold Winters and the Application
- The Research and Application of the Monolithic Highly-Integrated Intelligent Power Module
- The Research and Application of Key Technology of the R290 Room Air Conditioner Working in an Ultra-High Temperature
- The Research and Application of Key Technology of Breezy Room Air Conditioners
- The Research and Application of Key Technology of Smart Cleaning and Ventilation of Room Air Conditioners
- The Research and Application of Technology of High Efficiency Opposed Variable Frequency Centrifugal Compressors

Product innovation achievements

- The Research and Application of Micro Channel Refrigerant Heat Dissipation Variable Frequency Technology
- The Research and Industrial Application of the Big-Inch Integral Axial Flow Fan for Central AC
- The Research of the Three-Tube Heating and Heat Recovery Technology and Its Application to VRF
- Midea Vandelo Strong-Drive Fast-Cleaning Front-Loading Washing Machine
- The Research and Industrial Application of Key Technology of Cooking Healthy Food to Control Blood Sugar
- The Research on the Precision Diet Management System and its Application in Intelligent Household Appliances
- The Application of Electromagnetic Isolation Technology in Power Frequency Microwaves
- The Application of Micro Perforated Plate Noise Reduction Technology in Household Appliances
- The Research and Application of Key Technology of Vision Inspection and Clothes Washing of Smart Washing Machines
- The Research and Application of the Food Sensing and Directed Heating Technologies of Smart Ovens
- The Research and Application of the Voice Interaction Technology of Smart Household Appliances
- The Research of Galvano-Cautery Inhibition Technology for Bearings of Brushless DC Motor
- The Research and Application of the Energy-Efficient Technology Featuring Self-Learning Based on Water Using Habits for Household Electric Water Heaters
- The Research of the Electronic Thermostatic Technology and Its Application to Household Electric Water Heaters
- The Research and Application of Key Technology for Exhausting Steam, Removing Fog and Reducing Humidity in Steaming, Baking and Cooking Products
- The Research and Application of Vacuum Cleaner High Speed BLDC Drive Technology and Integrated Master Controller
- The Research and Application of Technology for the Quality of Microwaved Food
- The Research and Application of Miniaturized Hot Air Technology Based on Baking Uniformity.

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Create a New Smart Lifestyle with the MSmartLife APP as the Gateway

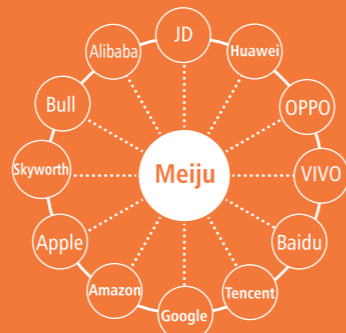
Being in the new era of Internet driven by AI, big data and cloud computing, Midea Group continues to carry out research and investment in emerging technologies such as AI, chip, sensor, big data and cloud computing as part of its efforts to build a complete value chain of smart home, which focuses on people and their family and is driven by big data and AI. By doing so, it is trying to introduce smart products equipped with the most cutting-edge technologies to people's daily life, making technology more accessible and enjoyable.



Capitalizing on the Group's advantage of various household appliance categories, Midea IoT is able to cover various smart scenes. 68 smart scenes have been launched on MSmartLife APP, including whole-house scenes such as "Safe Home", "Healthy Home", "Convenient Home" and "Personalized Home". "Healthy Home" provides complete smart healthy life solutions from three major aspects, namely, healthy food, healthy washing and healthy air. Supported by the AI technology, MSmartLife APP 6.0 has introduced 18 new functions including AI-based voice control and recipe pictures and videos, built the first smart-scene AI-based interaction platform in the industry, and realized multi-screen smart voice interaction.

Up to the end of 2019, Midea Group has sold a total of over 70,000,000 smart household appliances across the globe. Tens of millions of household users receive smart services through the MSmartLife APP, with interaction on smart equipment and cloud exceeding one trillion times. Meanwhile, Midea Smart Cloud Housekeeper App, which is based on the big data technology, is making home appliances smarter through AI algorithms. It has provided more than ten million times of spontaneous smart services for users.

Midea IoT keeps building its cloud capability. Upon system architecture refinement, hybrid cloud deployment, multi-address disaster preparedness, etc., its cloud platforms have reached an industry-wide advanced level in availability and can be connected to more than 100 million pieces of devices. Meanwhile, the Company jointly develops chips for household appliances, and launches high-performance low-cost smart connection modules together with solutions. It joined hands with Ziroom, a notable long-term rental apartment operator, in user operation and commercial promotion. Also, it cooperates with Alibaba, JD, Huawei, OPPO, VIVO, Baidu, Tencent, Google, Amazon, Apple, Skyworth, Bull, etc. to offer whole-house smart solutions supported by a brand ecosystem.

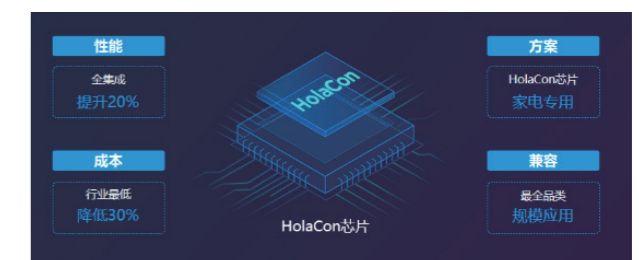


With respect to technological innovation in smart home, in order to solve pain points such as the difficulties in network distribution and a long connecting time of smart appliances, Midea IoT has independently developed a series of connection modules including Wi-Fi, Bluetooth and NB-IoT. As such, it is the first to shorten the time used from network distribution to a successful connection to 4.62 seconds. On top of that, it has materialized more stable connection and more efficient development through M-Smart agreement refinement, code refactoring, fixing compatibility bugs, etc. It also takes the lead in launching home appliances that can be directly connected to the 5G network.



Protecting user privacy and data security is a top priority in the application of smart technologies. Midea IoT takes the lead to pass the TRUSTe certification with respect to privacy data compliance. It also complies with the EU General Data Protection Regulation (GDPR) and other data protection regulations. Meanwhile, with regard to overall information security management, Midea IoT has passed the ISO27001 Certification for Information Security Management Systems (ISMS). And MSmartLife APP has been certified by the globally recognized ePrivacy due to the multiple layers of protection of user privacy data. Therefore, Midea has reached an internationally advanced level in user data protection.

- Smart touch**: The first full-link application of the near field communication (NFC) technology in the home appliance industry. With Smart Touch, the smart functions of home appliances can be initiated by just a touch, making home appliances much easier to use.
- Super-fast network distribution**: Network distribution of MSmartLife APP has been reduced from 7 steps to just 3 steps, and the shortest time used for that has set a new record of 4.62 seconds with an average of within 10 seconds, representing a whole new speed of Wi-Fi connection in a smart home.
- Simple identification**: MSmartLife APP offers personalized smart recipe recommendations after scanning the food. It pioneers in applying the image identification and big data technologies to recipe recommendation, which helps people cook in a smart and easier way.
- HolaCon, a chip tailored for Midea home appliances**: The high-performance low-cost smart IoT chip has been applied to all Midea's product categories, offering a higher-quality and safer experience for users.
- 5G smart household appliances**: Midea worked with China's three major telecommunications operators, along with Huawei and Ericsson, to establish the first 5G IoT application joint lab in the home appliance industry, and is the first to realize 5G super-fast networking on home appliances.



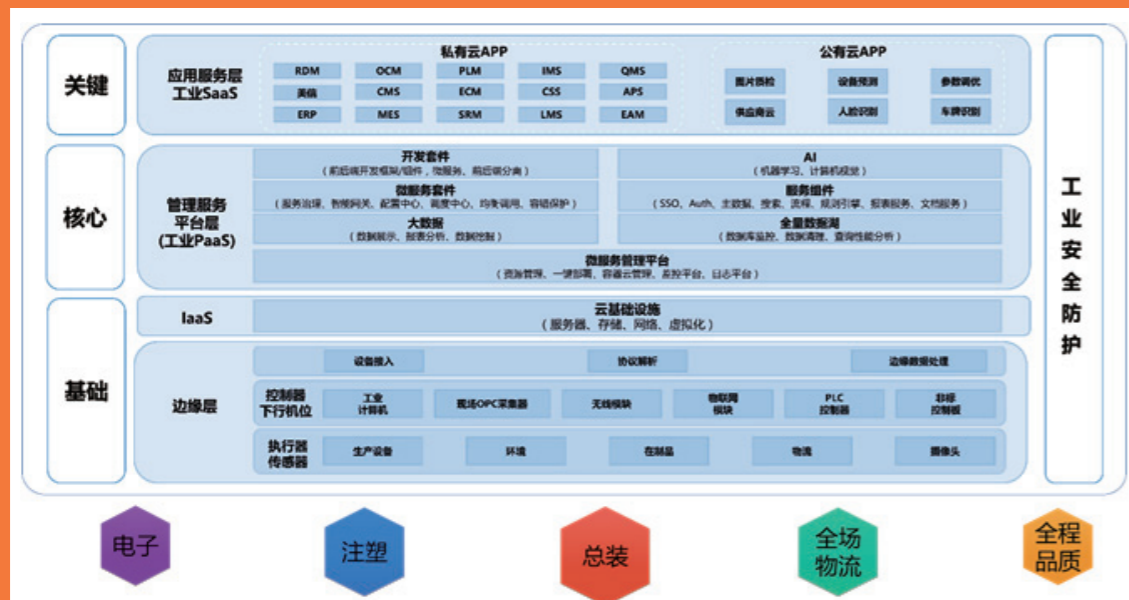


Efficiency Driven

To Build an Industrial Internet Ecosystem so as to Boost the Operating Efficiency of the Whole Value Chain

The Company sticks to the strategic objective of "Efficiency Driven". Capitalizing on its advantages, the Company builds its Industrial Internet platform through building software capability in its Digitalization 2.0 program, IoT and an ecosystem. By promoting standardization, platform operation and application of the cloud technology in C2M, supply coordination, smart services, etc., Midea works together with developers and enterprises in building an industrial application platform, with the objective of building a mutually beneficial business ecosystem through such cross-enterprise coordination. Based on Smart Home, the Customer Service Center and Annto with IoT application and working with professional platforms such as Meicloud and KUKA, the Company builds an Industrial Internet application platform to provide integrated solutions and build Midea smart factories, with an aim to boost the operating efficiency of the whole value chain.

