



# 2022

MIDEA ESG REPORT



## About This Report

This is the second ESG (Environmental, Social and Governance) report released by Midea Group, focusing on information related to our economic, social and environmental sustainability. Midea Group hopes this report will provide an opportunity to promote communication with our stakeholders so that we can build a better future together.

### Reporting Period

The reporting period is January 1 2022 to December 31 2022. Moreover, certain events mentioned in this report, whether from before or after the aforesaid period, are included for the sake of context and detail.

### Scope of the Report

The report covers Midea Group and its subsidiaries. For the convenience of expression, references to "Midea", "the Company" or "we" that appear in the report refer to "Midea Group".

### Nature of the Data

The data and cases used in the report are summarized and counted from Midea's official documents, statistical reports and other documents.

### Contents of the Report

This report is free of misrepresentations and misleading statements, and Midea Group guarantees the truthfulness, accuracy and integrity of its contents. The amounts disclosed in the report are expressed in RMB unless otherwise indicated.

### Standards of Reporting

This report has been prepared in accordance with the Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative (GRI). Please refer to "GRI Content Index" on page 82 for the disclosure of each indicator used in this report.

### Access to the Report

This report can be downloaded from the official website of Midea Group. If you have any suggestions and comments concerning this report, simply send an e-mail to ir@midea.com. Your input will be appreciated.

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## Chairman's Message

2022 was destined to be an extraordinary year for Midea. In the face of great changes unseen in a century, such as the COVID-19 pandemic crisis, the "dual carbon" goal challenge, market fluctuations and emerging technologies, Midea kept up with the trend of the times and followed its own development laws, with an eye for the present. While adhering to the corporate vision of "Bring Great Innovations to Life", we made adjustment to business deployments, highlighted core businesses and products, returned to operational essence, and achieved innovation-driven growth in the face of adversity. In 2022, Midea Group ranked the 245th among the Fortune Global 500, and 36th among Brand Finance Tech 100.

During operation, Midea developed a strong sense of responsibility, actively assumed its responsibilities for environment, society and governance. Midea was committed to contributing to society through innovative products and services, and worked together with suppliers to create a better life and future for consumers. In the meantime, we incorporated self-discipline and the sense of responsibility into our corporate culture and unwaveringly trekked the path of healthy growth and sustainable development.

Guided by carbon neutrality goals, Midea constantly prioritized scientific and technological innovation, paved the way for digital transformation, stayed firmly committed to the green and sustainable path, continued to enhance cooperation and advance technological innovation for the shareholders, employees and society, and created long-term value for partners. To become a global tech-driven company with five major business segments, namely Smart Home, Building Technologies, Industrial Technologies, Robotics & Automation and Digital Innovation, Midea has been devoted to the strategic focuses of "Technology Leadership, Direct to Users, Digitalization & Intelligence Driven and Global Impact", and actively worked on and invested in cutting-edge technologies. We clung to innovation and change, constantly broke new grounds, and for ToC business, pushed forward digitalization and intelligence, accelerated intelligent upgrading of products and continued to develop the entire smart home business. Besides, we started a second engine for developing without hesitation, developed ToB business in multiple sectors, areas and forms, placed equal emphasis on the ToB and ToC businesses, fostered new opportunities amidst crises, and opened up new horizons on a shifting landscape.

When it comes to environmental governance, Midea took the "green strategy" as the core, actively advocated the concept of green development, and promoted energy saving and emission reduction throughout the entire industrial chain. In 2021, Midea Group released its "green strategy" for the first time, committed to "reaching internal carbon peaking by 2030 and achieving carbon neutrality by 2060", integrated. "Midea has integrated itself into the

national strategy of "carbon peak and carbon neutrality", with its efforts revolving the six pillars of "green design, green purchase, green manufacturing, green logistics, green recycling and green services". In May 2022, Midea Group set up an ESG Committee to take charge of ESG related work at the group level, clearly specified ESG issues and included them into key annual work plans of each department, with an aim to continuously advance green development, incorporate the concept of green environmental protection into the full lifecycle of products, and propel green development of the industrial chain. In 2022, Midea Group received an "AA"<sup>1</sup> ESG rating as released by China Securities Index.

In terms of social responsibility, as a responsible corporate citizen, Midea actively shared the fruits of its development to users, employees and the public while pursuing self-development. Adhering to the user-centered approach, we created a better life experience for users by providing high-quality products and services, adopted an open staffing system, promoted employee diversity, formed a fair, open and inclusive organizational culture. We cared about the development of local communities, gave back to society with concrete actions, and created sustainable value in a responsible manner.

In terms of corporate governance, Midea upheld the basic principles of integrity, law-abiding, honesty and compliance, built a modern corporate governance mechanism, safeguarded the interests of shareholders, and kept itself running soundly and well. We fully incorporated ESG management in business operation and management by seeing it as part of our development strategies. With regard to compliant governance, we continued to introduce changes to governance and incentive mechanisms, and strengthened compliant management with an aim to create a simple, transparent, fair and just company environment, and build an efficient corporate governance system. Meanwhile, we integrated the concept of social responsibility organically with supply chain management to form a sustainable supply chain system, and collaborated with our suppliers to create a better life and future for consumers.

This ESG report of 2022 aims to realize effective communication with the stakeholders, receive more public oversight, and make progress and go hand in hand with stakeholders for a brighter future.

Green development is not only a frontier issue when it comes to the world's growth, but also an important factor for a business firm's high-quality development. On the journey to sustainable development, while building consensus and enhancing cooperation on green development, and promoting green scientific and technological innovation, Midea Group is willing to work together with all of its employees, users, shareholders and partners for a greener and more beautiful future!

<sup>1</sup>The ESG rating results released by China Securities Index are divided into 10 grades from high to low: AAA, AA, A, BBB, BB, B, CCC, CC, C and D, used to reflect the ESG performance of the evaluated objects compared with their peers in the industry.

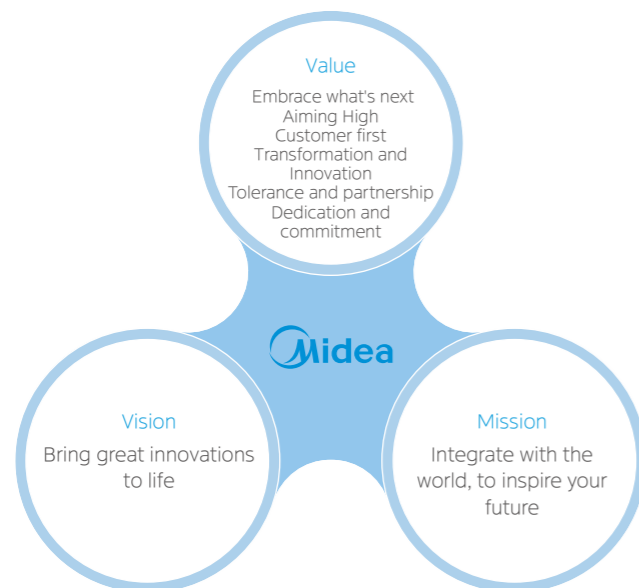
# About Midea Group

Upon 54 years of development since it was founded in 1968 in Foshan City, Guangdong Province, Midea has grown into a global technologies group with five major business segments, namely Smart Home, Industrial Technology, Building Technologies, Robotics & Automation, and Digital Innovation. At present, Midea Group has 35 R&D centers and 35 major production bases around the world with approximately 160,000 employees, including nearly 40,000 overseas employees. With a number of well-known subsidiaries like Midea, Little Swan, TOSHIBA, WAHIN, BUGU, COLMO, Clivet, Eureka, KUKA, GMCC, Welling, WINONE, and WDM, the Group's products and services benefit around 500 million users in more than 200 countries and regions worldwide.

In 2022, Midea Group achieved a total revenue of RMB 345.7 billion. Over the past six years, the Group's cumulative tax payment exceeded RMB 94 billion, and its business performance continued to improve. In 2022, Midea Group ranked the 245th among the Global Fortune 500, moving up 43 places from the 2021 ranking. It also ranked 36th among Brand Finance Tech 100.

In the context of dual circulation, domestic products replacing foreign ones and industrial upgrading, Midea Group upheld the new strategic focuses of "Technology Leadership, Direct to Users, Digitalization & Intelligence Driven, Global Impact". Under the business philosophy of "Creating a Better Life through Technology", we actively worked on and invested in cutting-edge technologies, placed equal emphasis on the ToB and ToC businesses, and cumulatively invested R&D funds of more than RMB 5 billion in the past five years. During operation, while actively assuming ESG responsibilities, Midea was committed to contributing to society through innovative products and services, and worked together with suppliers to create a better life and future for consumers.

## Philosophy of Midea



In 2022, Midea issued green bonds of USD 450 million for the first time to facilitate the implementation of its Green Strategy. As of December 31, 2022, 20.5% of the net funds raised from the USD 450 million green bonds had been allocated to eligible green assets as defined in Midea's green financing framework. The table below shows the distribution of raised funds to each eligible green asset category. For case details, refer to the case descriptions in this ESG report.

Eligible Green Asset Category	Amount of Funds Allocated		Amount of Funds Not Allocated		Environmental Benefits of Eligible Green Assets
	RMB (RMB 100 million)	USD Equivalent (USD 100 million)	RMB (RMB 100 million)	USD Equivalent (USD 100 million)	
Eco-efficient product design and development	2.95	0.42	11.43	1.63	1. Midea took the lead in developing new and efficient R454B environmentally friendly refrigerants. In 2022, it obtained the world's first efficient R454B refrigerant certification issued by AHRI, and China's first UL Safety Certification for R454B refrigerant. The Company also has been technically prepared for launching R454B ACs. 2. With Midea's frequency conversion technology of small-volume refrigerators, calculated based on Midea's annual sales volume of refrigerators within 300L, 325 million kWh of electricity and 130,000 tons of coal consumption would be saved and 324,000 tons of CO <sub>2</sub> emissions would be reduced after frequency conversion. 3. The annual performance factor (APF) of Midea's new class I energy efficiency R290 air conditioner is as high as 5.29, which is better than the national new class I energy efficiency standard (the APF is 5). This air conditioner has obtained the first sanitary and health certificate in the R290 product industry.
Energy-efficient and eco-efficient manufacturing and process transformation	1.92	0.27	7.44	1.06	Chongqing Plant of Midea Building Technologies (MBT) obtained the PAS 2060 Carbon Neutral Certification; the application of frequency conversion technology such as inverter air compressors and fans allows for an annual emission reduction of 103t; the installation of energy-efficient air conditioners with evaporative cooling systems increases energy efficiency by 56%.
PV power plant operation and renewable energy project development	0.5	0.07	1.94	0.28	Phase I of the rooftop distributed PV power generation project at Midea Refrigerator's Jingzhou Industrial Park can raise the green power rate of the new plant park to over 17%. When put into operation, the project can reduce about 4,849 tons of CO <sub>2</sub> emissions each year, cutting a total of 121,200 tons of CO <sub>2</sub> emissions throughout its whole lifecycle of 25 years.
R&D, production and project development for core components of new energy vehicles	1.09	0.16	4.23	0.60	Midea Welling Auto Parts' new-generation eco-friendly and energy-saving CO <sub>2</sub> Electric Compressor adopts industry-recognized ultimate eco-friendly refrigerant R744 (CO <sub>2</sub> ). At -30°C, the COP of the heat pump can be greater than 2, saving 100% more energy than a regular solution in the industry. The compressor has been designated by global benchmark automobile companies and will be mass-produced for vehicles in 2024.
Total	6.46	0.92	25.04	3.58	/

# ESG Management

Against the background of rapid changes in social and business environment, Midea Group believes that the establishment and perfection of an Environmental, Social and Governance (ESG) system can be beneficial to its sustainable development. We have fully incorporated ESG management into business operation and management by seeing it as part of our development strategies. In May 2022, Midea Group set up an ESG Committee to take charge of ESG related work at the group level, clearly assigned these work to the heads of functional departments and included them into key annual work plans of each department. In the future, Midea will continue to advance ESG management and practice in an effort to become a long-termist on the path of sustainable development. In 2022, Midea Group received an "AA" ESG rating as released by China Securities Index.

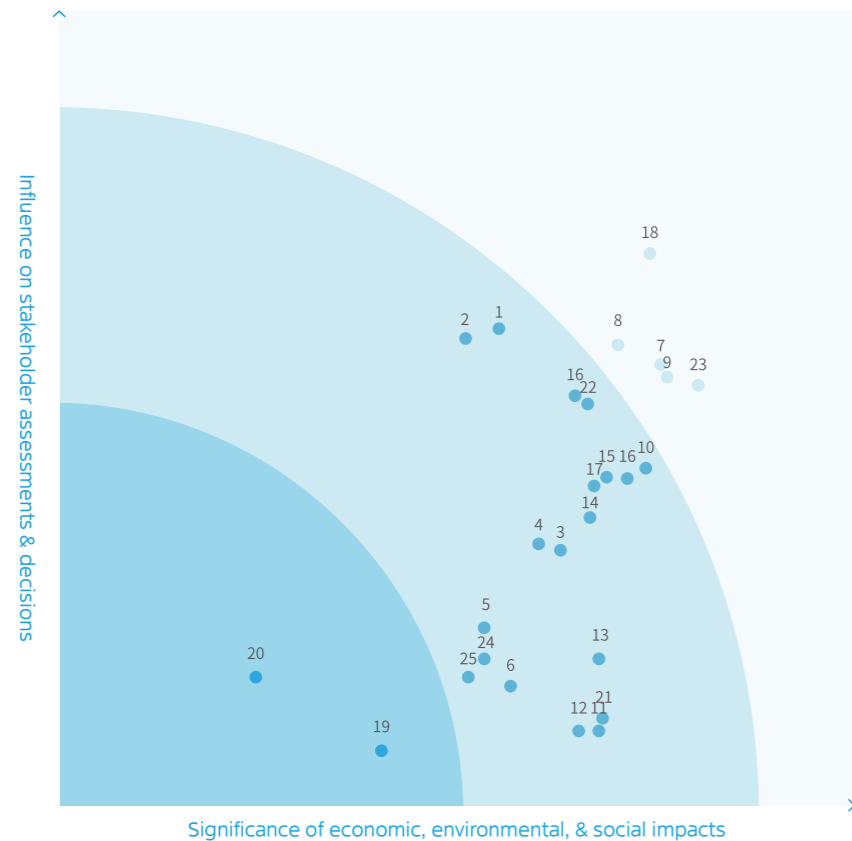
## Sustainable Development Concept

Midea Group adheres to the concept of "creating a better life for everyone in the world", takes "Bring Great Innovations to Life" as its vision, always stays honest and responsible, , pursues healthy and scientific development, integrates the concept of sustainable development into every aspect of enterprise production and operation, and is committed to creating shared value together with its stakeholders.



## ESG Key Issues Analysis

To further improve the effectiveness and scientificity of ESG management and more accurately respond to the requests of stakeholders, Midea Group carried out ESG key issues analysis with reference to the analysis approach of substantive topics proposed by Global Reporting Initiative (GRI). Through procedures like sustainable development background analysis, stakeholder identification, topic identification and questionnaire survey, Midea Group identified 26 key ESG topics, including 8 environmental topics, 12 social topics and 6 governance topics. These 26 topics were scored according to their importance in two dimensions: "the importance of economic, environmental and social impacts" and "the impact on stakeholder assessment and decision-making" to form the ESG key topics matrix as the basis for the annual review of ESG performance.



### Environmental level

- 1 Carbon emission
- 2 Climate change
- 3 Resource saving/recycling
- 4 Waste management
- 5 Water resource utilization
- 6 Green operations
- 7 Green products
- 8 E-waste

### Social level

- 9 Social responsibility management of the supply chain
- 10 Employee health and safety
- 11 Employee training and development
- 12 Remuneration and benefits
- 13 Diversity and equal opportunities
- 14 Information security and privacy protection
- 15 Science and technology innovation
- 16 Client experience
- 17 Accessibility of products and services
- 18 Product quality and safety
- 19 Intellectual property management
- 20 Promotion of industry development

### Governance level

- 21 Corporate governance
- 22 Business ethics and morality
- 23 Compliance with the law
- 24 Board governance
- 25 Shareholder equity
- 26 Anti-corruption

## Communication with Stakeholders

Midea Group attaches great importance to the communication with stakeholders while fulfilling its social responsibilities. In its daily operation, Midea Group has established a mechanism for routine communication and interaction with stakeholders, and responds to the demands of stakeholders in an open and transparent manner.

Stakeholder	Expectations and demands	Response and communication
 Governments and regulators	Compliance with the law Tax payment according to laws Anti-corruption Employment security Green development	Operation in compliance with laws and regulations Respond to national policies Abide by business ethics Create job opportunities Promote energy conservation and emission reduction Construct green factories Research and development of energy-saving green products
 Investors and shareholders	Corporate governance Information disclosure Shareholder equity	Improve risk management and performance evaluation mechanism Optimize governance structure Transparency in information disclosure Protection of shareholders' rights and interests
 Employees	Legitimate rights and interests Remuneration and benefits Diversity and equality Health and safety Career development	Protect the rights and interests of employees Provide competitive remuneration and benefits Respect the diversity of the workplace environment Implement measures to ensure the occupational health and safety of employees Build a sound career development channel
 Customers	Product and service experience Privacy protection Product accessibility	Optimize the business procedure Provide intelligent proactive services Establish systems and processes to protect customer privacy Improve product accessibility
 Suppliers	Fair procurement Common development Mutual benefit and win-win result	Push forward the construction of a green procurement system Improve the supplier admission and assessment mechanism Supplier social responsibility review Promotion of industry development
 Partners	Good-faith cooperation Fair and just Industry development	Sharing development achievements Build a community of shared interest with partners Promotion of industry development



# LOW-CARBON AND ENVIRONMENTALLY FRIENDLY DEVELOPMENT



# 01

## Address Climate Change

Today, there are severe challenges in climate change and global warming is happening at an unprecedentedly fast rate. It is a shared goal of the international community to address climate change, and governments, businesses and social organizations are taking positive actions to significantly reduce global greenhouse gas (GHG) emissions. In June 2022, China released the National Strategy for Climate Change Adaptation 2035, aiming to implement the Paris Agreement<sup>1</sup> and fully integrate climate change adaptation into economic and social development.