In addition to the pilot factory of the Residential Air Conditioner Division in Nansha District, Guangzhou City, the Company added in 2019 another two Industrial Internet pilot factories, namely, the factory of the Laundry Appliance Division in Wuxi City and the factory of the Microwave & Cleaning Appliance Division in Shunde District, Foshan City. Also in the year, application of the intelligent technologies was promoted in the factory of the Kitchen and Water Heater Appliance Division in Shunde District, Foshan City.



Practice of Integrated Midea Industrial Internet Solutions

The factory of the Residential Air Conditioner Division in Nansha District, Guangzhou City

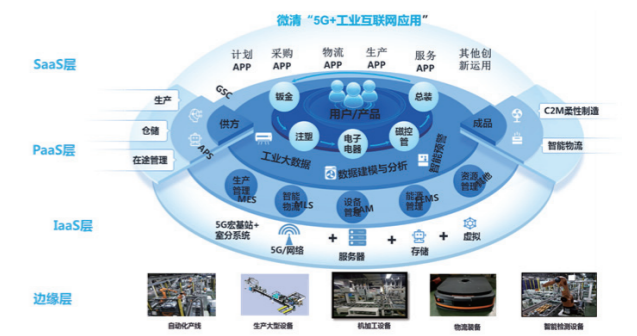
In 2018, a digital factory model was built out of the pilot factory of the Residential Air Conditioner Division in Nansha District, Guangzhou City with integrated Industrial Internet solutions. Through connecting the IT and OT systems, the Nansha factory has achieved connected systems of staff, machines, products and businesses. In 2019, the factory replicated the supply chain solutions of the Digitalization 2.0 program, added a Scada platform, improved the cloud platform, upgraded the AI capability and achieved general connection of equipment. It also completed integrated solutions for the two workshops of electronics and injection molding, as well as materialized AI-based quality control and fully automatic logistics.

In order to improve the overall coordination ability of suppliers, minimize their risks associated with warehouse space, stock-holding cost and idle materials, the Company has launched the supplier cloud system to enable real-time sharing of production order information with suppliers so that they can carry out production scheduling and product distribution in a rational fashion. By taking approaches such as visualization of suppliers' production scheduling, digitalization of supply information, visualization of suppliers' logistics and reform in incoming quality control, the Company has boosted suppliers' production capability through digitalization, reduced their risks associated with warehouse space and idle inventories, and created a good operating environment for them.



The factory of the Microwave and Cleaning Appliance Division in Malong Village, Shunde District, Foshan City

In 2019, in order to satisfy market demand in a swift manner, reduce labor cost and enhance consistency of quality, the factory of the Microwave and Cleaning Appliance Division in Malong Village, Shunde District, Foshan City was being built as a fully digital and intelligent model based on the 5G network and the Industrial Internet platform. Applying the high standards promoted in the Made in China 2025 (Intelligent Manufacturing) and Industry 4.0 campaigns, this microwave and cleaning appliance Industrial Internet project has achieved automation of partial production, intelligent quality control, digitalization of process information, intelligent logistics, intelligent production control, etc.



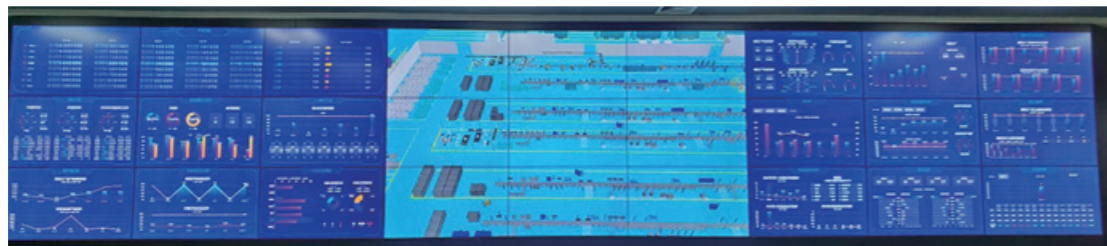
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Practice of Integrated Midea Industrial Internet Solutions

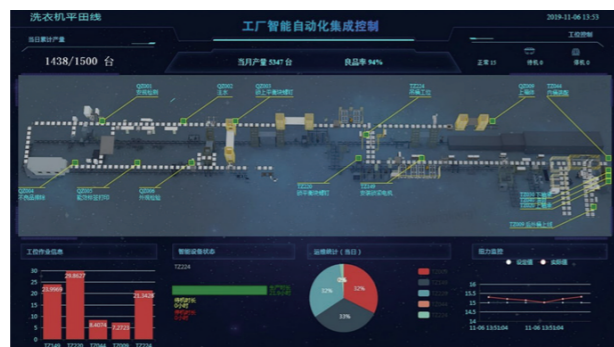
The Factory of the Kitchen and Water Heater Appliance Division in Shunde District, Foshan City

Following the philosophy of low-cost intelligent manufacturing and leveraging interactive devices, integration and data centers among systems and platforms as well as mobile office apps, the factory of the Kitchen and Water Heater Appliance Division in Shunde District, Foshan City has been building an intelligent manufacturing model that features automated equipment, intelligent logistics, transparent production, mobile management and data-based decision-making. In 2019, the first phase of the washing and sterilizing appliances 5G pilot project launched by the factory together with China Mobile and Ericsson has kicked off, with the application scenes of 5G+AGV, 5G+visual inspection, and 5G+MES data collection points having produced expected results and passed the acceptance checks.



The Factory of the Laundry Appliance Division in Wuxi City

In its Industrial Internet project that focuses on lean manufacturing, the factory of the Laundry Appliance Division in Wuxi City has improved partial continuous flows of case manufacturing and all continuous flows of inner tub manufacturing through improvement of matching processes and simulation tools, which can save manpower and increase the rate of space utilization; and it has also shortened logistics routes by way of adjusting the relevant arrangements. Meanwhile, with the application of innovative technologies including electronic tags, wireless positioning, upper computer, status monitor, AI-based vision and voiceprint inspection in addition to edge computing, the factory has achieved smart, unmanned quality control, which can reduce equipment malfunctions and considerably boost production efficiency.



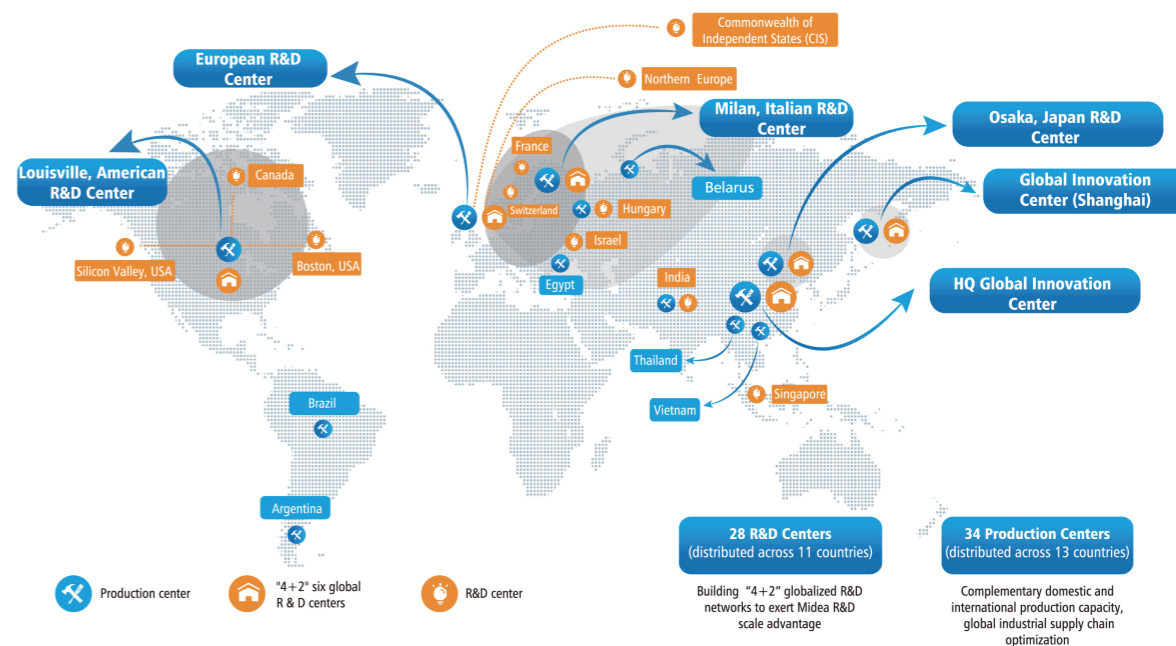
Midea's exploration in smart manufacturing both reflects its own corporate evolution and sets up an example for the intelligent construction of lean factories in Chinese enterprises. As the Industrial Internet platform grows more mature, Midea will realize industrial empowerment and become a powerful driver in many enterprises' transformation towards smart manufacturing.

Global Operations

Midea Group has been pursuing the globalization strategy as always. It has been promoting global operation and building a global supply coordination mechanism. With overseas sales revenue accounting for over 40% of its total revenue, Midea owns around 200 subsidiaries worldwide, with business covering more than 200 countries and regions. Meanwhile, Midea has 18 R&D centers and 17 manufacturing bases overseas with over 30,000 employees. 22 currencies are used by Midea in settlement.

Meanwhile, Midea works on building a globally competitive R&D network. It has established 28 research centers in 11 countries (including China) to gradually build up a "4+2" global R&D network and gain advantage of scale in this respect. Domestically, with the core being Midea Global Innovation Center at the company headquarters in Shunde District, Foshan City, Midea has also started to build a global innovation park in Shanghai. 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 advantages, integrates global R&D resources and refines its global R&D network. By proactively embracing the world's advantaged asset allocation, Midea takes technology innovation as the base point for global market layout and has gradually broken industrial boundaries and established new differentiated competitiveness and business models.

In the future, Midea will continue to practice the policies of innovation-driven development and optimization of supply-side reform, accelerate the construction of the global network, reinforce core technology competence with a solid R&D system and keep growing towards a global tech giant.



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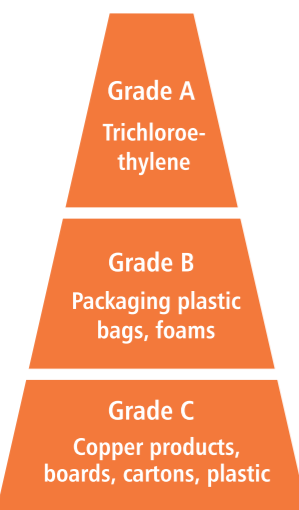
## Responsibility to Suppliers

### The Supply Chain Management System

The Company has been committed to enhancing the transparency of supply chain management, which runs throughout the entire supplier life cycle, including sourcing and introduction, performance appraisal, price management and material confirmation. To further deepen the application of the whole value chain system, gather data clouds and establish a transparent global supplier system, the Company has established a supplier cloud platform. It is dedicated to building 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 Midea's supplier cloud platform, the Company is able to gain direct knowledge of the number of suppliers, geographical locations and other relevant information. The Company evaluates the suppliers' costs, delivery cycle and quality on a regular basis and presents them on the platform to ensure open and transparent information disclosure.

The Company has also established information networking with TianYanCha to gain suppliers' information comprehensively from all aspects including equity relationship and risk pre-warning, increase its understanding and control of suppliers and reduce the risks for cooperation.

The Company carries out cooperation of various kinds with suppliers while building a standard, transparent, cooperative, win-win, long-lasting and prospective basis. It has a full set of standard procedures for introducing suppliers so as to standardize its supply chain management. In 2019, the Company planned to iterate the sourcing ring of suppliers to visualize the entire process of supplier selection. And suppliers from all over the world can sign up for the selection, which will be carried out by the system in an automatic and thus fair and just manner. This project is expected to be completed in 2020.



Meanwhile, Midea has obtained the certificates for ISO14001 Environmental Management System certification and OHSAS18001 Occupational Health and Safety Management Systems and it has well-defined audit requirements for suppliers' qualifications. Any of its suppliers must be a legal enterprise, whose production shall comply with the requirements of relevant laws and regulations and who has obtained the certification for the assessment of environmental protection and meets the standards and requirements for environmental protection. During the introduction, the new supplier must submit documents on the acceptance for environmental assessment, including contents on waste discharge. Materials supplied by 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 the Company's environmental directive requirements and green design requirements. The Company classifies trichloroethylene as a major environmental factor of Grade A, packaging polybag and foams; as major environmental factors of Grade B and copper products, boards, cartons and plastic as major environmental factors of Grade C. If the materials supplied by suppliers fall within the aforementioned scope, they should submit the license and certificate for environmentally safe production issued by local environmental departments and post evident marks on the package.

Suppliers who do not comply with the requirements of laws and regulations in safety, environmental protection and staff management will be prohibited to be listed as a supplier of Grade I. The Company's production-sales suppliers shall pass the ISO9000 system certification and annual audits, keep improving and enhancing their internal quality management system, and operate independently. The Company has specific requirements for suppliers with regard to the working environment and safety precautions for their employees, and organizes checks for improvement on a regular basis. In 2019, safety loopholes found in suppliers have been closed as required.

The Company has very specific requirements for the employment of child labor, which must strictly comply with the "Order of the State Council of the People's Republic of China (No. 364) Provisions on the Prohibition of Using Child Labor" and the Regulations for Special Protection of Juvenile Workers (LBF [1994] No.498). The Company inspects the use of child labor in suppliers on a periodic basis. In 2019, no use of child labor was found in its suppliers.

In addition, the Company strictly prohibits forced or coercive labor and requires that opinions from the employees be sought for the arrangement of working hours and duties. Meanwhile, the Company has included the audit of staff's autonomy for labor in its audit of social responsibilities. In 2019, none of its suppliers was engaged in forced or coercive labor.

### Procurement of Conventional Materials

The materials purchased by the Company are mostly conventional materials (exclusive of tungsten, tantalum, tin and gold) for the manufacturing of home appliances without involvement in the problem of purchasing raw materials from regions with such problems as infringement upon human rights, illegal trades or financing violence. When introducing a new supplier, the Company must input into its supplier system the nature of the place of origin, organize a check on the supplier annually as required by its relevant documents to ensure the accuracy of the information about the production site, and update the place of origin, brand and other relevant information on the supplier cloud platform according to the material number on a regular basis to trace the source of incoming production materials, thus ensuring the safety and reliability of the Company's supply chain system.

### Product Recovery and Treatment

The Company has a well-established product recovery and treatment system. The recovery approaches include door-to-door recovery by the Company and return by customers. There are specific rules governing products sent back for repair or abandonment, which differ according to the number of the products, how long they have been used and the degree of malfunction. Products that are confirmed to be abandoned will be handled by suppliers designated by the Company, and the relevant electronic waste will not be exported. And a functional product can be traded in for a new one, which means the old one can offset part of the cost of the new one.

## Setting a Trend Towards Being Eco-Friendly in the Industry

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.

### Midea Air Conditioner is a First-Choice Energy-Efficient Brand of Air Conditioners for Nationwide Government Procurement.

January 2019

Midea Air Conditioner won the honors at the 14<sup>th</sup> Nationwide Government Collective Procurement Annual Conference.

The Recommended Air Conditioner Brands for Nationwide Government Procurement 2018



The First-Choice Energy-Efficient Brand of Air Conditioners for Nationwide Government Procurement 2018



# Environmental Responsibility



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### The First batch of Midea's Magnetic Centrifugal Compressors Came off the Assembly Line.

In April 2019, the homegrown new-generation magnetic centrifugal compressor of Midea Commercial Air Conditioner was officially unveiled, marking the success of another innovation in R&D and its industrial application. As China carries on with the strategies of energy conservation & emission reduction and sustainable development, the magnetic centrifugal compressor is seeing a thriving period with increasing attention and favor from users.

Midea Magnetic Centrifugal Compressor features precise and safe control of the magnetic bearing, ensuring safety while maintaining high efficiency. The variable frequency control technology used in the compressor helps expand the scope of application greatly. The cooling load of a single compressor can be as low as 10%, making the compressor unit adaptable to more working environments. The compressor will become a highly energy-efficient solution for airports, rail stations and other constructions.



The new-generation magnetic centrifugal compressor of Midea Commercial Air Conditioner was officially unveiled



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### An Executive Team of the UN Spoke Highly of Midea's Contribution to the Implementation of the "Kigali Amendment" with Its R290 AC Technology.

In July 2019, the 41<sup>st</sup> Meeting of the Parties to the Montreal Protocol was held in Bangkok, Thailand. This was the first such meeting after the "Kigali Amendment" taking effect. It was aimed to discuss key topics such as the shift of HCFCs and HFCs to low-GWP alternative refrigerants. GD Midea Air-Conditioning Equipment Co.,Ltd. was one of the key AC makers to provide roadmap support in relation to alternative technology for the meeting for it excels in environment-friendly refrigerant application.

The AC industry will encounter dual challenges of required higher energy efficiency and elimination of high-GWP refrigerants during the execution of the "Kigali Amendment". Given that, the Technical and Economic Assessment Panel (TEAP) of the UN Environment Programme (UNEP) set up a special team for "low-GWP technology that can improve energy efficiency" to assess the feasibility and cost of the existing and future application of low-GWP refrigerants for higher energy efficiency.