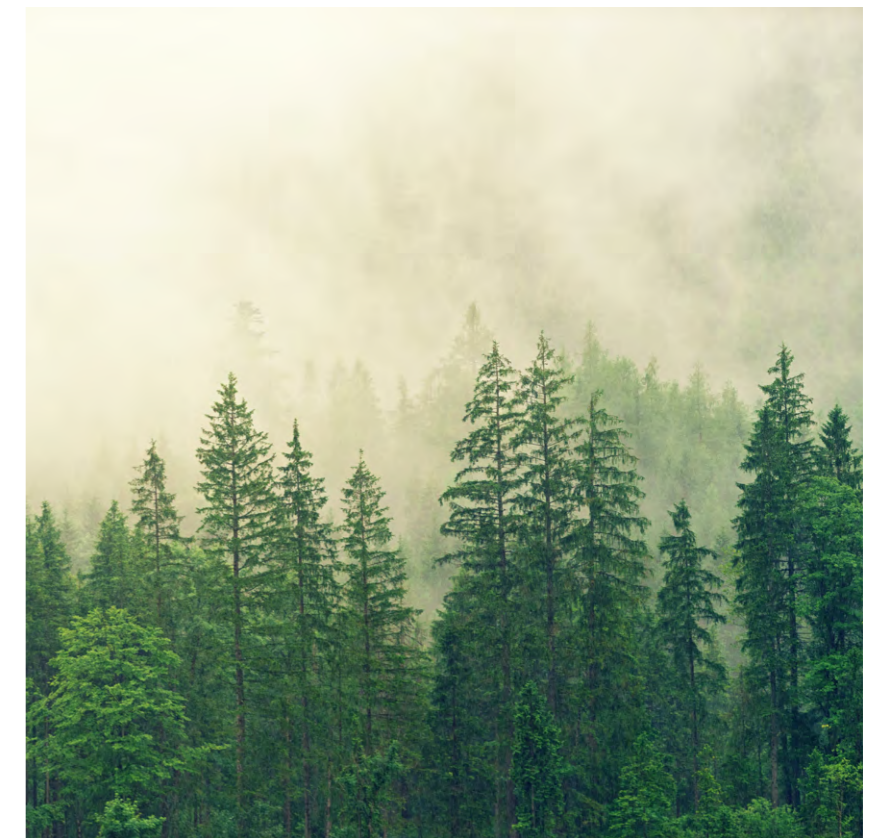
Climate change not only affects the survival and development of human beings but also brings risks and obstacles to the sustainability of businesses. In response to the national strategy to adapt to climate change and in order to avoid its adverse effects, Midea has referred to the suggestions disclosed by the Task Force on Climate-Related Financial Disclosures (TCFD) under the Financial Stability Board (FSB). By analyzing the relevant work undertaken to address climate change in terms of governance and strategy and risk management, and initially identifying climate change risks and responses, Midea strives to become a player and contributor in the long-distance race against climate change.

<sup>1</sup>To address climate change, 197 countries adopted the Paris Agreement at the UN Climate Change Conference (COP21) in Paris on December 12, 2015. The agreement, which entered into force within a year, aims to keep a global temperature rise this century well below 2°C and to pursue efforts to limit the temperature increase even further to 1.5°C. The Paris Agreement, which took effect on November 4, 2016, is a legally binding international treaty.

## Governance

To improve its ability to address climate change, Midea has included climate change risks into its overall risk assessment and management system. In May 2022, Midea established the ESG Committee to implement its tasks related to sustainable development. With the efforts of the ESG Committee, the MG Board of Directors established processes and mechanisms for climate-related risk management, clarifying the role of the Management in assessing and managing climate risks. At the same time, the Board of Directors took climate risk as a specific topic to regularly discuss and review the risks posed by climate change to the Company's business.

Midea integrated the concept of addressing climate change into its Green Strategy and its carbon peak and carbon neutrality targets. Its Green Strategy Promotion Team acted as coordinator by regularly monitoring the dynamics of climate change risks and reporting to the Board of Directors. In addition, a Green Strategy Construction Organization composed of various departments has been set up under the Green Strategy Promotion Group to manage and implement regular climate change-related work and urge all departments to identify relevant risks, take countermeasures, and include these tasks into their key annual work plans.





## Strategy and Risk Management

The uncertainty caused by climate change is mainly from physical risks and transition risks, of which physical risk refers to the risk of direct damage brought by climate change to economic activities, and transition risk refers to the risk that arises from a company's transition to be more sustainable.

Midea attaches great importance to the physical and transition risks that climate change will bring to its business, and continues to pay attention to the impact of these risks on corporate financing capacity and cash flow. In 2022, Midea preliminarily identified and analyzed the potential physical risks and transition risks brought by climate change and formulated countermeasures to improve its ability to adapt to climate change.



### Physical risks

**Acute risks: Extreme weather such as droughts, heavy rainfall, floods, typhoons, etc. caused by climate change**

<ul style="list-style-type: none"> <li>· Damage to infrastructure</li> </ul> <p>Sudden natural disasters caused by climate change can damage various infrastructure facilities in office areas, production parks, etc., which may not only leads to direct economic losses and additional costs for operation and maintenance but also undermine the functions and services that the infrastructure can provide, thereby reducing its potential to generate revenue or expected socio-economic benefits.</p>	<ul style="list-style-type: none"> <li>· Developing emergency response plans</li> </ul> <p>Comprehensively assess the impact of possible sudden natural disasters on infrastructure during daily operations, and improve emergency response capabilities by formulating emergency response plans and carrying out equipment safety inspections and emergency drills.</p> <ul style="list-style-type: none"> <li>· Improving facility resilience</li> </ul> <p>Include climate risks into the early planning, design, construction, operation and maintenance of infrastructure, and improve the adaptability of infrastructure to climate change with advanced technologies such as digitalization and intelligence.</p>
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**Chronic risks: Persistent heat, drought, sea level rise, etc.**

<ul style="list-style-type: none"> <li>· Increased labor costs</li> </ul> <p>Extreme climate conditions may be unfavourable for employees' work (such as heatstrokes caused by a prolonged stretch of heat), which may affect labor capacity, reduce productivity, and increase labor costs.</p>	<ul style="list-style-type: none"> <li>· Selecting sites with climate in mind</li> </ul> <p>When selecting the location of office areas and production parks, consider natural conditions such as geography and climate, and evaluate the possible impact of natural factors on production, warehousing, and employee working environment, in a bid to minimize the possibility of production being disturbed by climate.</p>
<ul style="list-style-type: none"> <li>· Increased electricity costs</li> </ul> <p>On the power production and supply side, if the operating costs increase due to the power system being affected by natural stressors such as extreme temperature and long-term water shortage, electricity prices may rise, resulting in increased electricity costs for businesses.</p>	<ul style="list-style-type: none"> <li>· Improving production lines</li> </ul> <p>Reduce the impact of human and natural factors on production efficiency by adopting automation/digital equipment and improving production operation processes, etc. to ensure the stability and consistency of the production process, thus enhancing production efficiency and cutting production costs.</p>
<ul style="list-style-type: none"> <li>· Energy shortages</li> </ul> <p>Resource shortages caused by climate change may disrupt energy supplies, affecting the production and business continuity of the companies. Besides, if abnormal weather affects the renewable power generation facilities such as photovoltaics and wind energy which play a major role in the energy transition, businesses will also bear higher costs in their clean energy deployment.</p>	<ul style="list-style-type: none"> <li>· Implementing energy management</li> </ul> <p>Pay continuous attention to the energy structure of business operation areas, promote electricity saving measures, attach importance to the development and application of energy-saving and emission-reduction technologies, improve the energy efficiency of office areas and factories, and reduce operating costs.</p>

### Climate Change Risks

### Midea's Countermeasures

#### Transition risks

##### Policy and legal risks

<ul style="list-style-type: none"> <li>· More strict government regulatory requirements</li> </ul> <p>With the implementation of the national green development strategy and a series of carbon peak and neutrality policies, the government's regulations on emissions and environmental information disclosure have become more stringent, which will increase the compliance cost of businesses.</p> <ul style="list-style-type: none"> <li>· Carbon allowances declining year by year</li> </ul> <p>With the establishment and improvement of carbon emission trading market in China, the competent authorities may gradually cut down the issuance of carbon allowances or bring up its price to push for the emission reduction targets, This will increase the emission control costs and production costs of businesses and supply chains, and affect their production plans and energy consumption structure.</p> <ul style="list-style-type: none"> <li>· Tightened EU packaging policy</li> </ul> <p>As the EU vigorously develops a circular economy, the laws and regulations on product packaging become increasingly strict, such as restricting the use of plastic in packaging of certain products and imposing tax on disposable plastic packaging. This may increase businesses' costs of product packaging and export.</p>	<ul style="list-style-type: none"> <li>· Following policies and regulations</li> </ul> <p>Pay continuous attention to laws and policies about climate change and carbon peak and neutrality, and adjust operations plans according to the latest policies and trends to adapt to the regulation situation in a timely manner. In addition, keep track of the development, carbon allowances and prices in the carbon markets at home and abroad, and develop reasonable emission reduction plans.</p> <ul style="list-style-type: none"> <li>· Developing green and low-carbon technologies</li> </ul> <p>Develop and apply green and low-carbon technologies throughout the product lifecycle, continuously improve energy efficiency and the proportion of clean energy, and reduce the energy consumption per unit of product, so as to fundamentally cut Midea's carbon emissions and better adapt to domestic and foreign carbon market supervision.</p> <ul style="list-style-type: none"> <li>· Enhancing green supply chain management (SCM)</li> </ul> <p>Continuously increase the awareness of green SCM, specify corporate social responsibility requirements for suppliers in the process of procurement, manufacturing, sales, recycling and logistics, to effectively control the possible risks of the supply chain in the environment, society and other aspects and build a green supply chain system.</p> <ul style="list-style-type: none"> <li>· Strengthening information disclosure</li> </ul> <p>Disclose environmental information in accordance with domestic and international compliance requirements, regularly publish ESG reports with reference to international frameworks and standards for sustainable information disclosure, and strengthen stakeholder communication.</p>
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#### Market risks

<ul style="list-style-type: none"> <li>· Changes in consumption concepts</li> </ul> <p>Consumers' awareness and demand for green products are raised due to the impact of global warming on human beings. Companies may lose market share and economic revenue if they fail to cope with market changes.</p> <ul style="list-style-type: none"> <li>· Increased raw material costs</li> </ul> <p>Climate change will directly lead to a shortage of resources and energy, causing increasing costs of raw materials for products.</p> <ul style="list-style-type: none"> <li>· Hampered sales chains</li> </ul> <p>Extreme weather will hamper the distributors' sales chain such as physical stores and goods transportation, leading to economic loss and additional costs throughout the whole sales chain.</p>	<ul style="list-style-type: none"> <li>· Adapting R&amp;D to market demands</li> </ul> <p>Stick with Green Strategy, promote green design, and develop green and low-carbon technologies and products to meet the expectations of the market and consumers.</p> <ul style="list-style-type: none"> <li>· Improving sales chain management</li> </ul> <p>Continuously innovate technologies, reshape the service system via digitalization, empower and train suppliers to improve the management of the entire sales chain and address the sales chain risks posed by climate change by multiple measures.</p>
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Climate Change Risks      Midea's Countermeasures

Transition risks

Technical risks

- Technological transformation in the industry

Climate change brings challenges to product quality assurance, and technological transformation is necessary to ensure product quality. At the same time, as climate change issues push peer companies to innovate technologies, businesses may face setbacks in their core competitiveness.

- Increased R&D costs

The uncertainty caused by climate change may interrupt a company's original R&D plans or lead to failure of investment in new technologies, causing the company to bear greater economic losses in its green transformation.

- Strengthening technology R&D

Establish globally competitive R&D capabilities and safeguard mechanisms based on a sustainable innovation and R&D system. Systematically train talents to build leading capabilities and make technological breakthroughs while promoting the technology standardization strategy.

- Evaluating R&D risks

Establish project risk control mechanisms and management methods for R&D, to effectively identify, assess, transform, supervise and control risks and achieve commercial and technical objectives in R&D.

Climate Change Risks      Midea's Countermeasures

Transition risks

Reputational risks

- Negative feedback from stakeholders

As society continues to focus on climate change issues, businesses lagging behind in addressing climate change or failing to disclose information related to the management of climate change risks timely may have to face reputational risks for not meeting stakeholders' expectations.

- Compliance risks in information disclosure

A company's failure to disclose ESG information in a compliant manner or its insufficient low-quality disclosures may affect investors' reasonable judgment of the company, which then may hinder its compliant and robust operation.

- Proactively communicating with stakeholders

Attach importance to communication with stakeholders in the process of fulfilling social responsibility, establish a mechanism for routine communication and interaction, and regularly respond to the demands of each stakeholder in an open and transparent manner.





# 02

## Environmental Management



### Performance Highlights

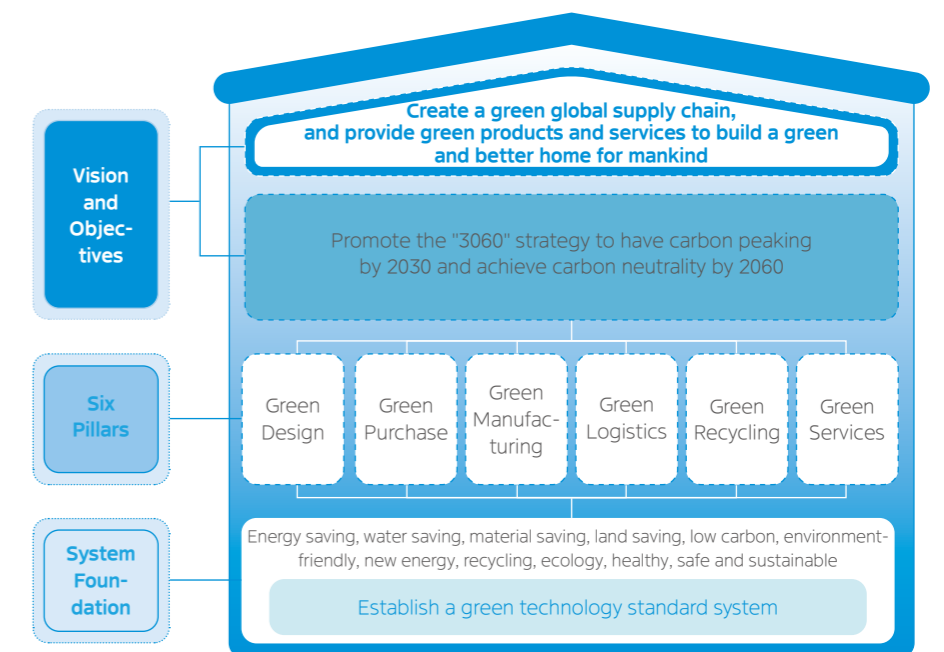
<p><b>14</b> National green plants</p>	<p><b>2.15</b> million kWh Annual PV power generation ↑ Up 48.06% over 2021</p>
<p><b>110</b> National and industry green standards that Midea has participated in the development</p>	<p><b>1.036</b> million units Used home appliances recycled</p>

Based on the mission of "building a green global supply chain, providing green products and services, and jointly building a green planet", Midea integrates the concept of sustainable development into every step of its production and business operation. It deepens environmental management under the guidance of its Green Strategy, leads the industry to reduce the impact on the environment while focusing on developing environmentally friendly technologies and products, and works with stakeholders to build a green and low-carbon society.

## Green Strategy

In 2021, Midea unveiled its Green Strategy, unwaveringly pushing forward the green transformation of the industry with a focus on six aspects of green development: Green Design, Green Purchasing, Green Manufacturing, Green Logistics, Green Recycling, and Green Service. In 2022, Midea continued to promote its Green Strategy. On the basis of building a green technology standard system and operation management, it applied digitalization to upgrade green manufacturing models.

Midea's Green Strategy



## Moving Towards Carbon Neutrality

In response to the national strategy of "carbon peak and neutrality", Midea Group aims to peak company-wide carbon emissions by 2030 and achieve carbon neutrality by 2060. To realize its carbon peak and neutrality goals, Midea has divided the carbon neutrality path into four stages, and will gradually promote carbon peaking and carbon neutrality tasks in a cycle of every 10 years from 2021.

The 14th Five-Year Plan period is critical for China to peak carbon emissions. In this context, Midea has formulated a four-stage strategy for its green development before 2030 based on its own carbon neutrality path, which requires it to check its emission status, formulate standards, review results, conduct strict appraisals, and ensure goal achievement.

Controlling energy consumption and reducing GHG emissions from the source are essential for Midea to move toward carbon neutrality. It follows the principle of "prioritizing green power generation while cutting emissions with carbon offset as supplement", and builds "zero-carbon plants" with a variety of methods. In 2022, three of Midea's plants were granted a carbon neutrality certificate.

### Midea's Four-stage Strategy for Green Development

01

#### Green Manufacturing Organizational Planning (2021-2022)

- All entities' plants check their carbon emissions and be clear about their carbon status
- Set low-carbon development goals
- Establish rules related to carbon peak and green plants construction, and specify the management mechanism

02

#### Green Manufacturing System Building (2022-2023)

- Establish a mechanism for carbon emission management, plan and implement low-carbon development paths by value chain, and peak carbon emissions ahead of schedule
- Continuously monitor relevant indicators and parameters and improve carbon emission control models
- Adopt digital management system

03

#### Green Manufacturing Compliance and Applications (2023-2025)

- Peak carbon emissions according to regional requirements, ensure compliance and apply for green plants
- Facilitate early carbon peaking of other regional plants
- Participate in/lead the development of green standards in the home appliance sector

04

#### Green Manufacturing Capacity Building (2025-2030)

- Build green plant capabilities and offer services
- Explore carbon neutrality roadmap and implementation plans for Midea
- Seek broader cooperation in the field of carbon neutrality and produce software and hardware solutions



### Chongqing Plant of Midea Building Technologies (MBT) obtained the PAS 2060 Carbon Neutral Certification

Chongqing Midea General Refrigeration Equipment Co., Ltd. (hereafter referred to as "Chongqing Plant") formulated carbon emission management plans based on carbon emission data, and achieved most of the carbon reduction goals through active methods such as innovating energy-saving technologies, increasing the proportion of renewable energy utilization, and implementing digital energy management. For the part of emissions that could not be reduced for the time being due to process reasons, Chongqing Plant adopted carbon offset to ensure zero emissions and finally received the PAS 2060 Carbon Neutral Certification.



Carbon Neutral Certification of Midea Chongqing Plant

### Three Zero Carbon Actions of Midea's Chongqing Factory

#### 1. System-level process improvement + digital and intelligent energy management

- The application of frequency conversion technology such as inverter air compressors and fans allows for an annual emission reduction of 103t
- With high-frequency sensor technology and low-temperature pretreatment cleaning technology replacing or reducing the combustion of fossil fuel, the annual emission reduction reaches 264t
- The installation of energy-efficient air conditioners with evaporative cooling systems increases energy efficiency by 56%
- More than 500 lighting spots have been replaced with LED energy-saving lighting applications, reducing the lighting energy consumption of the whole plant by 25% year-on-year
- The introduction of digital energy management and carbon management modules increases energy efficiency by 10%

#### 2. Carbon management

- BIPV solutions adopted in office buildings enable independent power supply for office lighting
- The application of solar street lights allows for near-zero carbon emissions of outdoor lighting in the park
- A 3MW PV power generation system has been introduced, and it is possible the capacity will be enlarged in the later stage

#### 3. Green transformation of energy structure

- For the part where full emission reduction is impossible (such as carbon emissions caused by the combustion of fossil fuels and employee activities), new energy green power, digital management, and employee carbon credit management are adopted to ultimately achieve the carbon neutrality goal.