GD Midea Air-Conditioning Equipment Co., Ltd. continues to research the application of the environment-friendly refrigerant R290 to residential air conditioners, for which it has been granted the first "Blaue Engel" certificate across the world, the most authoritative certification with the strictest energy efficiency and environmental protection requirements for AC products. Meanwhile, Midea takes the lead in developing the highly energy-efficient R290 variable-frequency air conditioner. Over 60,000 units of R290 Split-type Air Conditioners have been sold in China, and more than 100,000 units of R290 Portable Air Conditioners have been put on the European market, representing the true commercialization of "efficient, environment-friendly and safe" air conditioners. The success of Midea R290 Air Conditioner provided a case study and technological support in the briefing of the special team of the UN at the meeting, which wowed the attendees from around the world and greatly boosted the confidence of the parties to the Montreal Protocol about executing the "Kigali Amendment".



Being granted the first "Blaue Engel" certificate across the world





### Midea and South China University of Technology Established the Environment, Energy and Health Technology Joint Innovation Center in a Strategic Cooperation

In August 2019, Midea Group-SCUT Environment, Energy and Health Technology Joint Innovation Center was officially established. The joint innovation center will work on healthy air, water and food, as well as the application of new materials and technologies to high-tech home appliances. Under the strategic cooperation agreement framework, the two tech giants, who make each other better with complementarity, are working on the environment, energy and health technology system through merging industry, education and research, as well as on the related technological research and industrialization, with an aim to offer products and services of better quality to consumers.

August  
2019

Midea Group-SCUT  
Environment, Energy and  
Health Technology Joint  
Innovation Center was  
officially established



Go Further, Shine Brighter

### GD Midea Air-Conditioning Equipment Co., Ltd. Won the "Low-carbon & Eco-Friendly Technology Leadership Award"

In October 2019, the International Workshop on Alternative Technologies to HCFC-22 (R22) in Room Air-conditioner Sector was held in Foshan City in China. At the meeting, enterprises that excelled in the popularization of the R290 room air-conditioner in 2019 were awarded by the five organizers, namely, the Foreign Economic Cooperation Office of the Ministry of Ecology and Environment of PRC, the United Nations Industrial Development Organization, the UN Environment Programme, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and the China Household Electrical Appliances Association. GD Midea Air-Conditioning Equipment Co., Ltd. was granted the "Low-carbon & Eco-friendly Technology Leadership Award" in recognition of its outstanding contribution to the popularization of the R290 room air-conditioner.

October  
2019

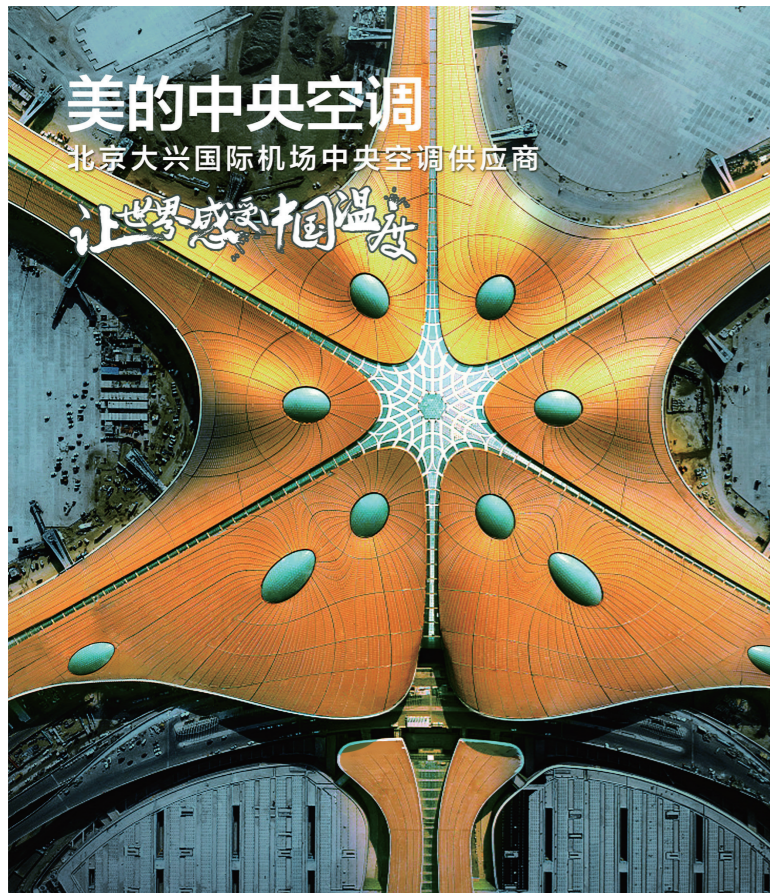
Won the "Low-carbon &  
Eco-friendly Technology  
Leadership Award"





## Midea Commercial Air Conditioner Helps Beijing Daxing International Airport “Fly”

As the commercial AC supplier of Beijing Daxing International Airport, Midea Commercial Air Conditioner provides tailored energy-station solutions for the airport, which make full use of renewable energy such as the shallow geothermal energy, fume waste heat, and sewage waste heat. It has equipped the airport with 11 large commercial AC devices (including two 2,200 RT Full-Falling Variable-Frequency Centrifugal Ground-Source Heat-Pumps, five 2,000 RT Full-Falling Variable-Frequency Centrifugal Fume Recovery Heat-Pumps, and four Screw-type Sewage Source Heat-Pumps) and the Midea Building Management System (M-BMS). These devices and system provide heating and cooling as needed in the airport’s main terminals and their facilities, which cover an area of approximately 1.5 million square meters. This has helped the new airport achieve the 10% utilization rate of renewable energy. It is China’s largest multi-energy complementary ground source heat pump system so far. Featuring both the social benefit of energy saving and the economic benefit of a lower energy cost, this project represents a new green energy solution for airports.



Tailored Energy-station Solutions

2

2,200 RT Full-Falling Variable-Frequency Centrifugal Ground-Source Heat-Pumps

5

2,000 RT Full-Falling Variable-Frequency Centrifugal Fume Recovery Heat-Pumps

4

Screw-type Sewage Source Heat-Pumps

## Leveraging Cloud Empowerment to Facilitate a Connected Future, M-BMS Ushers in the Era of Cloud-based Energy Management

Through green technology and smart energy management, Midea Commercial Air Conditioner provides complete solutions for buildings to save energy. The Midea Building Management System (M-BMS) can help achieve remote control of buildings, offer rich control logic for different HVAC engine rooms, and optimize energy control through monitoring the energy consumption of the system. On top of that, M-BMS can help achieve round-robin load balancing among the devices to reduce equipment failure. With M-BMS, the user will be able to monitor and adjust the HVAC and lighting devices and systems of a building around the clock. It can help save over 30% energy, making energy management more convenient, efficient and eco-friendly while saving more energy.

Green Technology

Smart Energy Management

Help save over 30% energy

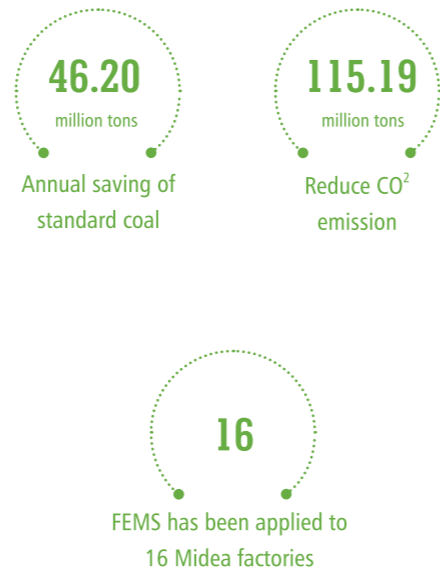




### The Factory Energy Management System (FEMS)

As the energy management platform for Midea Group, Midea FEMS relies on the homegrown IoT platform and communication modules to collect data on a factory's water, electricity and gas usage. Through cloud computing, functions such as energy data collection and analysis, monitoring for abnormality, energy quality control, energy utilization planning and energy consumption alerts are made possible. Together with other measures of energy saving and production improvement, FEMS helps save around 46.20 million tons of standard coal and reduce CO<sup>2</sup> emission by 115.19 million tons for a year, facilitating Midea in its pursuit of green, smart and digital factories.

Up to the end of 2019, FEMS has been applied to 16 Midea factories in China, covering product lines of refrigerators, air conditioners, kitchen appliances, small appliances, etc. It is scheduled to cover all Midea factories in China by 2020.



Go Further, Shine Brighter

### Environmental Compliance Management

The Company persists in the principle that a company is both a main body responsible for environmental protection and an important player in environmental protection. During 2019, all subsidiaries have strictly abided by the laws and regulations related to environment protection, and no major environmental pollution incidents occurred. All subsidiaries have set up reliable waste water and gas treatment systems. Through regular monitoring, supervision and inspection mechanisms, as well as third-party testing, it is ensured that the discharge of waste water, waste gas and solid waste during the production and operation process meets the national and local laws and regulations. There is no excessive discharge by any subsidiary, which is in compliance with the relevant requirements of the environment administrations. The specific treatments for waste water, waste gas and solid wastes are as follows:

- Waste water treatments**

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.
- Waste gas treatments**

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. For example, waste gas from screen printing line is treated with spraying, defogging, UV photolysis and activated carbon adsorption devices, and organic waste gas from oil spray lines for metal working and plastic injection is treated with molecular sieve wheel adsorption and RCO catalytic combustion devices. 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.
- Prevention and control of noise pollution**

Noise produced in the operating process of the main noise equipment in the production processes of various factories including punching machines, powder spray coating line, oil spray line, plastic injection machine, wire winding machine, waste water and gas treatment facilities is 60-90dB (A). The company has taken the following preventive and control measures: 1) Select environmentally friendly low noise equipment, deploy various equipment in the workshop rationally and take basic shock absorption and enclosed sound insulation measures for the equipment; 2) Ensure sound insulation by making use of factory buildings and doors and windows, and especially in the air fan room with big noise, doors and windows with good sound insulation effect are recommended being set; 3) Forestation in the factory area and on the border of projects is strengthened and green plants are set rationally there, which both beautify the environment and assist in noise adsorption and sound insulation. After taking the above noise prevention and control measures, noise in the factory area can be up to third-level standard in the Emission Standard for Industrial Enterprises noise at Boundary(GB12348-2008): ≤65dB(A)at daytime and ≤55dB(A)at nighttime.
- Solid waste treatments**

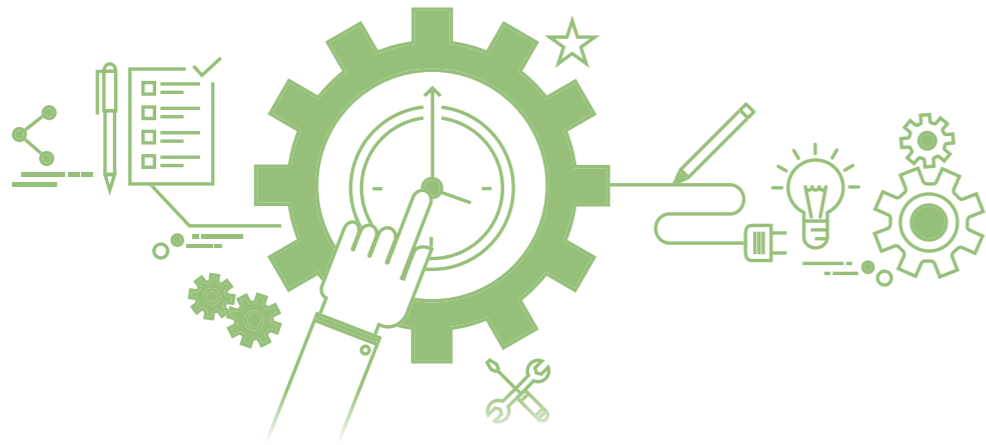
The solid waste from subsidiaries is classified into general solid waste, hazardous solid waste, and household solid waste. Hazardous solid waste, according to laws and regulations, is required to be treated by qualified treatment institutions; general solid waste, after being classified at the subsidiaries, is collected and treated by resource recycling plants; and household solid waste is treated by the local sanitation administration, which is in compliance with the relevant regulations.





◎ **The environmental effect evaluation of construction projects and other administrative permits in relation to environmental protection**

All subsidiaries strictly observe the laws and regulations governing environmental protection, and all construction projects are in compliance with the environmental effect requirements and other rules, with no misdeeds during the Reporting Period. Once a construction project is finished, a third-party testing institution is hired to examine indexes including waste water, waste gas and noise, and the approval and acceptance of the environmental effect evaluation report is finished in time.



◎ **Contingency plans for environmental accidents**

All subsidiaries have finished the compilation and approval of their contingency plans for environmental accidents. Emergency mechanisms for environmental pollution accidents have been established and improved, and the subsidiaries' ability to deal with environmental pollution accidents has been enhanced, so as to maintain social stability, protect the lives, health and properties of the public, protect the environment, and promote a comprehensive, coordinated and sustainable development of the society. According to the subsidiaries' contingency plans, new contingency pools have been built and block valves have been put at the master rain discharge outlets to avoid the spread of accidents.

According to the accident levels, subsidiaries have formulated rules covering working principles, contingency plans, risk prevention measures, commanding departments, responsibilities and labor division, and have filed these contingency plans with the government.



◎ **Environment self-monitoring plans**

All the subsidiaries have formulated their own environment self-monitoring plans according to China's relevant laws and regulations, which include:

1) **Waste gas pollution source monitoring:**

Sampling points are set at various discharge ports of waste gas for monitoring on a quarterly basis;

2) **Waste water pollution source monitoring:**

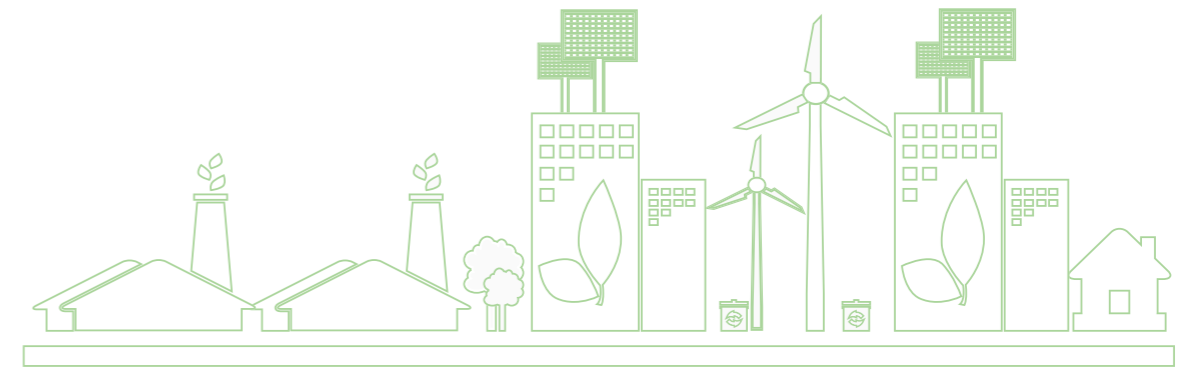
Samples are fetched at intake and outlet ports of waste water treatment stations to monitor changes of pollution source of waste water and up-to-standard emission of waste water after being treated at the waste water treatment stations. Monitoring items include CODcr, SS and petroleum products, etc. The data is uploaded to the governmental monitoring authority online and the government authority conducts real-time monitoring;

3) **Noise monitoring:**

Noise monitoring points are set at noise sensitive points and on the border of factories. Noise is monitored once in spring and summer respectively and at daytime and at nighttime respectively each time;

4) **Solid waste pollution source monitoring:**

Hazardous waste produced from the subsidiaries is handed over to the units with qualifications for treatment, monitoring systems are established, and related management forms and accounts are set up.



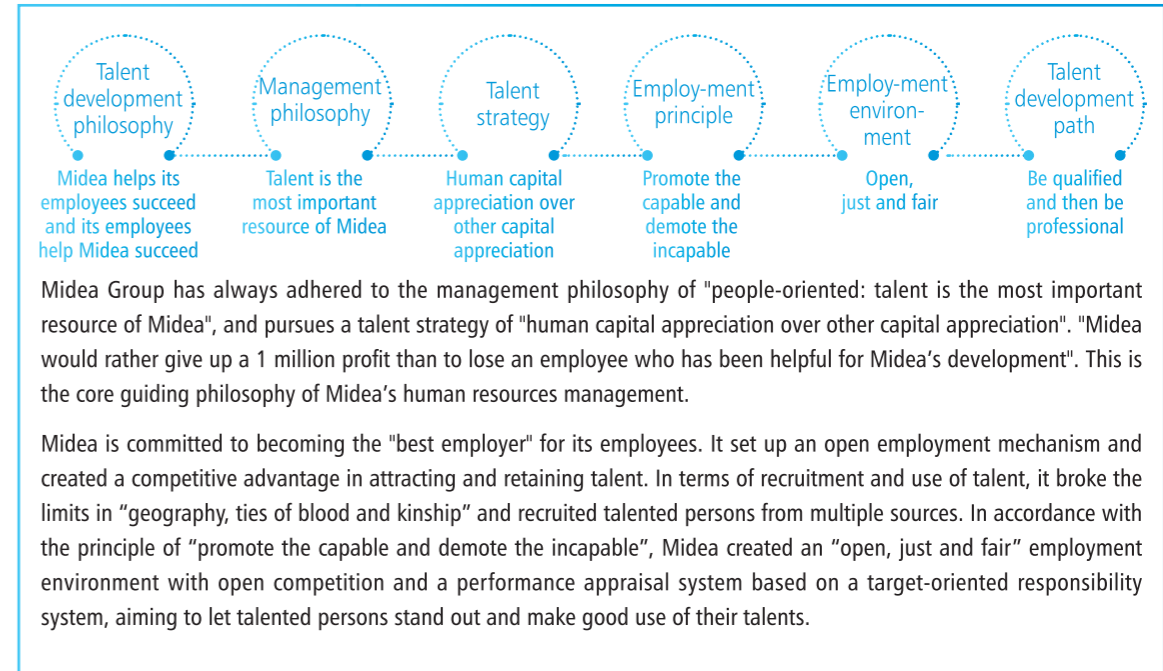
◎ **Other environment-related information that should be made public**

According to the national and local laws and regulations, information including pollutant discharge information, the construction and operation of pollution prevention facilities, environmental effect evaluations of construction projects and other administrative permits in relation to environmental protection, contingency plans for environmental accidents, and environment self-monitoring results is all made public through the official WeChat account, company websites, etc. on a regular basis.