## Green Design

Guided by the strategic focus of Technology Leadership and Green Strategy, Midea sticks to green design and is committed to comprehensively reducing carbon emissions throughout the whole lifecycle of products by developing green, advanced technologies and products and participating in the formulation of relevant standards for green design, etc., thus improving the green and low-carbon level of the industry and driving green consumption.

## Green Technology

In 2022, Midea focused on promoting technological innovation and green technologies and was dedicated to leading the green design concept by expanding research on green and low-carbon technologies. In line with its technology strategy, Midea implemented a number of green technology projects such as ultra-efficient components, environmentally friendly refrigeration technology, energy storage technology, green materials and heat pumps, and continued to deepen the research and application of green technologies.

### Frequency conversion technology of small-volume refrigerators

Among refrigerator products, inverter refrigerators are popular among more and more consumers because they can effectively reduce energy consumption. However, there are not many small-volume inverter refrigerators within 300L, and the main bottlenecks facing them are costs and installation space. To provide consumers with more diversified energy-saving refrigerators, Midea has been improving the frequency conversion technology of small-volume refrigerators and has created three frequency conversion control platforms, i.e., mini, micro and nano by refrigerator volume. In addition, Midea adopted 12-slot, 8-pole permanent magnet synchronous motors to optimize the efficiency and size of the compressor, and ensured the small size and low cost of the entire frequency conversion control system by adopting an integrated compressor control design. For energy conservation and emission reduction, calculated based on Midea's annual sales volume of refrigerators within 300L, 325 million kWh of electricity and 130,000 tons of coal consumption would be saved and 324,000 tons of CO<sub>2</sub> emissions would be reduced after frequency conversion.

### CO<sub>2</sub> electric compressor of Auto Parts

To facilitate the green development of the electric vehicle industry, Midea's Welling Auto Parts has developed a green product — CO<sub>2</sub> rotor electric compressor based on the traditional fuel vehicle air conditioning system. This is a heat pump electric compressor using natural refrigerant carbon dioxide. As an innovative technology for efficient heating in low temperature, this compressor allows for a more energy-saving solution with a longer cruising range for the thermal management of the cockpit, the battery and drive system. Compared with traditional heat pumps, new energy vehicles equipped with carbon dioxide heat pump air conditioners can maintain energy-efficient heating in an environment below -30° C, which increases its cruising range by 20%. In addition, as a natural green refrigerant, carbon dioxide can meet the low-carbon and environmental protection needs in the field of car air conditioning.

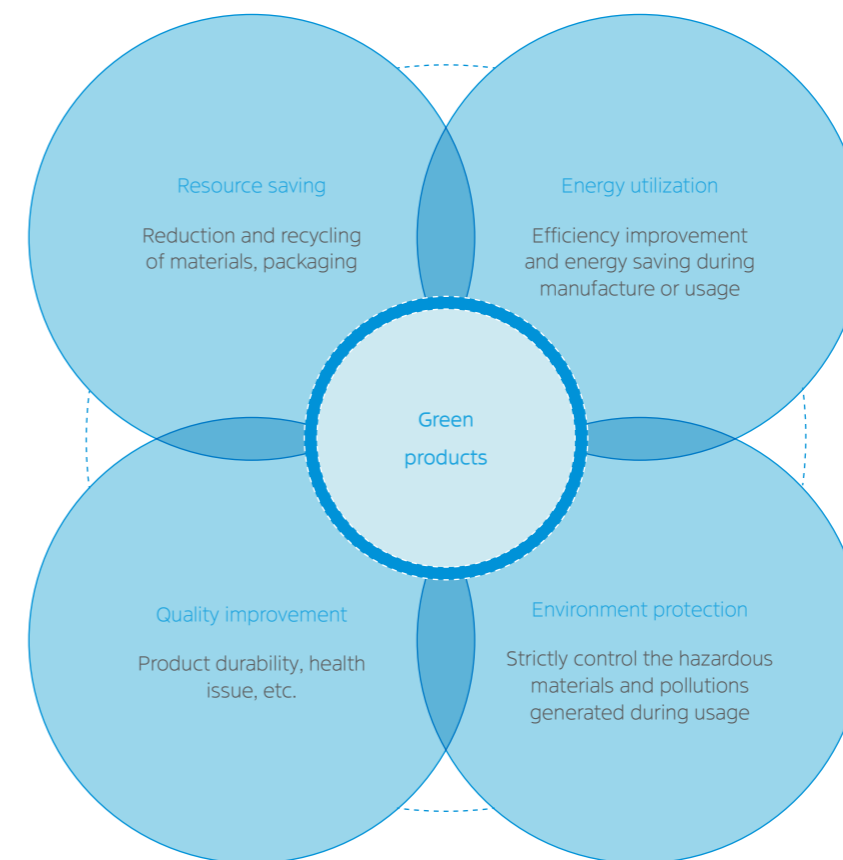


CO<sub>2</sub> Electric Compressor of Midea's Welling Auto Parts

## Green Products

Taking the *General Rules for Green Product Evaluation (GB/T 33761-2017)* as a guideline, Midea integrates green concepts into the whole lifecycle of its products. To meet the needs of every user for a comfortable, intelligent and low-carbon life, the Company innovates technologies and develops products based on user needs, and its upgrades are in line with the highest energy efficiency and green standards.

Midea's Green Product Implementation Path



### Mass production of new class I energy efficiency R290 air conditioners

To reduce the harm caused by traditional refrigerants to the environment, the application of new environmentally friendly refrigerants has become a significant topic in refrigeration and air conditioning. Hydrocarbon refrigerant R290 is known as an "environmentally friendly refrigerant with the most potential" because it is fluorine-free, chlorine-free, low-carbon, and environmentally friendly in nature. As one of the first companies in China to research on the application of R290 refrigerant in air conditioning, Midea has been studying on R290-related technology since 2008. On September 7, 2022, Midea's new class I energy efficiency R290 air conditioners rolled off the production line in MG AC's Wuhu Plant, marking the birth of the world's first mass-produced new class I energy efficiency product in the field of R290. The annual performance factor (APF) of Midea's new class I energy efficiency R290 air conditioner is as high as 5.29, which is better than the national new class I energy efficiency standard (the APF is 5). This air conditioner has obtained the first sanitary and health certificate in the R290 product industry.



Midea Launching Ceremony of the World's First New Class I Energy Efficiency R290 Air Conditioner



Production Line of Midea R290 ACs

Guided by carbon peak and neutrality policies, Midea aims to provide low-carbon solutions at the product level and attaches great importance to the management of product carbon footprint<sup>1</sup>. It sets up platforms for calculating product carbon footprint to ensure its traceability and provide accurate information on product carbon footprint to quantify outcome of carbon reduction measures. In addition, Midea builds partnerships on product carbon footprint methodologies to facilitate the establishment of standards and rules, thus creating a level playing field in the industry. In 2022, the "Carbon Footprint" Theoretical Research and Demonstration Application Project jointly promoted by Midea and China National Institute of Standardization has yielded phased results as the first project in the industry to systematically complete the carbon footprint and carbon reduction evaluation of typical air conditioner products.

In terms of green product certification, Midea actively advances green certifications such as national green product certification, national green building materials certification, and low-carbon product certification. In 2022, Midea's ACs, washing machines and refrigerators were granted the National Green Product Certificate. Many of its product categories such as VRFs, floor-standing ACs, and split wall-mounted ACs were granted the National Green Building Materials Certificate, and its household ACs, VRFs, washing machines, microwave ovens and other product categories obtained the Product Carbon Footprint Certificate.

Developing low-carbon and green refrigerators

Midea joined hands with Covestro, a world-renowned material manufacturer, to launch two low-carbon and green refrigerators (models BCD-439WFPZM and BCD-516WFGPZMA) in 2022, which adopt low-carbon footprint polyurethane certified by ISCC PLUS<sup>2</sup> as the insulation material. Containing up to 60% of biomass-based raw materials, this low-carbon footprint polyurethane can reduce carbon emissions by 60% compared with fossil-based polyurethanes. In terms of performance, both BCD-439WFPZM and BCD-516WFGPZMA meet the relevant requirements of energy-saving (reaching class I energy efficiency) and health (containing no more than 1,000 mg/kg of harmful substance), and have obtained the China Green Product Certification. The cooperation between Midea and Covestro on low-carbon, green refrigerators marked the entry of low-carbon footprint polyurethane products into the green consumption market. Following the sustainable development trend of this era, Midea is committed to strengthening cooperation on low-carbon materials and bringing green products to more families.



Midea's Green, Low-carbon Refrigerators



Green Product Certificate for Midea's Refrigerators

Releasing the world's first environmental product declaration (EPD) for air conditioner

Working with the trusted international authorization organization TÜV SÜD, Midea has registered and published the world's first EPD for air conditioning products on September 26, 2022. Based on lifecycle assessment, EPD shows the environmental impact of a product or service on non-renewable resources, ecosystems, human health, etc. throughout its lifecycle. As an internationally recognized "green ID card", this EPD provided by Midea to consumers and purchasing agents is transparent and verified by multiple parties, and is able to meet the needs of stakeholders.



Midea's EPD on AC

<sup>1</sup>Product carbon footprint covers the total amount of GHG emissions generated by a product throughout its lifecycle from raw material mining to end-of-life.

<sup>2</sup>International Sustainability and Carbon Certification (ISCC) PLUS is the most widely recognized certification in circular economy and bioeconomy. Companies demonstrate the traceability of recycled and bio-based materials with ISCC PLUS. In the mass balance approach, raw materials derived from biomass or waste are mixed with fossil raw materials and then mathematically distributed to end products to reduce greenhouse gas emissions.

Green Standards

Guided by its Standardization Strategy and Green Strategy, Midea continues to advance green standards, contribute to the improvement of green standards and push for the common progress of the industry. In 2022, Midea led and participated in the development of 110 national and industry green standards covering carbon emissions, ESG and green product evaluation. At the same time, by referring to relevant national and industry standards, Midea has formulated green standards for 16 product categories to help push forward the green transformation of the industry. In 2022, Midea was selected as an Enterprise Standards Frontrunner by China National Institute of Standardization for five consecutive years, and 37 of its standards were awarded as Enterprise Standards Frontrunner.

For standardization honors, Midea won one 2022 China Standard Innovation and Contribution Award granted by the State Administration for Market Regulation and the Standardization Administration of China, one Organizational Standard Innovation Award and one Individual Standard Innovation Award at the 3rd Science and Technology Award selection of the China Society for the Promotion of Science and Technology Commercialization. It was also recognized as a Standardization Demonstration Enterprise in the field of industrial informatization in Anhui Province, and was selected as the one of the first group of International Standardization Expert Studio Projects in Foshan City.



Midea was granted the first Enterprise Standards Frontrunner certificate in the air conditioning industry

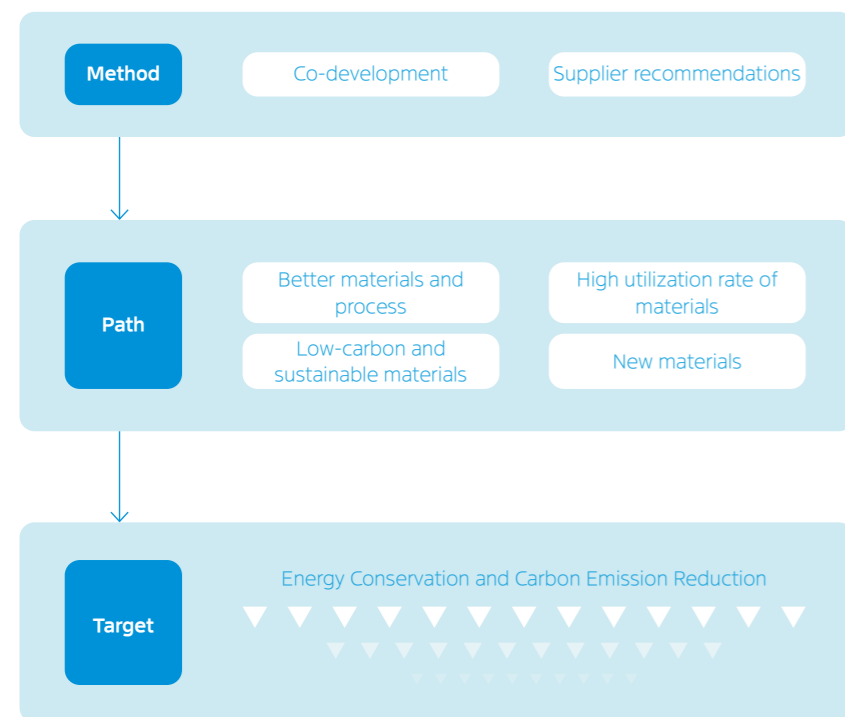
## Green Procurement

Midea integrates the concept of sustainable development into its procurement strategy and related business processes and is dedicated to creating a green procurement system with a focus on reducing environmental impact and improving resource efficiency. It continues to push forward green procurement from four dimensions: social responsibility review, hazardous substances control, energy saving and emission reduction, and green manufacturing empowerment.

In 2022, Midea released the Green Development Initiative targeting its supply chain partners, calling on suppliers to carry out green practices in energy management, green product standards, green logistics, etc. with an aim to push forward the green development of the industrial chain. In addition, two of Midea's subsidiaries (GD Midea Heating & Ventilating Equipment Co., Ltd. and Chongqing Midea General Refrigeration Equipment Co., Ltd.) were selected as 2022 National Green Supply Chain Companies by the Ministry of Industry and Information Technology.

## Energy Conservation and Carbon Emission Reduction

To reduce product energy consumption and improve its product environmental friendliness, Midea actively works together with suppliers to innovate new materials and new processes and open up energy-saving and emission-reduction paths such as applying environmentally friendly materials and consuming less energy in material distribution.



Guided by carbon peak and neutrality policies, Midea includes supplier carbon emission management into its green procurement system and organizes suppliers to carry out carbon emission checks to strengthen the carbon emission management of its supply chain. For major bulk suppliers under strong state control, such as steel and petrochemical suppliers, Midea has conducted a carbon emission data check to respond to the policies. For non-bulk suppliers, Midea has prepared the Supplier Carbon Emission Check (Template) to help the supply chain teams of the entities in supplier carbon emission checks.

In 2022, Midea collected and checked the carbon emission data of 4,324 suppliers, including direct GHG emissions (emissions from stationary combustion, emissions from mobile combustion, direct fugitive emissions, etc.) and indirect GHG emissions from energy (emissions from the use of purchased electricity, heat, cold and compressed air).

### Conducting carbon emission check training for suppliers

To ensure the smooth progress of the suppliers' carbon emission check, Midea also organized carbon emission check training for suppliers. In 2022, the Company organized two green strategy training sessions for its suppliers, covering topics such as the concepts of carbon peaking and carbon neutrality and policy communication, explaining Midea's green strategy, and the tools and methods for carbon emission check. Over 1,000 suppliers attended the training sessions. At the same time, Midea shares the training materials as well as other methods and tools with all suppliers via its supply chain cooperation platform to better help them grasp the knowledge concerning carbon emission check.



Training Session on Carbon Emission Check for Suppliers

## Hazardous Substance Control

Hazardous substance control is an important part of Midea's implementation of green procurement. The Company requires all purchased raw materials and components to comply with regulatory requirements, including the *Restriction of Hazardous Substances Directive (RoHS)* from the EU, *Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH)* from the EU, and China's *Administrative Measures for the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Products*. The Company also requires suppliers to provide substance test reports to ensure that raw materials and components comply with relevant environmental protection regulations.

In terms of processes control, the Company strictly controls suppliers from the dimensions of new parts control, mass production parts control, and supplier HS system control (online refined control that is traceable with fast accident handling) to further secure green and safe procurement.

## Green Manufacturing

The 14<sup>th</sup> Five-Year Plan for Industrial Green Development proposed to comprehensively improve green manufacturing capability and help achieve carbon peak and neutrality in the industrial sector. Aiming to be a contributor and leader in industrial green development, Midea is committed to building green plants in five directions: low-carbon energy, harmless raw materials, clean production, wastes recycling and intensive land use. By the end of 2022, Midea has owned 14 national green plants. In 2022, Midea's total GHG emissions (Scopes 1 and 2)<sup>1</sup> stood at 1,505,876.81 TCO<sub>2</sub>e, of which 129,399.61 tons were Scope 1 GHG emissions, and 1,376,477.20 tons were Scope 2 emissions. The intensity of GHG emissions was recorded at 0.0436 TCO<sub>2</sub>e/RMB 10,000.

Total GHG emissions		Greenhouse gas emissions per unit of output value	
	Tons of CO <sub>2</sub> Equivalent		(Tons of CO <sub>2</sub> Equivalent)/ RMB 10,000
2020	1,564,414.00	2020	0.0666
2021	1,712,766.00	2021	0.0600
2022	1,505,876.81	2022	0.0436

## Energy Management

Midea ensures the safe, stable and efficient use of the energy system via information-based, energy-saving and intelligent energy management. Meanwhile, the Company has formulated energy-saving standards and targets to increase the proportion of new energy use and promote energy-saving and low-carbon technologies, thus effectively implementing carbon reduction actions. In 2022, 35 of Midea's plants obtained energy management system certification.

According to the Green Manufacturing Carbon Neutral Master Plan, the Company has formulated a detailed five-year plan (2020-2025), which plans to achieve a 20% reduction in energy consumption per unit of GDP in 2025 compared to 2020 and reduce CO<sub>2</sub> emissions per unit of GDP by 25% compared to 2020, with clean energy accounting for more than 10%.

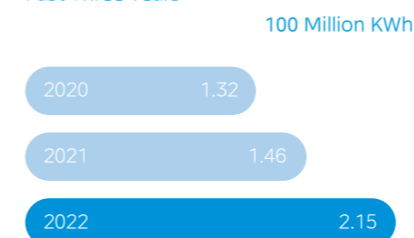
## Promoting Energy Saving Management

Midea focuses on empowering energy-saving management through technology. Starting from the special projects of key energy-consuming equipment, the Company promotes refined energy management in light of energy efficiency benchmarking, review on management, equipment management, process breakthrough, etc. Besides, the Company has established a technological expert group and carried out cross-departmental collaboration and empowerment-based management. This is to ensure the effective implementation of energy-saving technologies while keeping innovation and breakthroughs. In 2022, the Company carried out eight energy conservation and carbon reduction projects, saving energy through an energy management system, injection molding, spraying, electronic methods, compressing air, solar and storage projects, central air conditioning and lab energy improvement. Midea has invested over RMB 100 million in these projects.