## Responsibility to Employees

### Talent Development Philosophy



### New Talent Advantage Based on the "One Midea" Talent System

In terms of Midea's human resource policy, the common goal is building an integrated enterprise. Focusing on "One Midea", the Company follows the guidance of a professionalism-first philosophy in talent management, establishes a career development path for employees towards being more professional, and promotes organic integration of the Company's organizational demand and its employees' personal competency development. In order to establish an integrated talent system, the Company strengthens internal mobility and improvement of employees. Employees will face a broader management platform, more professional tasks and more job rotations. In the future, Midea's human resources will focus on strategy, service experience and value creation. It will comprehensively shift to a professional, elaborate and systematic management mechanism, and continue to unify and optimize policies, systems and management standards. It will consolidate the basic human resources system, improve the organization and talent mechanism, and build a new cost-competitive advantage driven by efficiency, thus to provide strong support for strategy and business.

# Social Responsibility

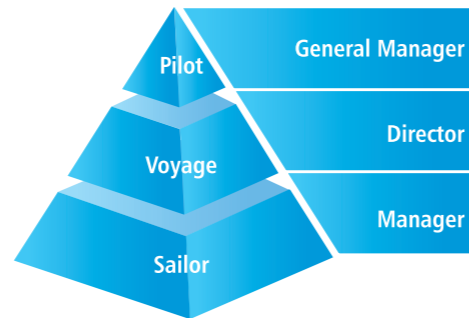
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## A Multi-tier Talent Development System

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 cultivation 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.



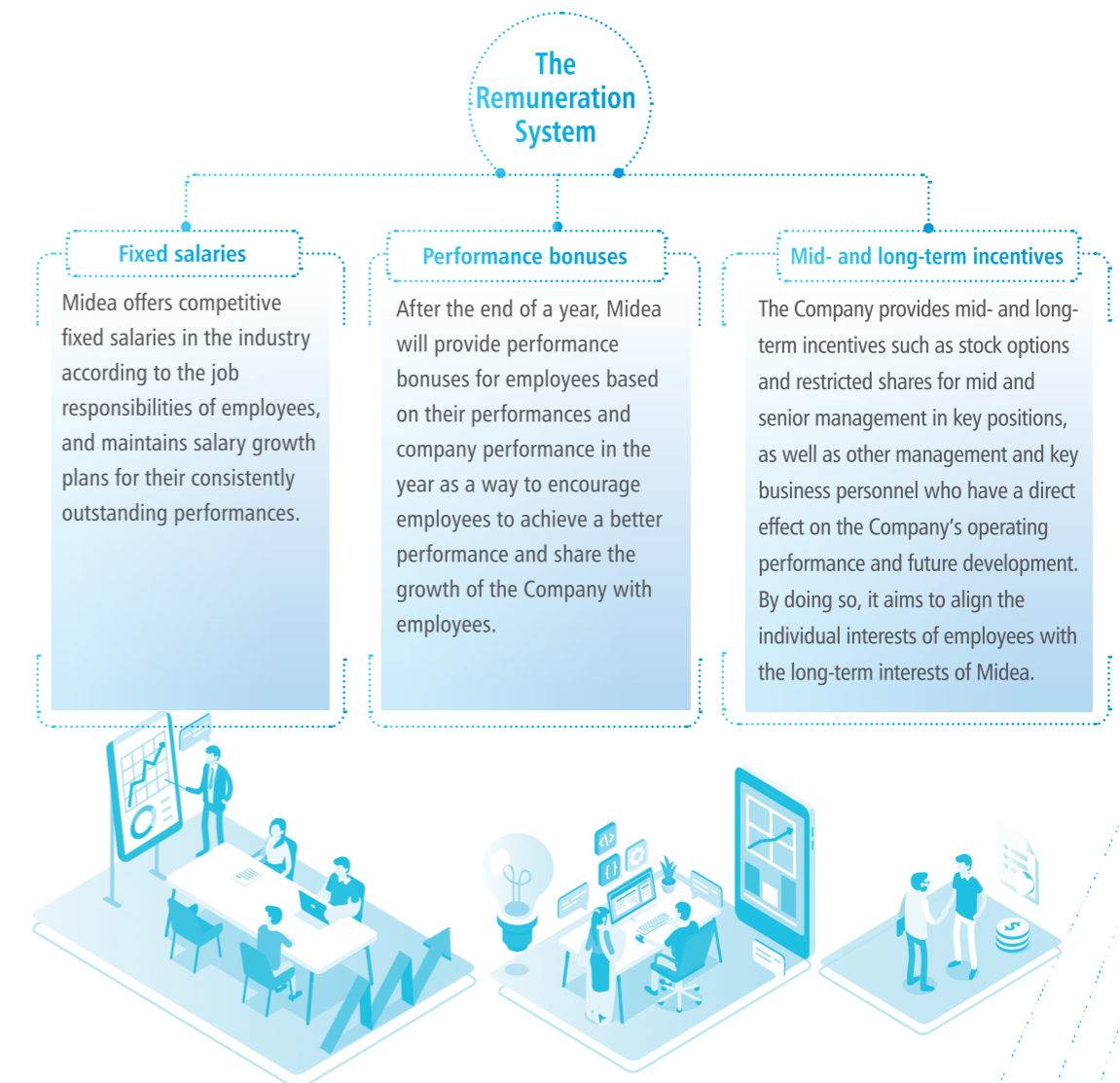
The attendances at internal training sessions were 637,007 in 2019, of which 27,411 were management personnel, 283,869 technical and marketing personnel and 325,727 operational personnel. The trainings included:

- 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. **53** talent training programs were carried out, where **2,916** highly skilled managerial staff were trained for a total of **54,288** man-hours.
- 2 Building a professionalism promotion system. **817** such programs were carried out, where **344,920** staff were trained for a total of **2,862,836.5** man-hours.
- 3 Providing channels for common skill improvement. **662** such programs such as the Lecture for Staff and language trainings were launched, where **71,482** staff were trained for a total of **252,402** man-hours.
- 4 Improving individual comprehensive ability. **151** external trainings for individuals at junior, middle and senior levels were organized, where **655** staff were trained for a total of **10,926** man-hours.
- 5 In order to help new graduates develop themselves fast and foster a new power for the Company, **72** relevant programs such as the Re-Education of New Graduates and the Training Camp for New Graduates were organized, where **10,310** new graduates were trained for a total of **273,922** man-hours.
- 6 Facilitating organizational learning. **1,368** internal sharing sessions were held, where **50,511** employees were trained for **89,909** man-hours. With the addition of **860** new internal trainers, annual teaching time reached **7,231.3** hours in total. And a total of **920** courses were designed in the year.
- 7 **13,217** key technical staff and working team leaders were trained for a total of **278,189** hours.
- 8 **54,965** staff visited Meike, a mobile app developed by Midea for online training, for a total of **228,232** times in 2019.

## The Staff Remuneration Policy

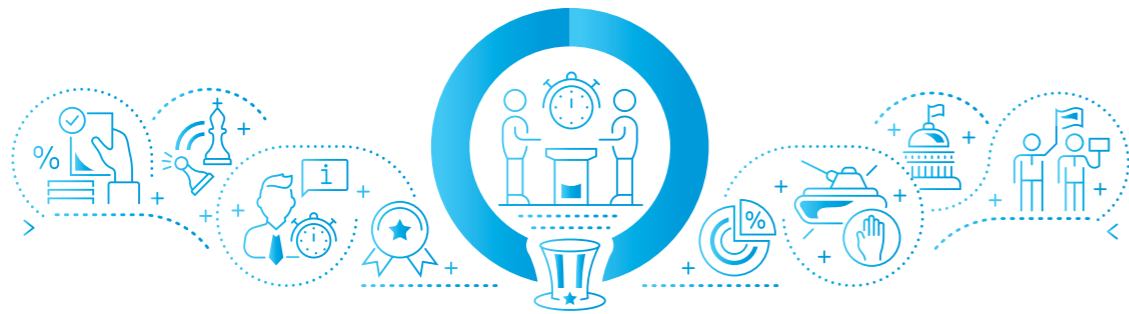
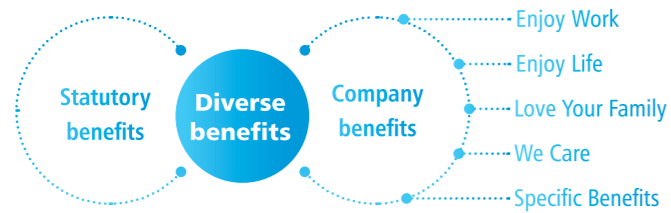
In order to provide globally competitive remuneration for its employees, ensure the fair and rational distribution of internal incentive resources, as well as standardize the management and operation system, Midea has formulated its management rules for internal performance incentives. Such rules require standard whole-process management and monitoring with regard to the design of incentive policies, decision-making on the distribution of incentive resources, the formulation of incentive standards, the calculation of payments, etc.