For digital energy management, Midea has established an energy management platform FEMS to transform and upgrade the energy efficiency management of over 30 plants with digital technologies. Midea FEMS is an intelligent data collection system composed of 22,455 devices, which collects data on plants' energy, water, electricity and gas through the underlying IoT platform, and conducts energy collection and analysis, exception monitoring, energy quality assurance, energy consumption planning and early warning with cloud computing and blockchain technologies, thus fully enabling digital management of energy consumption. In 2022, Midea upgraded its FEMS system, included carbon management into its plant green manufacturing management system, and controlled the total amount and intensity of carbon emissions in real-time, promoting the transformation and upgrading of green manufacturing driven by the carbon peak and neutrality goals.

<sup>1</sup>The Company's Scope 1 GHG emissions are from natural gas and Scope 2 GHG emissions are from purchased electricity.

## Midea's PV Power Generation in the Past Three Years



## Deploying Clean Energy

For operational energy use, Midea actively deploys the use of clean energy, aiming to achieve 10% of green power in 2025 and 30% of green power in 2030. As of March 2023, Midea's R&D innovation centers and more than XX plants have built distributed PV power generation systems, with an installed capacity of 274.64 MW (including projects under construction). In 2022, Midea's PV power generation capacity was 215 million kWh, an increase of 48.06% over 2021. In the future, Midea will continue to expand its PV and energy storage projects to ensure the supply of clean energy in parks and accelerate the construction of a clean, low-carbon, safe and efficient energy system.

### Integrated solar and storage demonstration project

For green energy, Midea actively develops distributed solar and storage projects and key technologies for energy storage. In November 2022, the integrated solar and storage project of Midea's Microwave & Cleaning Appliance Industrial Park (hereinafter referred to as "MCA") was officially connected to the grid, which was the first integrated solar and storage project in Guangdong and the first 10 kV high-voltage grid-connected project since the release of Midea's Green Strategy.

Midea MCA's distributed PV power generation system adopts the model of self-generation and self-consumption with surplus electricity supplied to the grid, allows for on-site consumption of PV power generated on the plant roofs and vacant land, reducing equipment investment and power loss along power lines. The project's average annual electricity supplied to the grid is about 5,397,000 kWh, which can save about 1,646 tons of standard coal per year compared with a thermal power plant with the same power generation capacity (thermal power plant's coal consumption is calculated based on national thermal power plant unit's standard power supply coal consumption of 306 g/kWh). In view of the intermittency and volatility of PV power generation, the project is equipped with an energy storage system for peak-load shifting to ensure power supply stability. In addition, Midea MCA has installed a PV energy storage management system with functions for monitoring and optimizing distributed power supply/energy storage/load, which further improves the reliability of green power supply.



Midea MCA's Integrated Solar and Storage Demonstration Project



KUKA's Automated Production Line

## Digitalization Driven

In the era of Industry 4.0 featuring "Internet + intelligent manufacturing", Midea continues to advance industrial automation, improve production efficiency with digital technologies, and reduce energy consumption in the production process. As a representative of Industry 4.0, Midea's KUKA brand has decades of experience in automation, process management and cloud-based services, covering basically all application scenarios of industrial machines. Based on its development needs for intelligent manufacturing and KUKA's technological advantages, Midea's plants are steadily promoting automation solutions. In 2022, Midea's robot use rate was 470 units per 10,000 persons, indicating that robots play an indispensable role in reducing raw material losses and improving the comprehensive utilization of energy.

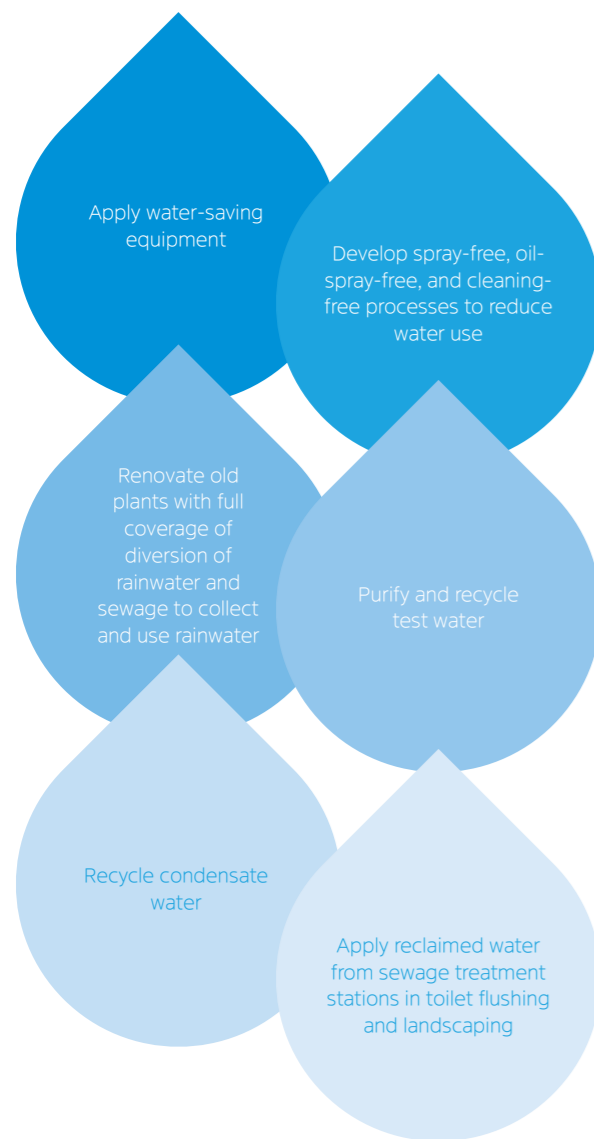


## Water Resources Management

Midea strictly complies with laws and regulations such as the *Water Pollution Prevention and Control Law of the People's Republic of China* and the *Water Pollution Prevention and Control Action Plan* and has established a corresponding wastewater discharge management system. In addition, Midea insists on promoting water conservation in all aspects and continuously explores effective measures for wastewater treatment and water reuse.

All subsidiaries of Midea classify and manage wastewater: domestic wastewater is pretreated to the standard by septic tanks and other means, and industrial wastewater is pretreated to the standard by factory sewage treatment stations before they are discharged to municipal sewage treatment network and sewage treatment plant. At the same time, the plants also actively promote the diversion of rainwater and sewage from the old plants, update the sewage treatment equipment and optimize the existing process to reduce the overall sewage discharge through an integrated approach.

### Six Water-saving Measures



## Waste Management

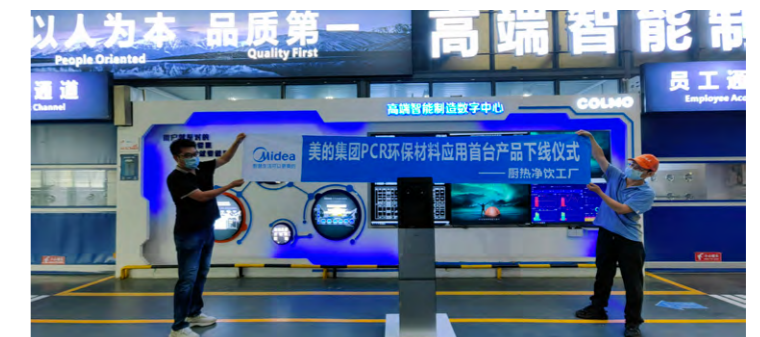
All plants of Midea strictly abide by the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other relevant regulations to treat waste. For hazardous waste, the plants stipulate the requirements for waste collection, storage, transportation, disposal, etc., and entrust qualified hazardous waste disposal agencies to dispose of waste. General waste is collected and disposed of by resource recycling manufacturers after classification in a factory. Domestic waste is entrusted to local sanitation departments for disposal.

For e-waste disposal, Midea strictly abides by the *Amendment of the Basel Convention* and does not export e-waste to any non-OECD countries. At the same time, Midea vigorously promotes the *Notice on Encouraging Household Appliance Manufacturers to Carry out Recycling Target Responsibility System Actions* to implement the extended producer responsibility system. Midea cooperates deeply with third-party dismantling enterprises with corresponding qualifications, formulates and implements e-waste dismantling programs, and dismantles recycled old machines in a compliant way through the green recycling channels.

### Piloting recycled materials to contribute to the circular economy

While practicing compliance management and environmentally friendly disposal of electronic waste, Midea actively cooperates with renewable resource companies to promote the use of recycled materials in its products and facilitate the recycling of waste resources.

For recycled plastics, Midea has established a partnership with INEOS Styrolution, a leading global styrenics producer, to develop PCR<sup>1</sup> materials. Modified from waste from Midea's recycled home appliances, the material is suitable for a range of sustainable household appliances, including ACs, refrigerators and water dispensers. In 2022, Midea, after adequate testing and verification, successfully piloted the application of PCR materials in the front shell of its water dispenser products. Besides, to ensure compliance with Global Recycling Standard (GRS)<sup>2</sup>, Midea tracked the circulation of PCR materials in the factory to ensure compliance throughout the process.



Launching Ceremony of Midea's First Product Adopting PCR Materials

<sup>1</sup>PCR stands for post-consumer recycled. PCR materials are raw materials for industrial production obtained from physical or chemical recycling of waste plastics generated after circulation, consumption and use. The application of PCR materials not only helps to reduce plastic waste in the environment but also facilitates resource recycling.

<sup>2</sup>The Global Recycled Standard (GRS) is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices, and chemical restrictions. GRS is designed to meet the needs of companies that want to validate recycled content of their products (finished and semifinished products) and verify its responsible social, environmental and chemical practices in their production.

## Green Logistics

Midea attaches great importance to green and low-carbon logistics and unswervingly follows its green and smart logistics strategy. It has established a green and intelligent logistics system that integrates green transportation, green warehousing and green packaging, to help the whole industrial chain improve quality and efficiency and reduce carbon emissions.

### Green Transportation

Midea leverages IoT, cloud computing, AI and other technologies to optimize transportation routes and reduce transportation mileage and times, thus achieving the goals of energy conservation and emission reduction. In addition, the Company actively promotes green and low-carbon transportation vehicles and advances the building of a green and intelligent transportation system in many ways.

### Creating an Intelligent Vehicle Scheduling System

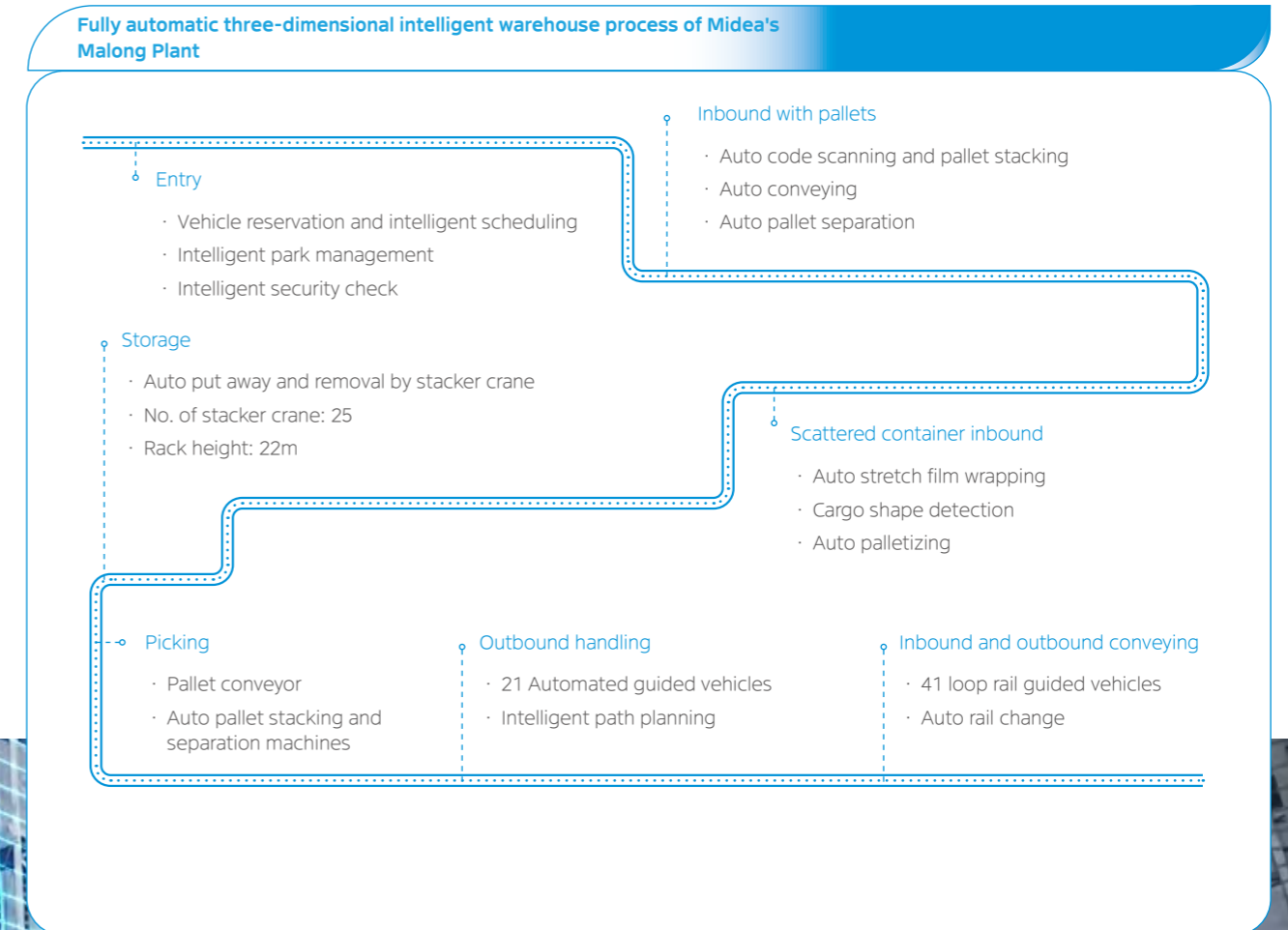
Midea has established an intelligent vehicle scheduling system to systematically allocate freight transport routes and transport capacity resources to accurately match vehicles and goods, thus lifting transportation efficiency and lowering carbon emission across the whole chain from products, warehouses to stores/customers. With the advantages of core algorithms, Midea's intelligent vehicle scheduling system effectively optimizes its logistics system in terms of cost, efficiency and management. In terms of costs, the system reduces the total number and mileage of vehicles with various constraints and implements vehicle model matching with the optimal vehicle turnover rate. In efficiency, the system greatly shortens vehicle scheduling time from an average of 3 hours to 5 minutes and speeds up warehousing and distribution by optimizing warehouse operations. In management, the system visually presents drivers' actual transportation routes and vehicles in transit, to improve the quality of transportation decision-making and meet the customer's requirements for timeliness.

### Promoting New Energy Vehicles (NEVs)

Midea is committed to promoting the application of NEVs in the field of transportation and distribution and gradually replacing traditional fuel vehicles in short-distance transportation with NEVs, thus effectively reducing the exhaust emissions generated by distribution vehicles, and reducing the impact of the transportation process on the environment. In 2022, the Company launched an urban green freight demonstration project. It encouraged the Group and suppliers to adopt new energy logistics vehicles through government subsidies and right-of-way measures and cooperated with NEV manufacturers to accelerate NEV application. By the end of 2022, Midea branches had a total of 427 NEVs, and 70% of its logistics supplier applied NEVs.

## Green Storage

Midea takes "digital intelligence" and "energy saving and consumption reduction" as the entry point to promote its construction of a green storage system. With the support of big data and artificial intelligence technology, etc., Midea implements measures such as optimal allocation of storage resources, intelligent packaging and automatic sorting to greatly improve storage and transfer efficiency. In addition, Midea continues to improve special measures such as automation and energy saving, paperless office and intelligent parks to build intelligent logistics parks.



Fully Automatic Three-dimensional Intelligent Warehouse

## Green Packaging

Midea innovates and reforms packaging and supply chains from the aspects of packaging design, production and supply to create a circular green packaging ecosystem.

### Development, production and supply of green packaging

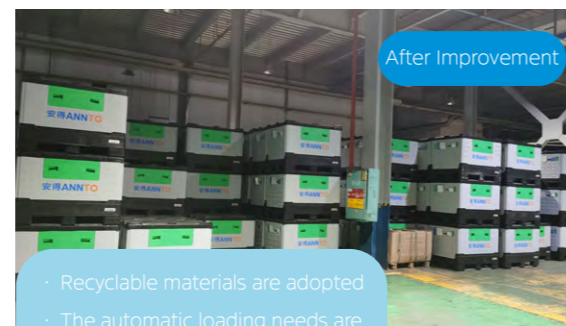
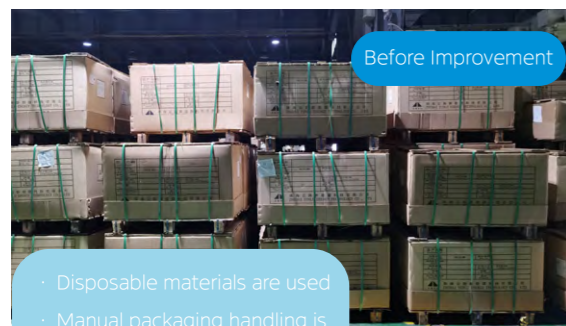
For packaging development, Midea considers the quality assurance of parts and finished products, environmental protection and other elements in the design process, and puts the packaging size in mind to ensure the packaging is compatible with the container in transportation, warehousing and other processes. For packaging production and supply, Midea provides end-to-end logistics services from packaging leasing to recycling by adopting integrated circular packaging and transportation mode. In addition, Midea also actively explores recyclable environmentally friendly materials to improve the recycling rate of packaging materials.

#### Intelligent Recyclable Packaging Alternative

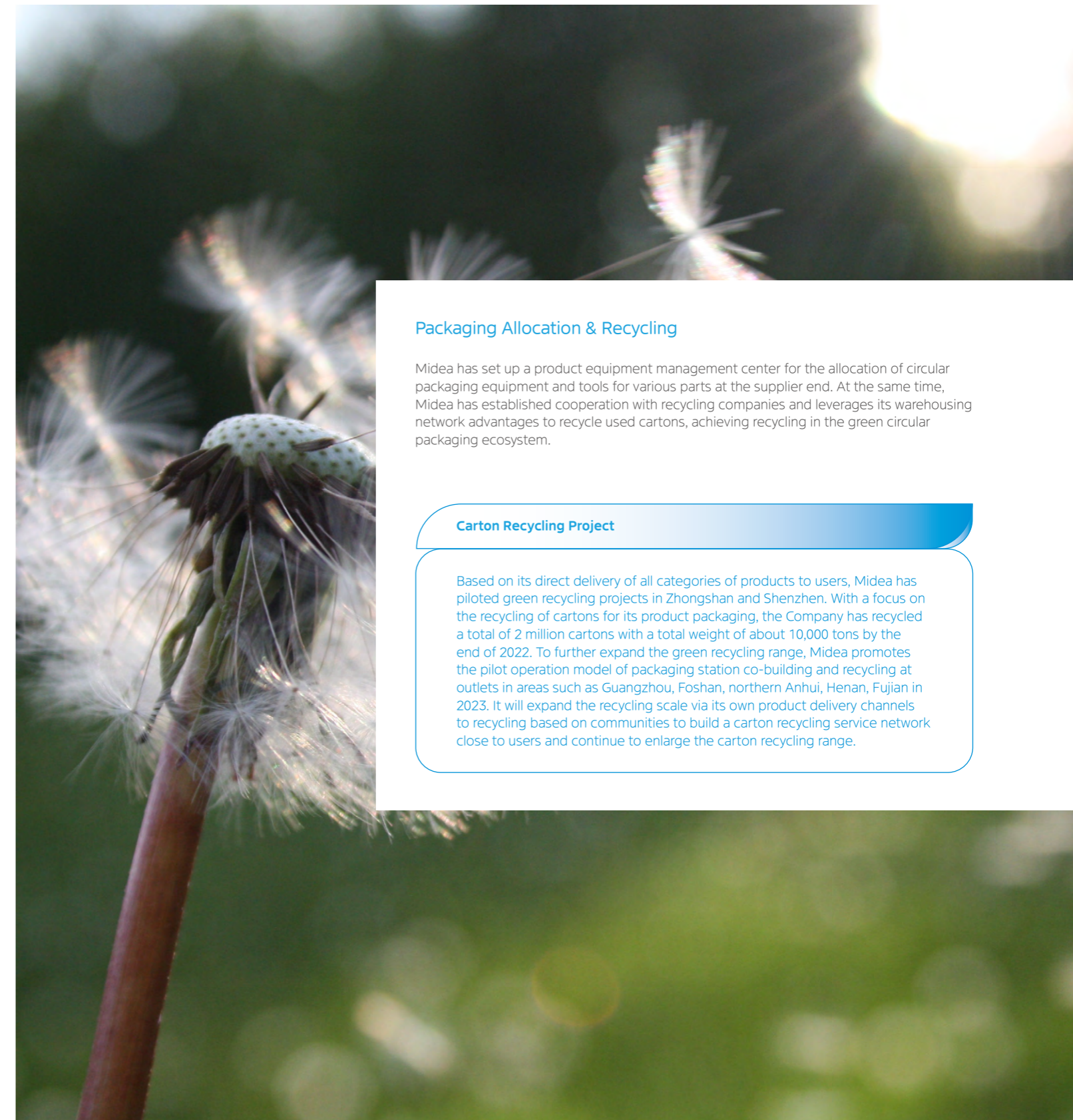
In 2022, Annto Logistics Technology Co., Ltd., a subsidiary of Midea, worked with a recycling appliance packaging supplier to create an intelligent recyclable packaging alternative for transformer products of Midea's Shunde Microwave Oven Plant (hereinafter referred to as "Shunde Plant"). With circular packaging design and packaging and transport integration mode, the alternative solution allows for the green recycling of packaging materials and carbon reduction in logistics processes.

For circular packaging design, the project adopts the overall circular packaging solution featuring PP injection pallet box and blister laminate to replace the packaging solution based mainly on disposable materials such as cartons, cardboards and wooden pallets, which reduces packaging materials consumption and meets the needs to adapt to factory automation and standardization from the aspect of packaging size, thus improving the overall operational efficiency. According to preliminary estimates from a third-party organization, with circular packaging, carbon emissions can be reduced by about 1,098 tons annually.

To address the difficulties in circular packaging management, the packaging and transport integration mode ensures the standardization, circulation and digital intelligence of logistics packaging units to improve the whole process of the supply chain including upstream and downstream transportation, storage, loading and unloading. Shunde Plant Project fully spreads the application of standard pallets and packaging boxes to integrate products into standardized container units and improves the logistics and transport networks based on products, routes, node warehouses, the rhythm of production, etc., to ensure green circular packaging.



Comparison of Transformer Packaging before and after Improvement



### Packaging Allocation & Recycling

Midea has set up a product equipment management center for the allocation of circular packaging equipment and tools for various parts at the supplier end. At the same time, Midea has established cooperation with recycling companies and leverages its warehousing network advantages to recycle used cartons, achieving recycling in the green circular packaging ecosystem.

#### Carton Recycling Project

Based on its direct delivery of all categories of products to users, Midea has piloted green recycling projects in Zhongshan and Shenzhen. With a focus on the recycling of cartons for its product packaging, the Company has recycled a total of 2 million cartons with a total weight of about 10,000 tons by the end of 2022. To further expand the green recycling range, Midea promotes the pilot operation model of packaging station co-building and recycling at outlets in areas such as Guangzhou, Foshan, northern Anhui, Henan, Fujian in 2023. It will expand the recycling scale via its own product delivery channels to recycling based on communities to build a carton recycling service network close to users and continue to enlarge the carton recycling range.

## Green Recycling

Green recycling of used home appliances is an important part of Midea's response to the national *Implementation Plan for the Extended Producer Responsibility System* and the fulfillment of resource and environmental responsibility. Guided by the vision of ensuring users' peace of mind in replacing new products, convenient recycling channels and traceability of dismantling and scrapping, Midea has set up a green recycling business department and actively built a green recycling system. In 2022, Midea recycled 1.036 million units of used home appliances, which was far more than its annual target of 400,000 units. Midea also won the honor of the 2022 EPR Public Dialogue Pioneer<sup>1</sup> for its excellent performance in EPR information disclosure. In addition, Midea has also reached cooperation with 56 dismantling companies to further advance resource recovery and reuse.

Midea has built a nationwide recycling network via online and offline platforms. Users can realize the old machine recycling and trade-in through the offline dealer stores, and also return used appliances for recycling through channels such as Midea's WeChat Official Account, Meiyunshou (Midea Cloud Recycling) Mini Program, and the 400 Customer Service Hotline. In the recycling process, a unique barcode will be generated for each used machine to ensure the traceability of the used machine information throughout the recycling process from the user to the recycling service provider. On this basis, Midea actively cooperates with dismantling companies with professional qualifications and sends sorted used home appliances to its partner green dismantling plants for dismantling treatment in line with regulations, so as to ensure the reuse of resources and promote energy conservation, emission reduction and green circular economy development.

### Midea Green Action

Midea continues to promote its trade-in services and vigorously conducts "Midea Green Action" publicity to guide consumers to develop a reasonable sense to adopt and replace items, and to recycle and dispose of used home appliances in a formal and environmentally friendly way. The "Midea Green Action" covers promotional activities such as green trade-in coupons, cross-category trade-in and 365-day replacement, providing purchase subsidies for users requiring trade-in services. The Company carried out the "Midea Green Action" Roadshow nationwide in 2022. With the digital promotion of the event, the number of registered users for used appliance recycling exceeded 400,000, and the number of online trade-in appliances exceeded 350,000 units.



"Midea Green Action and Green Trade-in" 2022



Poster of Midea Green Action

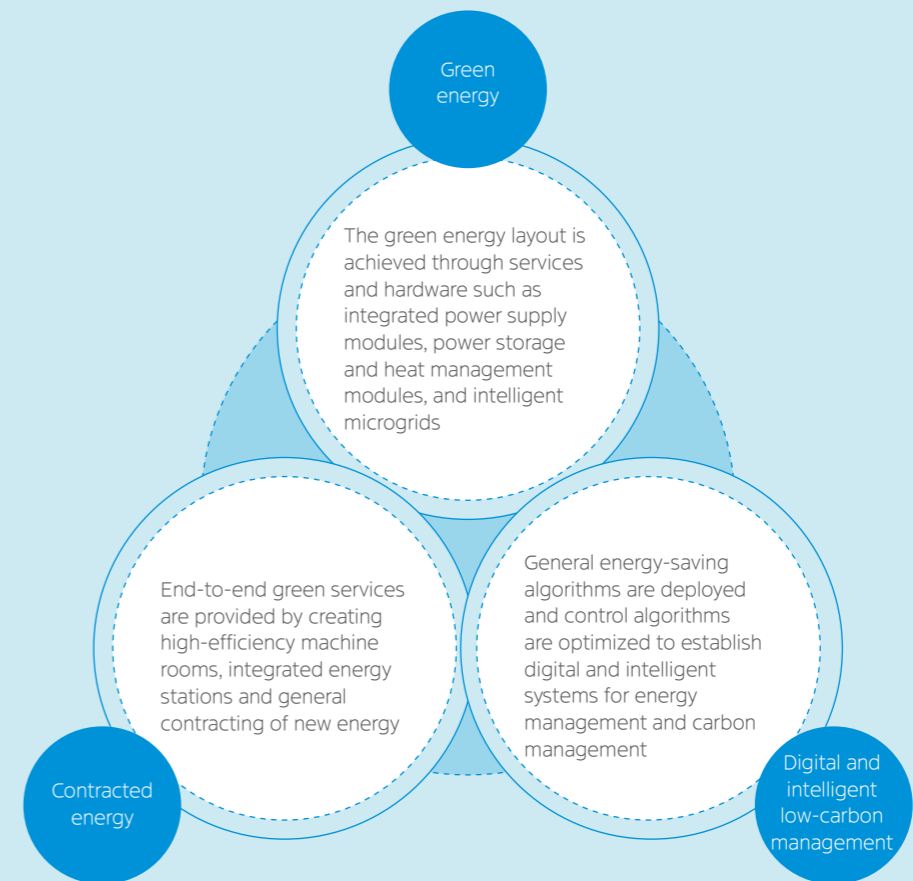


Midea's "Internet + Recycling" system --"Midea Cloud Recycling"

## Green Services

Focusing on green energy and smart buildings in its green services, Midea provides solutions integrating "buildings, intelligence, and energy" for the group and its customers. With the technical paths of green energy, contracted energy, and low carbon development based on digital intelligence, the Company has created an integrated green service model with product technology innovation as the basis, platform digital capabilities as the hub, and green consulting services as the top-level design.

### Midea's Three Technical Paths for Green Services



<sup>1</sup> The selection of "2022 EPR Public Dialogue Pioneer" was led by China Household Electric Appliances Research Institute and participated by Peking University. Candidate companies that have made outstanding contributions to green transformation and industry upgrading are selected according to the evaluation results of their production and responsibility fulfillment based on the information they disclose.

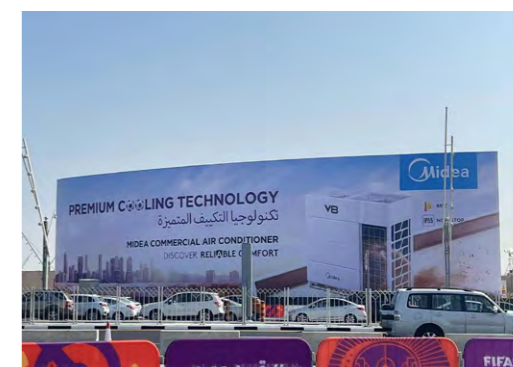
In 2022, Midea launched the "MBT Green and Low-Carbon" service that covers green and low-carbon consulting, digital intelligence operation products, and energy conservation and emission reduction projects, including business such as zero-carbon consulting, energy-saving transformation consulting and smart carbon management system. Midea strives to work with the customers in building a sustainable smart space with low carbon and intelligence as the core.



**Midea's green HVAC solutions help facilitate a sustainable FIFA World Cup**

As the biggest venue for the FIFA World Cup Qatar 2022, Lusail Stadium can accommodate over 40,000 spectators. To achieve the sustainability goal of this sports event, the venue needs a stable and reliable central air-conditioning system and low-carbon, green infrastructure.

With years of experience and technical strengths in serving venues for large events, Midea MBT tailored green HVAC solutions for Lusail Stadium, providing the venue with equipment and systems that are able to adapt to Qatar's hot climate, accurately control the temperature and humidity, and ensure energy saving and low carbon in complex spaces. In addition, Midea's core products such as VRFs, floor-standing ACs, and rooftop packaged ACs have been applied in several venues for the World Cup Qatar, which cover scenarios such as security check centers, media centers, and auxiliary venue facilities, providing athletes, volunteers, spectators, etc. with a green, comfortable and safe breathing experience.

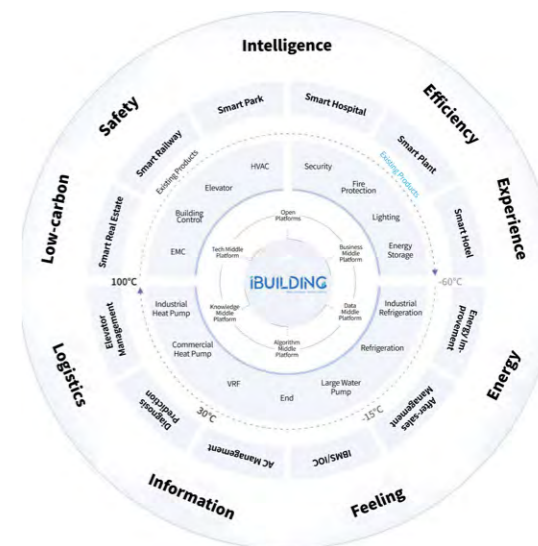


Midea's Green HVAC Solutions for FIFA World Cup Qatar

**Midea launched iBUILDING, a one-stop carbon management system for business**

The national 14th Five-Year Plan proposed to strengthen the strategic research as well as technology integration and innovation in key frontier fields such as artificial intelligence and digital twins, to boost urban data resource systems and data brains. Midea constantly integrates and associates building data and has created iBUILDING, a digital building platform that integrates digital twins, AI, IoT and other technologies. Based on digitalization and the energy conservation and carbon reduction capabilities, Midea strives to solve problems in the field of intelligent buildings, such as interconnection of facilities and equipment, energy conservation and carbon reduction.

In December 2022, Midea released the iBUILDING carbon management system, which aims to provide companies with one-stop carbon management solutions and help accelerate their zero-carbon pathways through digitalization. The system provides customers with professional and efficient carbon management tools from four core dimensions: organizing carbon checks, product carbon footprint, carbon emission reduction management, and carbon asset management. The system allows for equipment-specific quantified carbon emission management, which enables refined tracing of the causes of high carbon emissions and efficient allocation of carbon calculation solutions to help enterprises carry out scientific carbon management. To meet the needs of different fields and industries, Midea continuously improves iBUILDING, and has identified hundreds of emission sources and formed a factor database with 1,000+ selected emission factors, providing professional carbon-checking tools for industrial parks, office parks, buildings and other businesses.



iBUILDING Ecosystem Overview

**Midea joined hands with Douyin's Volcengine to embark on a new journey of building digitalization**

In 2022, Midea partnered with Volcengine for the intelligent transformation of Shanghai Douyin's office park in New Jiangwan City, which covered an area of 280,000 square meters. This cooperation would integrate Midea's iBUILDING and Volcengine's public cloud platforms, connecting data between cloud platforms and between different devices. As for applications, the two parties will create smart environmental regulation systems, smart elevator management systems, energy management systems, smart fire protection systems, smart parking systems and other products covering all scenarios of digital parks for the full digitalization and intelligence of park management. In the future, Midea will continue to explore innovative development paths, build the world with a digital vision, and create low-carbon, intelligent buildings for the future.



# SOCIAL CONTRIBUTIONS



# 03

## Quality and Services



### Performance Highlights

30%

Increase the full-process service efficiency by 30%

98.14%

Achieve a customer satisfaction rate of 98.14%

3+N

Establish a systematic "3+N" quality responsibility mechanism

Product quality and safety are the lifelines of Midea. The Group builds an intelligent quality management system to continually enhance its core competitiveness in quality, and sticks to product innovation driven by technology and product strategies. Under a user-centered philosophy, it brings a more comfortable life experience to every user by offering high-quality products.

## High-quality Products

Midea, while remaining steadfast in pushing ahead quality revolutions and improvement, under the guidance of its quality strategy, has formed a pan-safety management mechanism with product defect prevention management, information security and privacy protection as its core, thus guaranteeing quality and safety across full scenarios and meeting users' needs for a better life.

## Strategic Quality Management

To implement the national strategy of building China into a manufacturer of quality and the "14th Five-Year Plan", Midea Group, based on the overall strategic objectives, combined with customer demands and other internal and external factors analysis, has clarified the quality vision, quality strategy and quality culture of Midea, and unswervingly promoted quality revolutions and improvement.

In 2022, Midea continued to practice an intelligent quality management model with global-oriented quality safety management and control, and constantly provided users with trustworthy products and services through a refined, quantitative and efficient total reliability system methodology.