Staff remuneration shall be paid on time according to the Salary Management System. The Company decides the fixed salaries of the employees according to the position's value and evaluation performances and decides the performance bonuses according to the Company's and employee's performance. The remuneration distribution shows more consideration for strategic talent and ensures the market competitiveness in the salary of core talent. The Company shall make dynamic adjustments to the staff remuneration policy according to regional differences, number of employees, staff turnover, environment changes in the industry and paying ability of the Company. Midea implements a unified remuneration strategy and standard, which are free from sexual prejudice.



Employee Benefits

The Company offers diverse benefits policies targeting all its employees, including statutory benefits and company benefits. Company benefits consist of five categories, namely, "Enjoy Work", "Enjoy Life", "Love Your Family", "We Care" and "Specific Benefits". To be specific, they include meal allowances, housing allowances, transportation allowances, medical check-ups, commercial insurance, holiday greetings, traveling allowances, retirement allowances, hardship grants and staff leave. In addition, the Company offers staff statutory leaves and public holidays complying with the state and local government policies, including maternity leave and breastfeeding leave, which are implemented strictly in accordance with the state and local government policies and regulations.



The "May 1" Support Funds

The Company has established the "May 1" Support Funds to build itself into a friendly enterprise, support needy and impoverished employees and tide the employees over family difficulties due to critical diseases or deaths. The Funds apply to all the employees in the Group and target the employees who need support as well as their spouse, parents and children, with an individual support amount capped at RMB 300,000. In 2019, the "May 1" Support Funds helped a total of 104 employees/their family with a total sum of over RMB 9 million.

Since its establishment, the Funds have been carrying out its mission to spread love and help the poor and the sick. In order to benefit more employees in need, a long-term operation mechanism for the Funds' resources has been put in place to take 8% of the total support funds as at December 30 of every year as the total budget of the Funds for the next year. Meanwhile, the relevant approval powers have been delegated and the approval procedures have been simplified. Support funds of under RMB 100,000 (inclusive) will be subject to the business division for final approval, making it easier for employees to get access to such funds.

Labor Rights

All the subsidiaries of the Company have set up a safety commission to manage matters in relation to environmental protection and occupational health and safety on all fronts. Meanwhile, the Group has established and implemented the EHS system. And the safety commissions and labor unions of all the subsidiaries have also promoted the implementation of the EHS system, which helps subsidiaries pass the ISO14001 and ISO45001 certifications. The Company organizes its staff to go for occupational health checkups every year and proactively improves the work environment and implements shifts for positions with high risk of occupational diseases. Meanwhile, employees are encouraged to submit proposals associated with environmental protection and occupational health and safety so that the Company can make improvements.

The labor union has been established in all the subsidiaries of the Group. The union is consisted of employees from different positions and levels. Its service scope basically covers all the employees to ensure labor rights and interests.

The Company places importance to potential discrimination during the operations on a long-term basis and offers employees a variety of channels for complaints. The Company has internal departments including the Legal Affairs Department which are dedicated to handle such cases. In 2019, the Company was not involved in any event of discrimination against race, skin color, gender, religion, political opinions, origin or social background as defined by the International Labor Organization, or any other relevant forms of discrimination in respect of internal or external stakeholders.

The Company values the employer-employee relationship and takes active steps to safeguard employees' rights and interests. The Company will notify the employees immediately prior to any operational changes with significant effects on its individual employees to minimize the effects of such changes.

The Company conducts staff engagement (including satisfaction) survey on a periodic basis every year and uses the results to drive the improvement of its human resources work and policies to form a positive cycle.



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**Employee Safety**

Midea Group gives high priority to the health and safety of its employees, and willingly takes on the responsibility of work safety. Upholding the "Employees First" philosophy, the Company strictly observes the Work Safety Law of the People's Republic of China, the Environmental Protection 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, as well as other applicable laws and regulations. During the reporting period, the Company had no material work safety violations or work-related accidents. The total lost working day rate went down 35.5% in 2019 compared to 2018.

Among Midea's 31 factories in China, 21 have been granted the Work Safety Standardization Certificate (Grade II) and 10 have been granted the Work Safety Standardization Certificate (Grade III). All the domestic units have obtained the ISO14001 and OHSAS18001 system certificates. Meanwhile, quite many manufacturing bases of Midea were awarded by the government. To name just a few, the air compressor manufacturing base of the Electromechanical Product Division in Shunde City, the manufacturing base of the Small Domestic Appliance Division in Shunde City and the Nanhai District branch of the manufacturing base of the Refrigerator Division in Foshan City, Guangdong Province were selected as a demonstration enterprise of "Intelligent Manufacturing and Intrinsic Safety" by the Government of Foshan City; the factory of the Microwave & Cleaning Appliance Division in Suzhou City was given the titles of "Work Safety Enterprise of Xiangcheng District" and "Work Safety Enterprise of Suzhou City"; the manufacturing base of the Refrigerator Division in Jingzhou City was honored as an "Advanced Enterprise in Safety Management of Jingzhou City"; and the manufacturing base of the Residential Air Conditioner Division in Chongqing City won the title of "Advanced Unit in Safety".

The Company hires, on a regular basis, qualified third-parties to carry out identification and assessment of occupational hazards in every factory, and acts accordingly upon the receipt of the assessment results, so as to improve workplace safety. In 2019, the Company continued to spend a large sum on building a safer and healthier working environment for employees. A total of RMB140 million was spent on safety precautions and environmental improvement equipment of factories, as well as occupational health of employees. Reform in manufacturing processes is another means that Midea Group uses to reduce or avoid occupational diseases and other injuries caused by hazardous factors. Additionally, the Company offers occupational health check-up for employees exposed to hazards. The risk of occupational diseases is reduced during the whole process through pre-work, on-work and post-work check-ups for positions involving occupational hazards. 26,718 such check-ups were offered to employees in 2019. Also, personal accident insurance is purchased for all the frontline employees to guarantee their safety. Work injury insurance expenses in 2019 were approximately RMB17 million.



Midea Group proactively promotes the application of information technology to safety and health management. In 2019, a homegrown safety, health and environment management system was launched, featuring six functions of potential accident management, accident management, chemical management, special equipment management, special worker management and compliance certificates. Through nonstop inspection tours by site safety managers every day, over 96% potential accidents identified have been eliminated as scheduled during the reporting period. On top of that, employees are encouraged to take an active role in safety management. By providing trainings in relation to a safe, healthy working environment, the Company encourages its employees to report potential accidents together with improvement plans. During the reporting period, more than 60,000 potential accidents were reported with improvement plans.



Meanwhile, all the subsidiaries of Midea Group make active efforts to organize various work safety activities, including Work Safety Month, Fire Safety Month, World Environment Day, Home Safety Day, and work safety contests, to enhance employees' awareness of work safety and build a culture of work safety.





## Responsibility to the Community

### Supporting the Charity Cause for 20 years with a Total Donation of Over RMB 7 Billion.

Midea has been answering the call of the era with diverse charitable activities. While pursuing higher quality for its products and services, it maximizes its efforts to help more people and regions to improve life by assuming social responsibilities. In addition to cooperation with other parties in charitable activities, the Company also makes use of its own resources to serve the public good in a better way. It is active in areas such as poverty alleviation, disaster relief, elderly care and education, with a total donation of over RMB 7 billion.

January 2019

In January 2019, Midea donated RMB 10 million to the Beijiao Charity Federation for the 10<sup>th</sup> consecutive year, which were used for poverty alleviation, education and other charitable activities in the local community.

June 2019

In June 2019, the 2019 Guangdong Poverty Alleviation Day was held in Guangzhou, where Midea made another donation of RMB 10 million for improving education, medical care and housing in poor villages of Guangdong Province. This was the 10<sup>th</sup> consecutive year of Midea's participation in this event since the "Guangdong Poverty Alleviation Day" was founded in 2010.

June 2019

In June 2019, a charity show themed "Class of Dream" was held in Shenzhen by China Social Welfare Foundation and ShenZhen Dream Inspiration Foundation. In this event, Midea declared a donation of RMB 200,000 to the "Support Education Project" to equip schools in the poor areas of Guizhou Province with professional teachers, with a view to alleviating the shortage of educational resources in remote villages.