### Development Stages of Quality and Safety Management

#### Quality and safety 1.0

- Compliant with the Product Safety Law, the Product Quality Law, and other laws and regulations.
- Higher-than-industry-standard reliability design and manufacturing, with safety review from "six dimensions"

Safety review + Device attenuation control + Process PL review

Mandatory/recommended safety control

#### Quality and safety 2.0

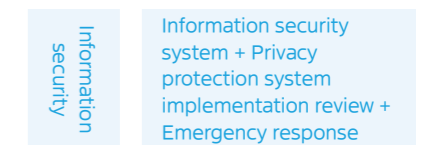
- Safety defect management under non-mandatory safety standards
- Physical safety: Prevention and improvement of safety defects



Pan-safety control

#### Quality and safety 3.0

- Information and cybersecurity: obtained the declaration of conformity of TÜV SÜD's ETSI EN 303 645 (V2.1.1)
- Established a global OBM system for quality and safety compliance and prevention, created compliance maps for multiple scenarios, and implemented global quality and safety compliant operation



Global quality and safety control

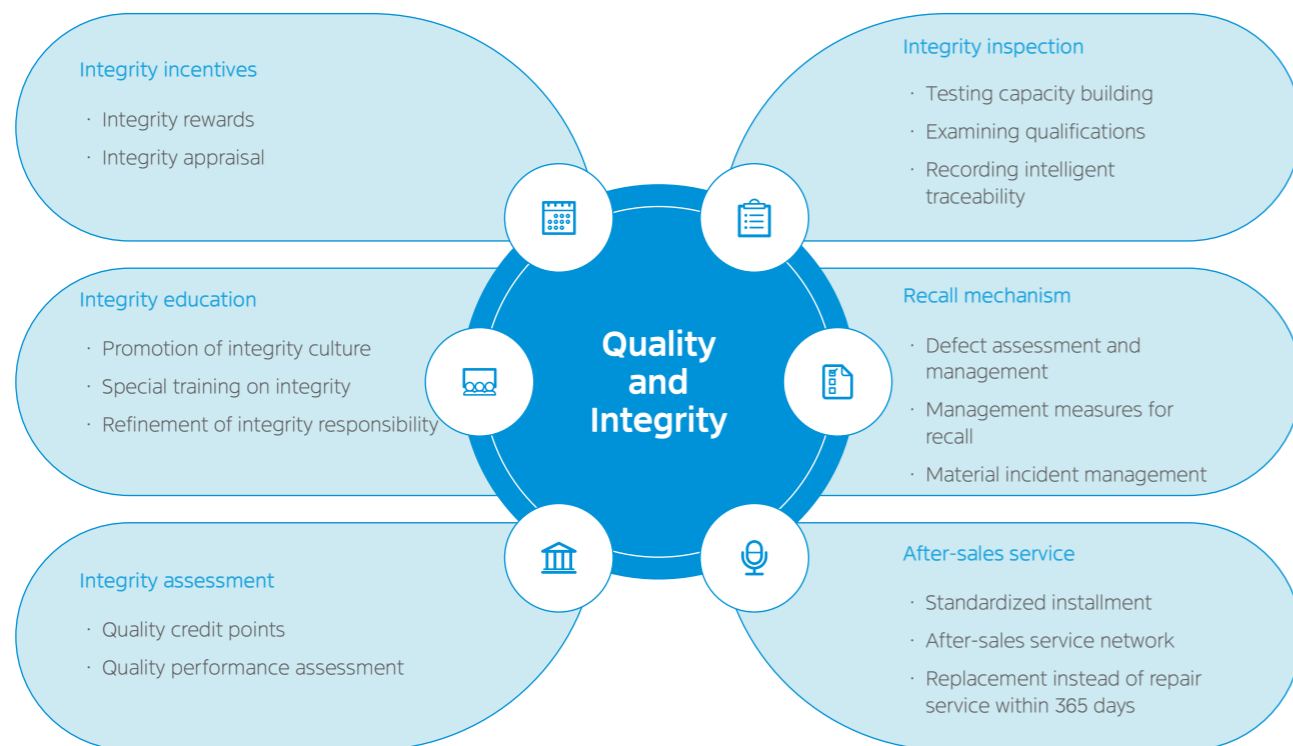
### Quality Assurance

To effectively implement the quality strategy and culture, Midea has built a systematic "3 + N" quality responsibility mechanism (3 refers to three layers of strategy layer, organization layer, and implementation layer, N refers to all kinds of major quality responsibility accountability, etc.): the group vice president serves as the chief quality officer, and the first person in charge of the five business sectors or business groups, business unit president is primarily responsible for quality and safety, and implements the goals and KPIs of the quality and safety responsibility system. At the same time, a documented quality management system covering the whole life cycle of marketing, R&D, procurement, manufacturing, logistics and after-sales has been established.

Based on the six dimensions of quality and integrity, Midea has established a four-dimensional quality and integrity model, signed the *Enterprise Quality and Integrity Management Commitment* and carried out integrity supervision. All of these eventually formed an honest and trustworthy quality self-discipline mechanism. Meanwhile, Midea has established a quality management system covering the whole organization operation process, such as *Administrative Measures for Quality Responsibility Traceability*, *Administrative Measures for Quality Responsibility System*, *Quality Internal Control Manual*, etc. by deepening the "Five Precision" project (precise planning, exquisite R&D, lean manufacturing, sincere service and high-quality) of the whole value chain. With respect to quality system construction, Midea has obtained certifications of ISO9001, ISO14001, ISO45001, BSCI, C-TPAT, etc., which not only improves its competitive advantages, but also boosts safety management and helps the Company keep up with international standards.

Product safety and quality compliance are always top priorities of Midea Group. In 2022, it exercised control over safety compliance from nine dimensions such as product safety and compliance system and monitoring, compliance with regulations and standards, and compliance management of new products, and constantly improved product quality while adhering to the basic red lines of compliance. Based on a holistic system, Midea attached great importance to the identification and prevention of quality and safety hazards, established control rules and verification methods in accordance with system requirements and product quality and safety elements, and implemented quality and safety supervision and evaluation on all staff throughout the whole process. It supervised continuous improvement based on the evaluation results, and promoted quality assurance work improvement through daily audits (supervision and sampling, business self-inspection) and quality internal control management.

#### Six Dimensions of Quality and Integrity



### Quality and Safety

Dedicated to safety risk control from the design source, Midea has carried out comprehensive assessments of each product at the stage of proposal design, implemented safety risk control throughout the whole process of product development, trial production and market launch, and guaranteed product safety by compliance review of design and development, as well as careful control.

#### All-around safety review

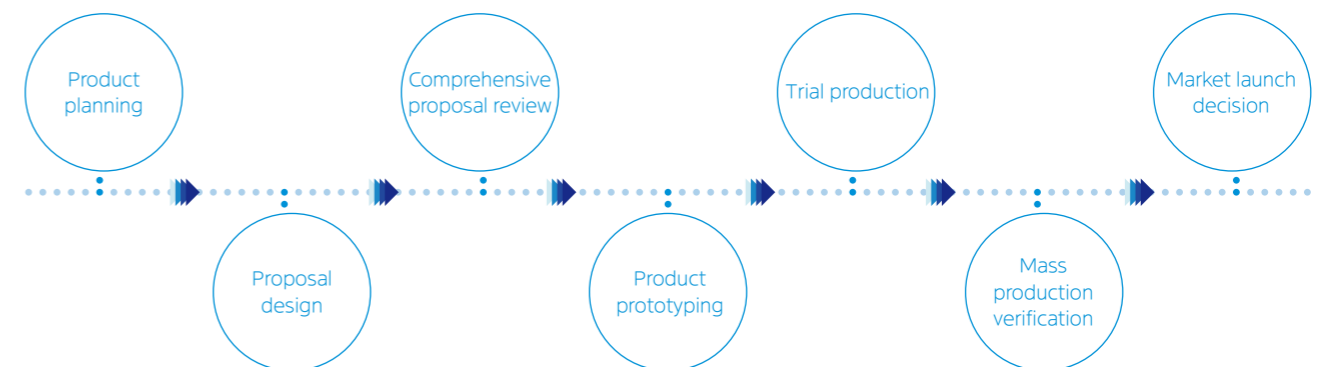
##### At the proposal design stage

Experts from various fields are brought in for professional reviews of the proposal design, with comprehensive assessments from aspects of structure, performance, electric control, appliance, safety rules, reliability, manufacturability, transportation, storage and new materials, to generate a comprehensive product assessment report and control risks from the design source.

##### At various stages throughout the entire process

Safety reviews are conducted according to safety rules, with performance testing based on the comprehensive test plans for the new products, physical testing result confirmation at the trial production stage before mass production verification, output of product compliance review as per the regulations governing the market region, and final compliance confirmation of new products through product certification.

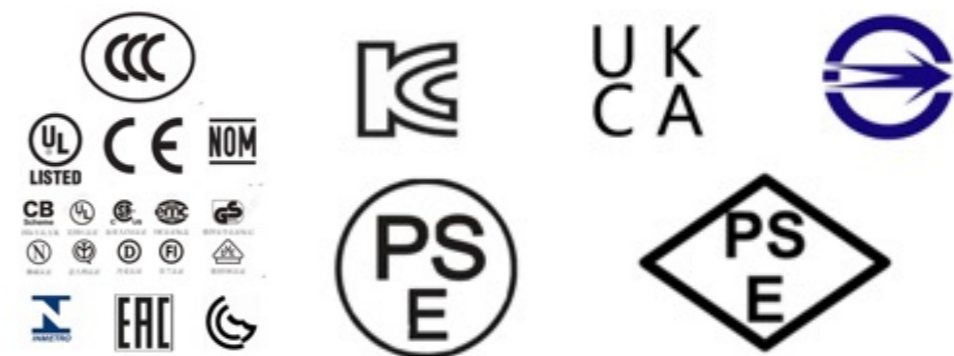
#### Product development framework



### Safety certification management and control

Besides continuous safety reviews, Midea never stops the management and control of design and development certifications so as to constantly improve the core competitiveness of its product quality. Products sold in the domestic market are required to pass certification testing and obtain relevant certificates before mass production. Those to be sold overseas must pass certification testing before mass production and obtain corresponding certificates upon finished product inspection after the first batch production. Otherwise, no shipments shall be allowed. In the decision-making process for quick launch of new products, Midea organizes relevant quality personnel for countersignatures, focusing on confirming product certification, product safety, environmental protection and compliance with local regulations, for the sake of ensuring product quality and safety. Thanks to the quality strategy and management, Midea's products have obtained multiple product safety certifications from many countries around the world.

#### Safety certification list of Midea products





## High-quality Services

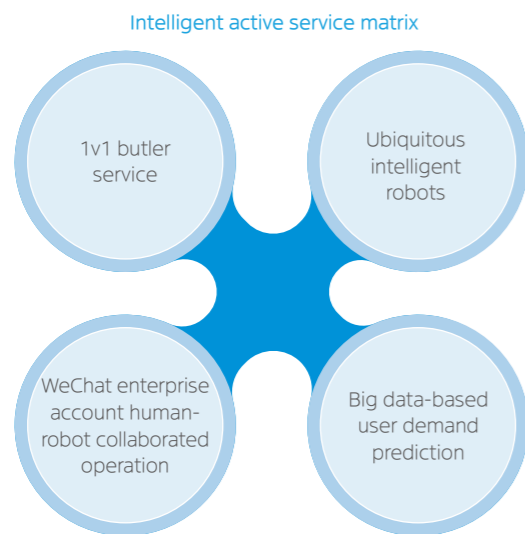
Midea Group continuously improves user experience by adhering to the user-centered service philosophy. From the perspective of optimizing business process, the Company located pain points of the service system in an all-around manner, eradicated the waste of service process and business operations and enhanced service efficiency with reference to industry benchmarks. In 2022, it improved the full-process service efficiency by 30% and reduced 100 items from its workload.

### Enhanced Digital Service

Intelligence and digitalization were the keywords for services provided by Midea in 2022. Based on big data analysis, Midea transitioned from passive service to active service, and ameliorated customers' interactive experience with the use of robots.

#### Build an intelligent proactive service matrix

In order to improve active service rate and self-solving rate of simple problems, Midea predicted user demands based on big data, constructed an intelligent active service matrix of "1v1 butler service + ubiquitous intelligent robots + WeChat enterprise account human-robot collaborated operation + big data-based user demand prediction", introduced hundred-million private traffic and built a common private domain 1.0 operation platform at the group level. In 2022, Midea supported modularized flexible configuration and the launch of 33 active service scenarios through various channels, and provided active services of more than 5.2 million times.



5.2 million times

Active services

#### Rely on digital guarantee of spare parts supply

By implementing the projects of intelligent stock replenishing and warehousing network optimization, Midea Group continually improved the efficiency of spare parts supply and boost lean operations. In 2022, Midea built a big data-based intelligent stock replenishing model, and enhanced efficiency and accuracy of spare parts planning by gradually reducing the reliance on human experience, and achieving an over 80% participation of the model.

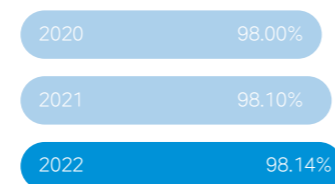
### Better User Experience

Midea put itself in the user's shoes, and constantly improved the service process with the commitment to providing users with better service experience. In 2022, its user satisfaction rate reached 98.14%.

#### More transparent service process

In 2022, Midea restructured its former service process and raised service quality by inviting users to participate and supervise. The Company issued professional reports on the service content after completing basic services, so as to maintain information symmetry for users. Moreover, service charges were also restructured from the user's perspective to achieve full-process transparency.

User Satisfaction Rate



### More densely distributed service network

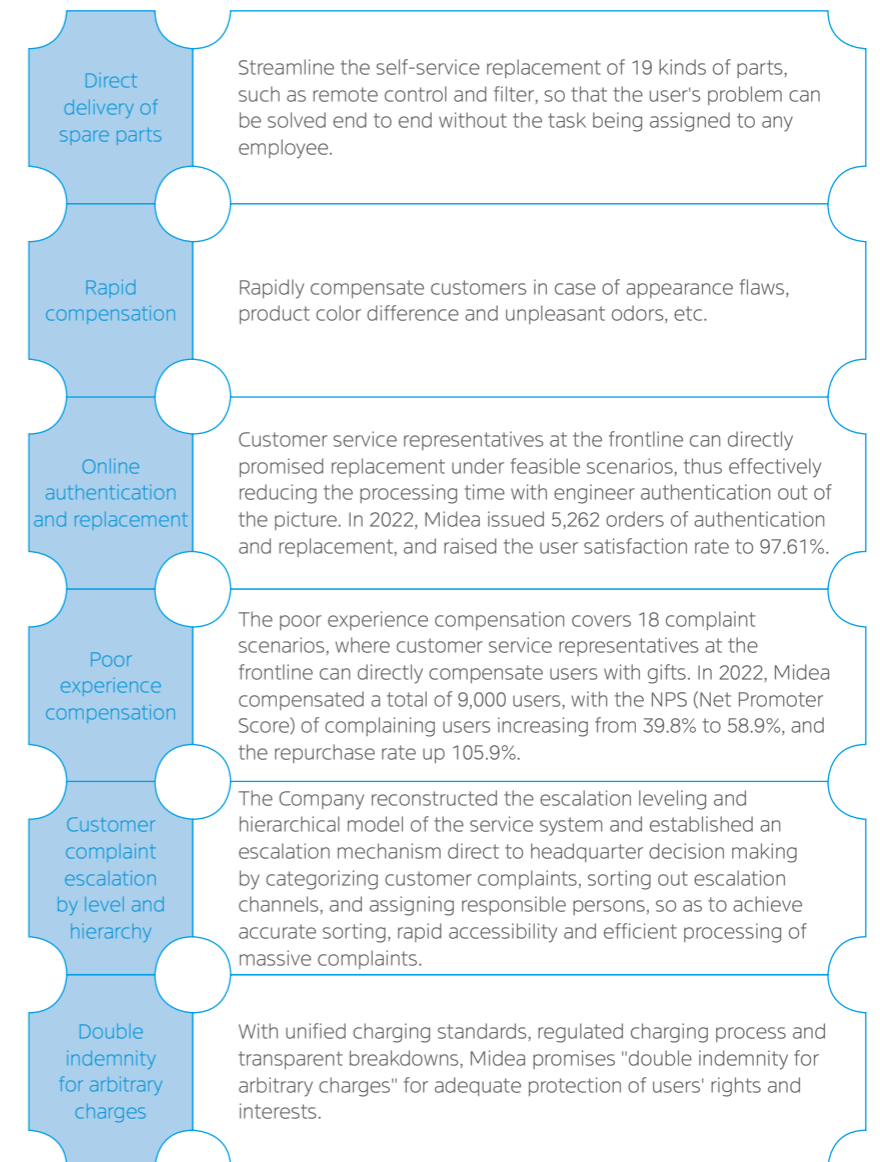
Based on a network distribution of suite service outlets, Midea enforced service standards by highlighting business performance and integrating all-category service capabilities of suite service outlets. In 2022, Midea had 2,183 suite outlets, with 2,700 full-skilled workers and 9,249 multi-skilled workers for door-to-door categories. At the same time, Midea built a self-service system across all scenarios of home appliance, met different user needs with self-service and remote services, provided responsive, professional and convenient services to users and made its services more easily accessible.

### More intelligent service experience

Regarding customers' interactive experience, Midea assigned more services to robots by expanding access channels of robots and optimizing the reception procedure. In cooperation with Shanghai AI Innovation Center on the independent research of individualized TTS, robot FAQs, error correction and autocomplete of address, Midea upgraded user experience of communication and interaction with robots in an all-around manner. In 2022, voice and text robots processed 9.52 million online requests.

In 2022, Midea also pushed ahead with user services centered on "agent authorization", and delegated power to frontline employees to facilitate online resolution rate and solve problems for users more promptly. In the same year, Midea granted the authorizations of direct delivery of spare parts to users and rapid handling of compensation, etc.

#### 2022 Key work for agent authorization



### Customer Privacy Protection

Midea respects the privacy of every customer, and regulates the use and processing of personal information strictly pursuant to relevant laws and regulations on the safety protection of personal information. For effective protection of customer privacy, Midea introduced the privacy number, data security and risk management mechanism, and obtained the certifications of ISO/IEC 27701:2019 Privacy Information Management System and GB/T22080-2016/ISO/IEC27001:2013 Information Security Management System.



Midea's core strategy for privacy information management

Reduce the organization's compliance risks

Specify compliance goals of privacy protection management and reduce compliance risks by clarifying privacy protection requirements for processors of personal identity information.

Improve its own data security capabilities and risk management

Through process analysis, identify, analyze and verify privacy protection requirements during input, output and control of the process to convey the value of privacy protection, and reduce or even eliminate the risk of privacy leakage.

Place trust in authentication of personal identity information

Customers or partners provide relevant evidence to the processors of personal identity information to facilitate the privacy management system of data processing and use.



# 04

## R&D and Innovation



### Performance Highlights

RMB 12.619 billion

Total R&D investments

20,782

Number of R&D personnel

1,500+

Participation in the formulation and revision of over 1,500 external technical standards

4,000

More than 4,000 invention patents granted worldwide

Midea sticks to the "Technology Leadership" strategy and has been dedicated to building a globally competitive R&D and innovation mechanism. With a scientist system and a three-level technical committee, Midea has formulated and implemented the technology strategy to continuously improve its capabilities of making breakthroughs and becoming the leader in core technologies.

## R&D System

Midea Group has created a sustainable innovation and R&D system for better support of R&D, and laid a solid scientific and technological foundation through talent training and strategic deployment.

Scientific and technological development won't be possible without the support of talents. Midea has set up 35 research centers with more than 20,000 R&D staff and over 500 senior foreign experts in 12 countries. By virtue of the "2+4+N" global R&D network, the Company gains advantages from R&D on a large scale. In the past 5 years, Midea invested more than RMB 50 billion in R&D, and up to RMB 12.619 billion in 2022. Moreover, Midea actively advanced the construction of its innovation platform. In 2022, Midea obtained the approval for three national innovation platforms, including a National Key Lab and a National AI Open Innovation Platform by the Ministry of Science and a Technology and Cross-Industry and Cross-Field Industrial Internet Platform by the Ministry of Industry and Information Technology, demonstrating the Company's high-quality and high-level construction of scientific and technological innovation platforms. As of 2022, Midea has over 85 national platforms such as the national certified enterprise technology center, national industrial design center, and national postdoctoral research station, as well as innovation platforms like the provincial key lab and engineering technology center.

Midea continues to accelerate and deepen its global technological ecosystem. At home, Midea takes the Global Innovation Center in Shunde HQs and the Shanghai Global Innovation Center as the core, while overseas it owns research centers in the USA, Germany, Japan and Italy as its main force of research and development to fully exploit to the regional technological advantages of each center, integrate global R&D resources, form a global technology R&D ecosystem with complementary advantages, and systematically build a global R&D landscape with talent density and pool guided by the "Technology Leadership" strategy.