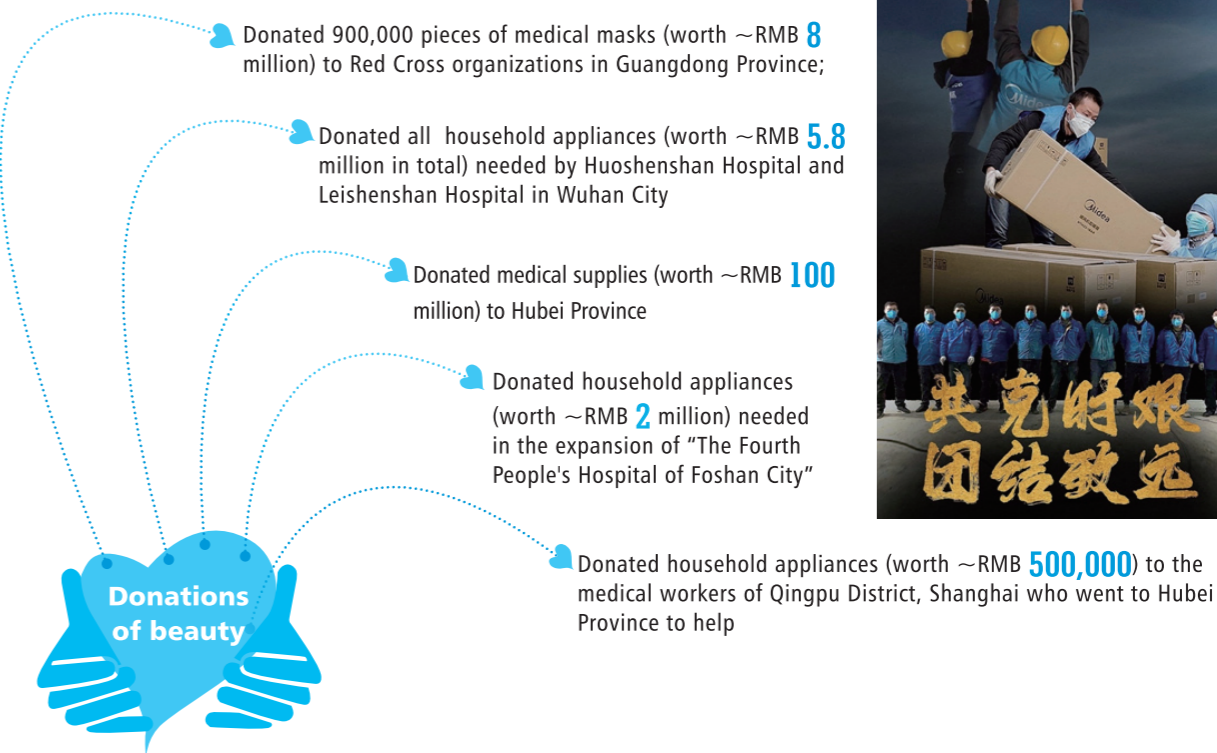
October and November 2019

In October and November 2019, Midea made a donation of RMB 3 million to the Guangdong Provincial Drugs Control Foundation and the Foshan Jindun Assistance Foundation, to support drug control and poverty alleviation, as well as the related publicity across the province.



### Fight Together Against the COVID-19 Outbreak

In January 2020, since the COVID-19 outbreak, Midea Group has been doing whatever it can to support the fight against the virus in a swift manner.



In addition, HE Foundation, which was established by Mr. He Xiangjian - the founder of Midea Group, has made a donation of RMB 200 million. Meanwhile, under the guidance of the People's Government of Shunde District, HE Foundation and Shunde Foundation for Innovation and Entrepreneurship have jointly launched an aid program for micro and small enterprises in the district. The money under the program will be mainly donated to self-employed people and micro and small enterprises in the retail, catering, hospitality and tourist sectors in Shunde District, Foshan City who are seriously affected in the COVID-19 outbreak and under short-term financial pressure due to rents and salaries they have to pay.



Over the years of thick and thin, Midea has never stopped its pace on the commonweal journey. In the future, Midea Group will continue to support the development of commonweal and charity, proactively shoulder social responsibility, and give back to society at a greater extent.



# Compliance Management

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## Security practice

All the security teams of the Group and its subsidiaries are trained professional teams, which have been trained on human rights policies and procedures before working. The Company conducts training on safety management, service standards, first-aid and anti-corruption on a periodic basis. At the same time, the Company carries out inspections, appraisals and motivations for the management and implementation of training on security staff. The security teams respect the rights and dignity of all people and abide by all laws and regulations in performing their duties.

## Evaluation of human rights

The Group and its subsidiaries are audited by domestic and overseas customers and certification institutions every year. The Company organizes internal audits of social responsibilities (including human rights) on an unscheduled basis and keeps making improvements based on the results of internal and external evaluation of human rights.

## Rights of natives

The Company respects and values the collective rights of natives, including their rights to preserve their own customs and systems and to make decisions by themselves. The natives' free will and their entitlement to compensations are ensured in strict compliance with relevant laws and regulations. In 2019, the Company was not involved in any legally recognized infringement upon the aforementioned rights of natives.

## Customer privacy

The Company is committed to ensuring the safety of internal personal information and other data. Thus, it has formulated a series of continuously effective methods to ensure that the Group complies with the requirements of laws and regulations in processing relevant information, including the EU General Data Protection Regulation (GDPR) implemented recently. In 2019, the Company was not involved in any proved event of complaint in respect of the invasion of customer privacy or the loss of customers' documents.



## Marketing and logo

The Company attaches importance to and protects consumers' rights to be fully informed and of information symmetry in purchasing the Company's products or being served by the Company. In 2019, the Company was not involved in any event of malicious violation of the relevant laws and regulations and being ordered by a judiciary authority to compensate.

## Unfair competition

In 2019, the Company was not involved in any pending or closed litigation in respect of unfair competition behaviors or violation of Antitrust Law and Anti-Monopoly Law of the People's Republic of China. Neither was the Company recognized as an entity involved in the violation of related laws.

## Anti-corruption policies

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 2019, the Company formulated the rules governing commissions, which have been implemented.

## Social and economic compliance

Strict compliance with social and economic laws and regulations is necessary for the Company's sustainable development. In 2019, the Company was not involved in any event of being fined substantially or sanctioned on a non-monetary basis due to violation of laws and regulations in social and economic fields.



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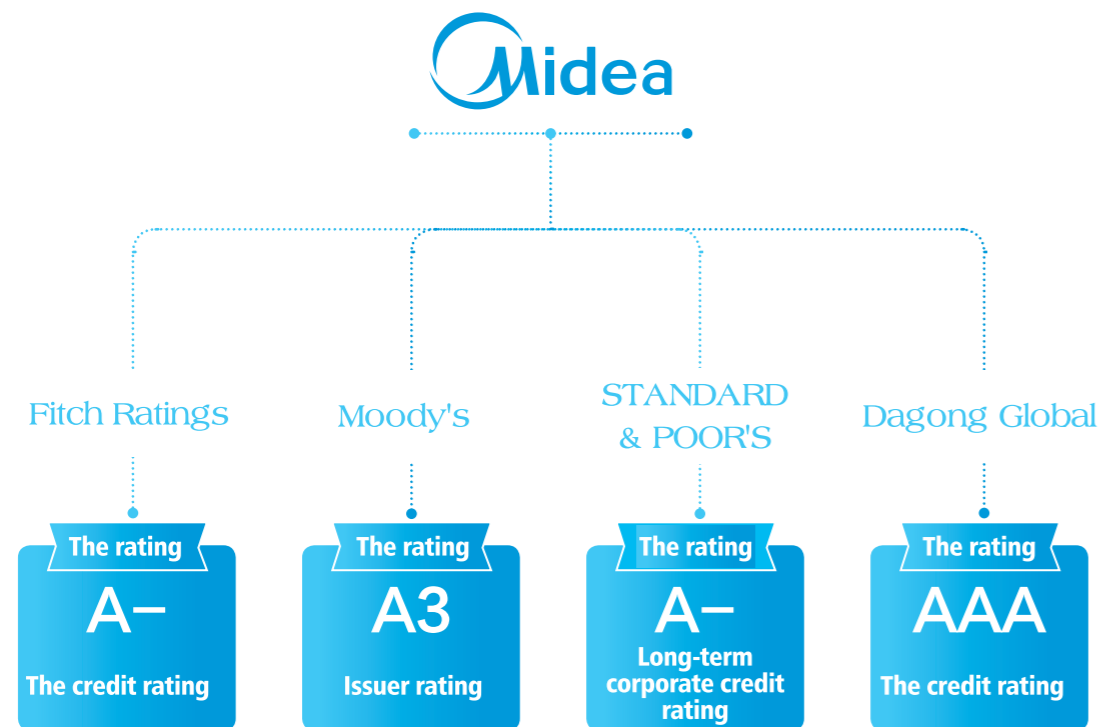
## Credit Ratings



In November 2015, Midea Group was given world leading credit ratings in the household appliance industry by three well-known international credit rating agencies, namely Moody's (A3), S&P (A-) and Fitch Rating (A-), with a "stable" rating outlook. Midea is the first Chinese household appliance company to be given the international credit ratings.

Moody's believed that Midea has a large business scale, a diversified geographic market, a good brand, an extensive marketing network and a strong operating efficiency. On that ground, it gave the A3 issuer rating to Midea Group with a "stable" rating outlook, and expected that Midea would maintain its market leadership in a medium and long term relying on its advantages of stable markets, efficient production processes and sound financial conditions. S&P believed that Midea has strong markets, good profitability and excellent debt leverage. For that, it gave a long-term corporate credit rating of A- to Midea Group with a "stable" rating outlook. It expected that Midea would maintain its superior market position with positive operating cash flows and a low debt level in the next two years.

Shortly afterwards, Midea was give the highest credit rating of AAA by China's most authoritative credit rating agency—Dagong Global Credit Rating Co., Ltd. with a "stable" rating outlook. Dagong International expected that in the next 1-2 years, the business scale of Midea would continue to expand.



## Contact us @

For internal control, audit, anti-fraud and anti-bribery issues, please contact the Audit and Supervision Department:

tousu@midea.com (domestic), compliance@midea.com (overseas)

For sales and product and service quality, please contact this number: 400 8899 315

For issues related to investor relations and the corporate social responsibility reports, please contact the Office of Midea Investor Relations: ir@midea.com

For more corporate social responsibility reports, please visit:

<https://www.midea.com/midea-page/investor-price/finance.html>

2019 Corporate Social Responsibility Report

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