In the year when digitalization was flourishing, Midea continued to deepen its digitalization process and created a connected ecosystem benchmarked under the directions of initial DTC (direct to consumer) digital platform, AIoT equipment interconnection and industrial human-machine connection in the fields of smart home, smart building and smart logistics, etc. As for R&D digitalization, the Company built digital capabilities in four domains (digital business planning, technological innovation, digital development and experience upgrading) in 2022, with 15 items of digital systems, including product launch innovation, best-seller creation, modular development and simulation tools, to boost the R&D efficiency by 30%.

### Total R&D investments

RMB billion



### Number of R&D staff

persons



## Innovation Capacity Building

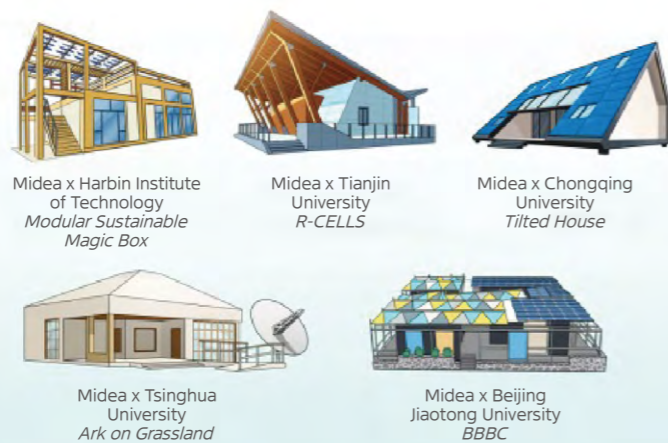
To further promote the "Technology Leadership" strategy, Midea released the "3+1" standardization strategy of "Innovation Patentability, Patent Standardization, Standard Internationalization and Midea Standard Goes Out", and established a two-level standardization management system for Midea and its business divisions. In 2022, Midea continued to deepen the technical standardization strategy, with an aim to further contribute to the advanced technology standards of the industry in an all-around manner and create more value for its users, partners and the industry.

Up to 2022, Midea has more than 60 core standard staff, including 14 full-time standardization engineers and over 50 technical standard experts from home and abroad. By the end of 2022, Midea participated in 1,500+ external technical standards, including 50+ international standards, 500+ national standards, 200+ industry standards, and 700 group and local standards. In 2022, Midea participated in 314 technical standards, including 11 international standards, 65 national standards, 22 industry standards, and 216 local and group standards.

### Research cooperation with universities

Adhering to the "Technology Leadership" strategy, Midea actively promoted R&D capabilities fostering and technological deployment both at home and abroad. In China, Midea launched strategic cooperation with universities including Shanghai Jiao Tong University, Xi'an Jiaotong University, Tsinghua University (Future Laboratory) and East China Normal University, and set up joint technology labs with Zhejiang University, Huazhong University of Science and Technology, South China University of Technology and Xi'an Jiaotong University, for explorative research on privacy computing, advanced manufacturing, advanced preservation technology, and energy efficiency technologies, etc. Meanwhile, Midea is cooperating with overseas universities such as Massachusetts Institute of Technology, and the University of Illinois in terms of anti-corrosion, green and environmentally friendly materials, indoor air quality and refrigerant substitutes, etc.

In the Solar Decathlon China (SDC) 2022, Midea joined hands with five universities (Tianjin University, Tsinghua University, Chongqing University, Harbin Institute of Technology and Beijing Jiaotong University) to build five smart, environmentally friendly and low-carbon "Future Home", among which the R-CELLS new energy home jointly developed with Tianjin University scored No.1 in the SDC competition, securing 8 first prizes and a second prize in the ten sub-competitions. The cooperation with other partner universities also achieved good results.



Midea x Harbin Institute of Technology  
Modular Sustainable  
Magic Box

Midea x Tianjin University  
R-CELLS

Midea x Chongqing University  
Tilted House

Midea x Tsinghua University  
Ark on Grassland

Midea x Beijing Jiaotong University  
BBBC

## 62

Internationally leading technologies

## Commercialization of Scientific and Technological Achievements

Under the guidance of a sustainable innovation and R&D system and centered on user needs, Midea developed innovative products through multiple channels, built global product platforms, improved product efficiency with group business planning and development model, and realized capabilities of technology leadership. In 2022, Midea launched a multitude of innovative products, and synchronously created a product family image for KUKA AMR, Hiconics and Servotronix toward corporate users based on multiple ToC brands. The brand-new appearance iteration and interactive upgrading have thus completed. In 2022, Midea had 62 technologies verified as reaching the international leading level, and undertook 17 scientific research projects, with an accumulation of more than 270 internationally leading and advanced technologies.

While engaging in core technology research, Midea pays even greater attention to the commercialization and protection of R&D achievements. By the end of 2022, Midea (including TLSC) was granted with more than 4,000 invention patents worldwide, and obtained more than 80,000 patents and licenses. During the selection of the 23rd China Patent Awards in 2022, Midea won multiple awards including six excellence awards for patents such as "Recommended Methods, Systems and Big Data Servers for Air Conditioners and Their Running Parameters".

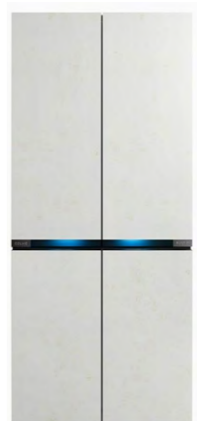
### Mobile air sterilizing purifier

Amid COVID-19, Midea released its first mobile air sterilizing purifier, the Protector. This product innovatively adopts dual disinfection factors of plasma and hypochlorous acid, capable of quickly sterilizing 99.9% airborne coronavirus in 30 minutes by allowing circulating air flowing through plasma friction power grid, and actively releasing and settling hypochlorous acid to disinfect bacteria and viruses on the surfaces of door handles, ground and walls, so as to provide a truly healthy and safe space. Protector not only reaches the industry leading level in terms of purification energy efficiency with particle CADR<sup>1</sup> up to 600m<sup>3</sup>/h and formaldehyde CADR up to 140m<sup>3</sup>/h, but also provides convenient user experience because it can be repeatedly used after regular cleaning of primary efficiency filter and self-friction filter.

### New flat built-in refrigerators

The flat built-in refrigerator launched by COLMO, a premium AI-powered home appliance brand of Midea, is designed with forward-in forward-out bottom square-shaped heat sink, gull-wing orbit-transfer hinge with 28 patent certificates, and middle evaporator with 25 patents. The refrigerator is 600 mm thick with a 2 mm margin at each side edge, so that its front, two sides and back can be fully built in and integrated with the home space. The refrigerator door adopts the first quick-removable panel design in the industry to achieve instant panel customization and allow users to replace the panel based on their preferences. The tracking handle, which can identify the user's intention to open the refrigerator door, provides a more convenient intelligent tech experience for users.

Furthermore, the five-dimension technology mix of "temperature, humidity, air, light and purification" may create an ecological environment with constant temperature and humidity and low oxygen, thus effectively regulating the metabolism of fruit and vegetable so they can be preserved for a longer period of time. It can also multiply deficient nutrients for human beings, such as anthocyanin and polyphenol.



Midea flat built-in refrigerator

<sup>1</sup>Clean Air Delivery Rate (CADR) is the rate at which an air cleaning device delivers clean purified air measured according to strict testing standards of the Association of Home Appliance Manufacturers (AHAM). The higher the CADR number for each pollutant, the faster the device filters the air.



# 05

## Talent Training & Development



### Performance Highlights

RMB 1 million

Granted awards of over RMB 1 million to individual employees at the Technology Forum

1,051,611

M-Learning received 1,051,611 views

RMB 1,700 million

Provided assistance funds of over RMB 17 million for employees

RMB 228 million

The total investment in EHS reached RMB 228 million

MG takes talents as the core competitiveness for corporate development, adopts an open staffing system, and has formed the talent concept of "be people-oriented, drive employee diversity, and promote fairness, openness and inclusiveness". Midea continuously improves its talent structure required for its strategic transformation in the new development stage and builds a sound talent system with respect to the employee's rights, development, occupational health and safety, etc., to facilitate talent growth.

## Employee Rights and Care

Treating every employee equally with respect, MG is committed to safeguarding and protecting the legitimate rights and interests of its employees, providing them with competitive remunerations and benefits, and creating a company with humanistic care to make employees feel cared for and motivated.

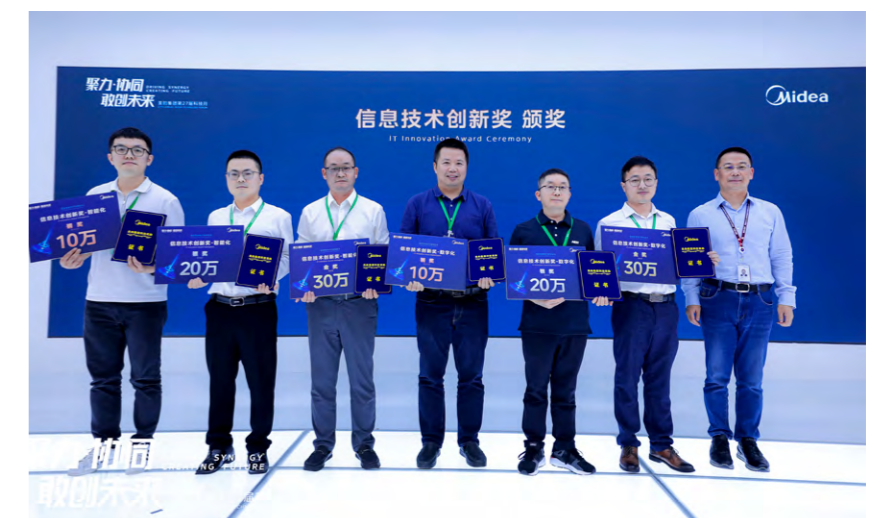
### Equal Employment

Adhering to the equal employment principle, MG implements equality during employment and secures their basic rights and interests in its global operations through a sound employment compliance management system. Midea signs labor contracts with its employees in accordance to the law and strictly prohibits any discrimination against nationality, region, race, ethnicity, gender, age, etc. to ensure that the rights and interests of employees around the world are under the protection of local laws, regulations, terms and guidelines. In addition, it also prohibits the use of child labor and forced labor and proactively protects the rights and interests of female employees.

### Remunerations

Midea abides by the local laws and regulations of all countries and regions, secures equal pay for equal work for its employees, and provides them with competitive remunerations. With value contribution and professional capability as the basis, Midea provides employees with competitive remunerations in the industry based on their job responsibilities and skill levels and puts forward salary increase plans on an irregular basis according to its financial performance and employees' development and contributions. To ensure performance-oriented remunerations and incentives for employees, Midea distributes annual performance bonuses based on its own performance and the employee's performance to share its development achievements with employees.

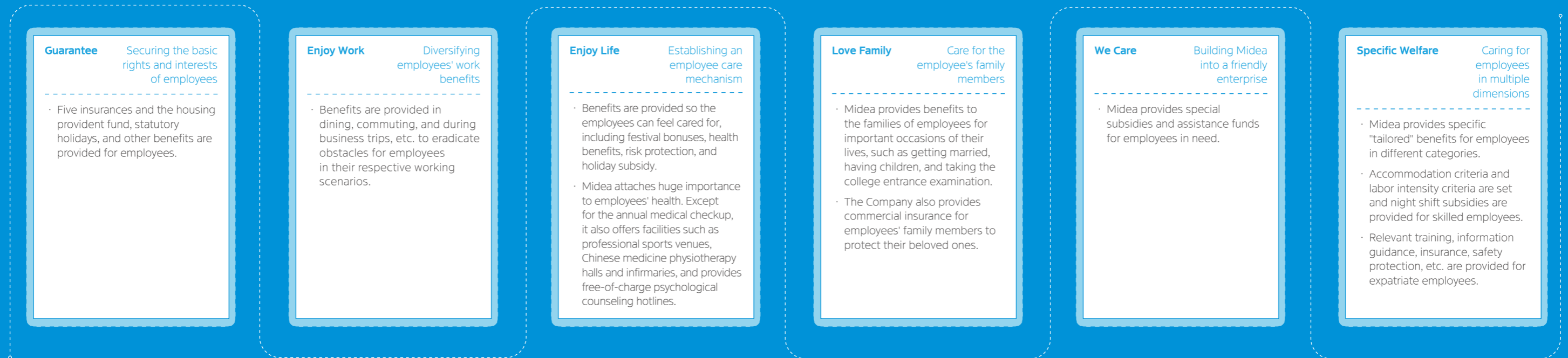
Meanwhile, under the Technology Leadership strategy, Midea offers special awards for innovation projects beyond regular remunerations and incentives to encourage innovation and breakthroughs. It has established a full-process innovative incentive mechanism for management, operation, and technology projects, which covers numerous dimensions including the innovation sources, processes, and achievements, with flexible and diverse incentive forms, including project rewards, salary subsidies, and tilted benefits. Midea commends scientific and technological innovation projects at its Technology Forum annually and rewards those who have made significant scientific research contributions to the Company. By the end of 2022, the highest reward amount for award-winning scientific and technological innovation projects at Midea Technology Forum has reached RMB 5 million, and the highest reward amount for award-winning individuals has exceeded RMB 1 million, with the cumulative reward amount of the event exceeding RMB 450 million.



Midea Technology Forum Awards Ceremony

## Employee Care

Besides protecting the basic rights and interests of employees, Midea provides employees with benefits and care covering health, finance, risks and other aspects. As the Company further develop and employee needs continue to change, Midea constantly improves its employee benefits system, rewards employees for their efforts, and enhances their sense of gain and belonging. Midea's welfare system currently covers six sections: Guarantee, Enjoy Work, Enjoy Life, Love Your Family, We Care, and Specific Welfare<sup>1</sup>.



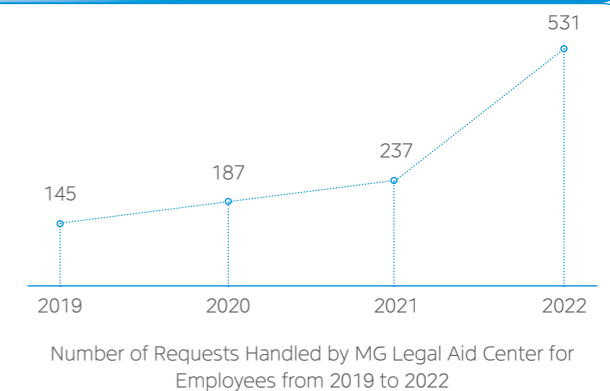
<sup>1</sup>The welfare programs that employees enjoy are differentiated with the specific conditions of the region or country where they work, fully reflecting Midea's tolerance and respect for regional and employee diversity.

### "May I" Support Funds offers more care to employees

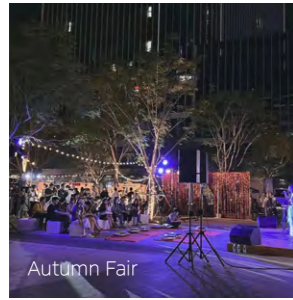
To better convey the warmth of the company to employees and enhance their sense of belonging, Midea established the "May I" Support Funds in 2007, which aims to assist employees suffering from economic difficulties due to critical diseases, accidental injuries, or other particular incidents. All employees of MG can apply for aid funds for themselves or their immediate family members over medical expenditures on critical diseases or accidents. The assistance fund is granted annually upon approval of the application. A long-term support mechanism of the assistance funds has been established over the years, creating a loving, considerate and warm company environment. In 2022, the Funds helped a total of 179 employees, giving out support funds of over RMB 17 million.

### MG Legal Aid Center for Employees

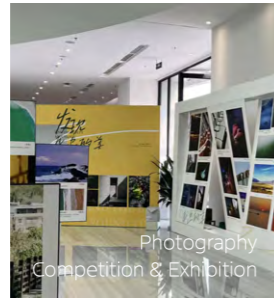
Midea established the MG Legal Aid Center for Employees in August 2019 to provide employees with professional legal advice and assistance concerning house purchase and leasing, consumer rights protection, loan disputes, traffic accidents, marriage and family, medical disputes, etc. After several years of development and improvement, Midea has enabled the full-process online operation for the center, which significantly enhanced the efficiency of legal aids for employees. In addition, Midea invites employees to rate their satisfaction with the center in terms of timeliness, professionalism, accessibility, and willingness to recommend, to continuously improve the services of the center. In 2022, the center handled 531 requests from employees, securing a satisfaction rate of 4.8 points (out of 5 points).



Midea advocates "efficient work and happy life" while constantly improving employee benefits, and has created a diverse employee activity system. It organizes a variety of activities every year to show its care for the employees, activities such as family day, photography competitions and group weddings, which not only enrich the leisure time of employees but also create a lively and warm corporate environment. MG and all entities regularly hold themed activities for employees to experience an open and inclusive office culture, including the International Women's Day Salons focusing on female employees' self-expression and self-appreciation and the Retirement Ceremonies to appreciate those who have worked in Midea for a long time before retirement.



Autumn Fair



Photography Competition & Exhibition



Retirement Ceremony



International Women's Day Salon



Group Wedding



Family Day

Employee hobby-based activities to boost work-life balance

Midea supports and encourages employees to engage themselves in diverse activities during their spare time. At the Group level, there are nine hobby-based associations for employees including badminton, basketball, singing and dancing, photography, frisbee, tennis, volleyball, swimming, and running associations. These associations organize activities on a regular basis to help employees find like-minded partners for their interests, providing conditions for employees to balance their work and life.



The 8th Midea "Unite and Share" Badminton Team Competition 2022



Daily Activities of the Frisbee Association

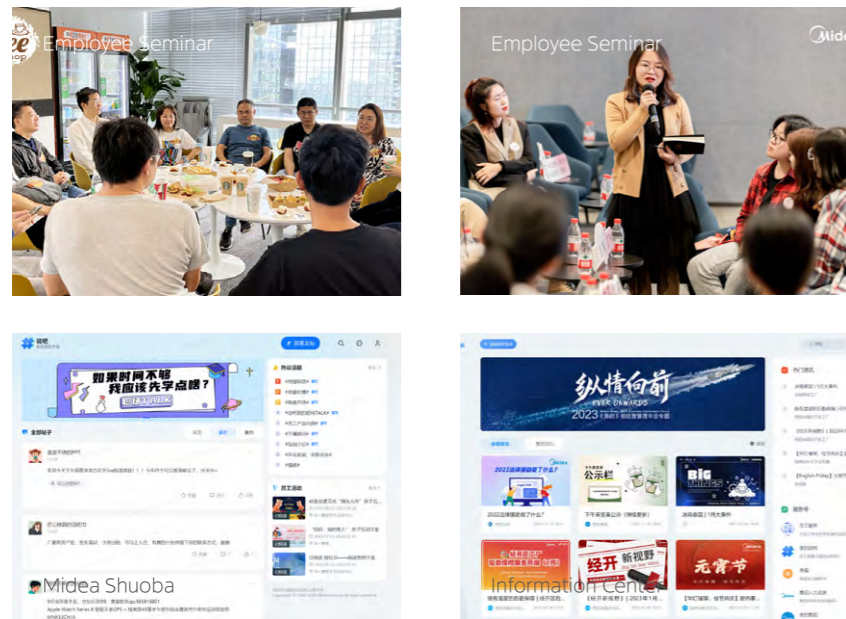


The Wage Earners Band of the Singing and Dancing Association participated in the Radio, Eoshan City Folk Music Competition on behalf of MG.

## Employee Communication

Midea values the communication with its employees and is committed to shattering the barriers that hinder communication between different levels. Open and equal communication platforms have been built to encourage employees to take ownership at work and help push forward the development of Midea.

For more employees to make suggestions for the Company's development, Midea has set up feedback channels such as Direct to Chairman and Direct to HR Director where employees can directly communicate with the senior management. It also holds employee seminars from time to time to listen to employees' ideas and voices. Midea also continuously operates and upgrades "Midea Shuoba", a community communication platform for employees to post questions or suggestions in every dimension of products, services, life, etc. by using their real or anonymous names. Moreover, Midea has created an internal publicity platform with content concerning the Company's operations and employees' lives. Sections such as "Information Center", "Midea TV" and "Employee Benefits" have been set up to deliver the corporate concept and culture to employees through diverse content.



Midea pays attention to employees' requests and feedback, and aims to improve employee engagement from the three aspects of empowerment, burden reduction and development:



## Employee Growth and Development

We believe that a meaningful employer brand - Be the game changer - can only be established through care and trust for every talent. Midea is a global game changer with a spirit of discovery and transformation and offers a "lever" to move the world - talent will be able to grow, innovate, and transcend on Midea's global platform. Together, we will define the frontier of technology and make the world a better place.

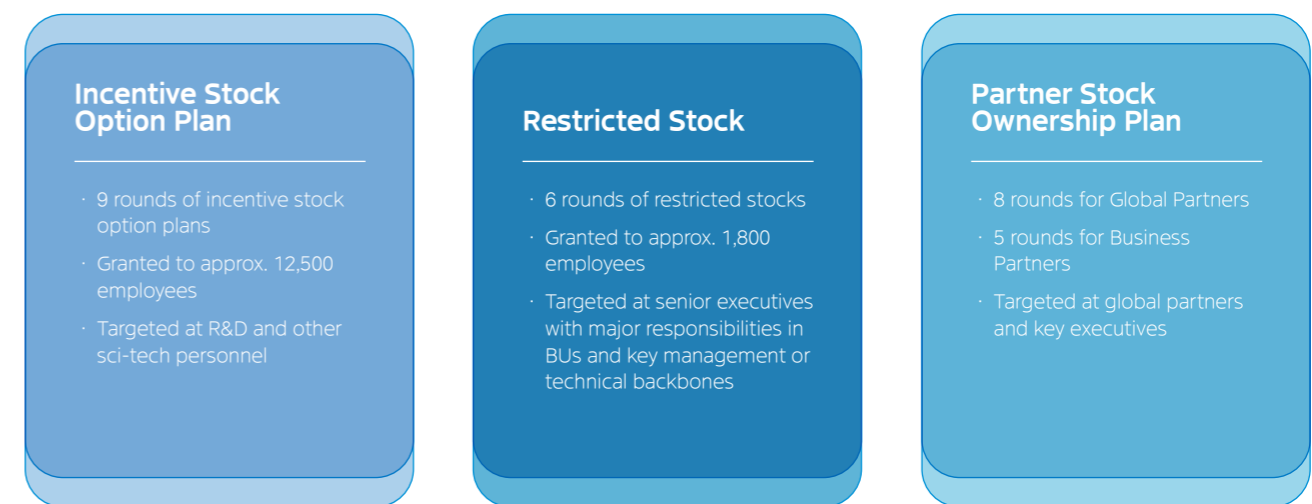
### Career Development

Midea provides a career development system for employees to boost their professionalism. It guarantees the career development channels of employees from the system level and clarifies the promotion channels and corresponding qualifications through the *Administrative Measures for Midea Group Grade System* and *Administrative Measures for Midea Group Job Qualification System*. Meanwhile, Midea also established a set of goal-oriented performance evaluation and responsibility systems, which comprehensively cover performance targets and plan formulation, communication and counseling, phase review, evaluation and feedback, improvement plan, etc. to help employees improve themselves. Since 2021, Midea has internally promoted the OKR<sup>1</sup> tool to encourage employees to speak their mind, inspire innovation from the bottom up, and train self-driven employees.

Midea also puts in place a diversified long-term incentive mechanism to create a broader development space for its employees and help them tap into their potential in delivering challenging and creative work. It has launched long-term incentive schemes for nine consecutive years since 2014. For key management personnel, partner incentive schemes have been put in place to encourage entrepreneurship and create internal entrepreneur family; and with respect to other key employees,

stock option and restricted share incentive schemes featuring employee alignment and value sharing are established to drive common growth under a long-lasting incentive mechanism. To ensure compliance in the incentive system, Midea has compiled performance incentive management rules and carries out regular compliance checks on internal control to implement standardized whole process management and monitoring for policy design, resource decision, standard setting and payroll accounting.

Stabilizing employment is a major issue mentioned in the 14th Five-Year Plan on ensuring people's livelihood. MG actively fulfills its social responsibilities and provides job opportunities for fresh graduates. To have better connections with the students, Midea adopts online and offline recruitment presentations to introduce the positions, company environment, career development prospects and other aspects for graduates. During the global campus recruitment period in August 2022, Midea adopted lively and interesting online recruitment presentations and live-streamed more than 20 recruitment presentation sessions. The special sessions for overseas students from the United States, Germany and other countries registered over 500,000 views, providing targeted career development support for graduates.



<sup>1</sup>Objectives and Key Results (OKR) is a set of management tools and methods to clarify and track objectives and their completion.

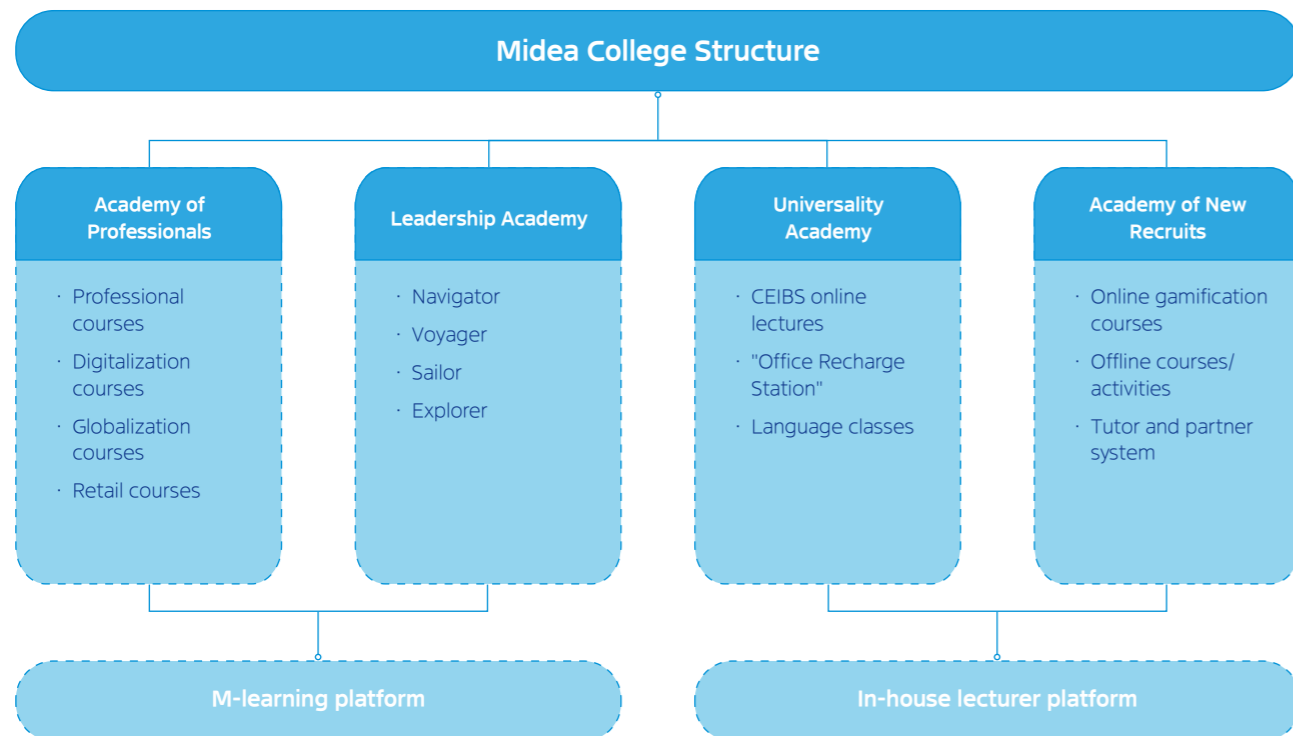




Employee training

## Employee Training

Committed to creating a corporate culture that encourages lifelong learning, Midea has established a sound talent training system to continuously tap the potential of employees and improve their professional and general skills. Midea's talent training system consists of three layers: Midea College, Business Group/Business Division/Platform HRs, and BU/Factory/Department HRs. Based on the company's strategies and business needs and the employee's demands, while taking into account the different development stages and challenges the employees are facing at work, the talent training system provides corresponding training programs for employees, such as employee orientation training, job skill training and management skill improvement training.



Located in Midea Global Innovation Center, Midea College is a talent empowerment center established by MG to promote talent cultivation. For more than a decade, Midea College has positioned itself as "a corporate university dedicated to the lifelong growth of Mideans". In the face of complex and ever-changing requirements for talent development and skillsets, Midea College focuses on building a platform combining "employee growth, strategic promotion, and knowledge management" and has taken the lead to build five empowerment centers:

**Newcomer Empowerment Center**

Midea provides orientation training and specialized job skills training or coaching for new employees. It also helps new employees fit in quickly and familiarize themselves with the corporate culture and values through newcomer training programs such as Jchuangmei, Huimei, Jumei, and the Fresh Graduate Training Camp. In 2022, 63 relevant programs were organized, where 9,071 new employees were trained for a total of 74,936 man-hours.

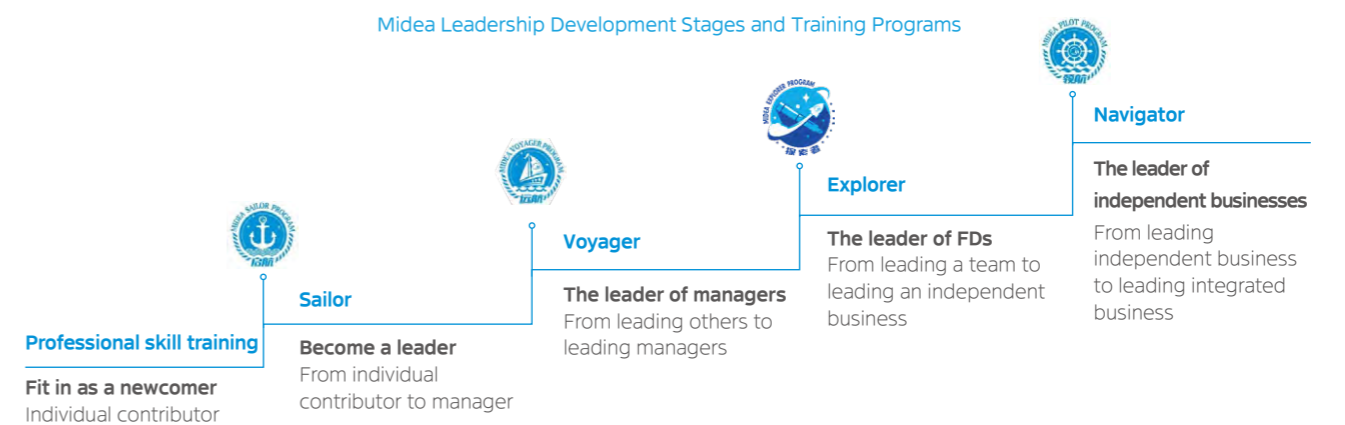
**Leadership Empowerment Center**

Midea has created a manager training system and formed a sound Voyager Series (sailor-voyager-explorer-navigator) training mode for the frontline, middle and senior manager training. In 2022, 37 manager training programs were carried out, where 3,561 employees were trained for a total of 65,778 man-hours.

**Globalization Empowerment Center, Intelligent Manufacturing Empowerment Center, Digital and Intelligent Empowerment Center**

Based on Midea's strategy and business features, these centers facilitate the diversified development of global talents as well as the skill improvement of industrial skilled workers and talents specialized in R&D, manufacturing, and information technology. In 2022, Midea carried out a total of 68 special empowerment programs based on the actual business needs.

In addition, Midea's professional online learning platform - M-Learning empowers all Midea employees through unique learning courses and practical learning functions for their growth. As of the end of 2022, 5,898 lectures have been available on M-Learning with 1,051,611 visits and a total of 425,266 hours being broadcasted.



## Employee Health and Safety

Adhering to the principle of "employees first", Midea attaches importance to employees' occupational health and safety. Strictly abiding by related laws and regulations, Midea constantly improves the working environment of employees to effectively protect their occupational health and safety.

### EHS Management

Midea aims to "create an excellent EHS system with zero accidents, controllable risks, and full participation of all employees" to continuously improve the level of occupational health and safety management. Safety committees have been set up in the headquarters as well as each subordinate business division and product company to take on the management of production safety and occupational health of the Group and its subordinate business division. The divisions and their subordinate factories prepared and revised the EHS management manual and procedure documents of the divisions according to the Group's EHS guidelines and the Group's manual of the EHS management control framework, and based on the actual situations of the divisions. Meanwhile, according to the requirements of the universal production safety responsibility system in the *Production Safety Law of the People's Republic of China*, each functional department of Midea's factories takes the lead in setting up factory safety sub-committees, such as equipment protection and upgrade safety sub-committee and logistics safety sub-committee, to consolidate the safety responsibility system. In 2022, MG employed 320 full-time EHS management personnel, with an overall EHS cost at RMB 228 million. The lost time injury rate per 200,000 hours was 0.072 (down 25.9% year-on-year), and there was no general production safety accident in Midea.

While continuously improving its EHS management system, Midea vigorously promotes the dual prevention mechanism of safety compliance, risk identification and hidden danger management and encourages employees to submit proposals for tackling dangerous hazards to ensure the effective implementation of safety management system, forming an all-round and full-coverage grid-based management model. In 2022, Midea conducted 620,658 inspection tasks, identified and rectified 402,920 hidden hazards, and accepted and handled 471,895 potential hazards reported by employees.

As for equipment safety management, Midea keeps improving the safety and reliability of equipment operation and reducing the hazards that arise in the process of equipment operation, maintenance and repair, thus ensuring the safe, stable and long-term operation of equipment. In 2022, Midea formulated its first group-level *Equipment Safety Technical Specifications* and *General Equipment Safety Standard Checklist*, launching the safety standardization of automation equipment targeting high-risk equipment (automation business lines and robots), and the regulated management and control of unconventional operation processes.

#### Regulated forklift management

Forklifts play an important role in the routine operation of Midea's warehouses and factories, and due to forklifts' high mobility, high danger, and intermittent operation, there are many safety hazards in the use of them, which also makes their routine and supervision management more difficult.

Midea has formulated standards for forklift standardization and continuously strengthens the implementation of relevant safety management rules to effectively prevent and promptly control accidents and ensure the safety of drivers. In 2022, the number of forklifts that needed to be standardized was 1,191, of which 1,104 had already been standardized, a completion rate of 92.70%. What's more, Midea separates people from vehicles to the greatest extent to ensure workplace safety in accordance with the methodology for ensuring safety at locations prone to explosion in export logistics and the requirements for standard scenario management.

To further improve its EHS management capability, Midea adopted IT-based approaches and has established an EHS information management platform and an EHS digital twin factory to collect and process EHS data and reduce the workload of the safety and environmental departments of production companies, thus regulating EHS management. On such basis, the factory can realize rapid perception and control, real-time monitoring and control, advance warning and pre-control, linkage disposal and control, and system evaluation and self-control. Finally, the factory can achieve integrated management of safety, environment, and consumption to prevent problems before they occur. In 2022, there were 3,046 equipment measurement points and the total number of new equipment online was 536.

RMB **228** million  
overall EHS cost



### Safety Training

Midea has established a comprehensive health and safety management and training system to provide strong support for every employee. With a vision of "securing zero incidents at work for employees", it continuously strengthens health and safety training for employees. The Company requires all front-line employees to receive orientation training, and production safety training is listed as a part of the job orientation. Focusing on accident prevention and in-process risk control, the Company has established a sound MBS Improvement Week methodology, and all business divisions have reached a consensus on carrying out specific improvement tasks with MBS Improvement Week as a tool and conducted special improvements concerning logistics safety and chemicals. In 2022, Midea's employee safety behavior observation course received a total of 95,512 views, and the safety procedures course was viewed 127,689 times.

For the safety training system, Midea has developed and recorded courses such as *Equipment Safety Protection Standards*, *Safety Behavior Observation*, *Environmental Protection and Chemical Management*, and *Interpretation of EHS System Operation Manual*, reaching out to 2,516 employees in 2022. Besides, to further improve employees' EHS management awareness and skills, Midea organized the first batch of EHS talent certification, where EHS management competency is divided into two levels of the black belt and green belt. A total of 11 employees have obtained the EHS black belt certification, and 142 obtained the green belt certification.



Midea EHS specialist training



# 06

## Community Contributions



### Performance Highlights

RMB 10 million

Donated RMB 10 million to Qiandongnan Prefecture in Guizhou province to promote the development of local culture and education

Nearly 10,000

Launched the "Mobile Green Box" public welfare science education activity that had benefited nearly 10,000 teachers and students

Midea pays attention to the actual needs of the local communities on a long-term basis and continues to carry out community-based public welfare activities in the field of education and rural development. The Company has been giving back to the society with practical actions and fulfilling the social responsibility of corporate citizens in the process of conducting business.

### Giving Back to the Local Community

Headquartered in Beijiao Town, Shunde District, Foshan, Guangdong, Midea attaches importance to the education development of local communities while seeking its own development in the district. Since 2021, Midea has supported the construction of the East China Normal University Affiliated Shunde Midea School ("Shunde Midea School" in short) by donating funds and building resource platforms. On August 31, 2022, Shunde Midea School was put into use. Students enrolled in the first year fell into 12 classes, including 10 first-grade classes and 2 second-grade classes, with a total of more than 440 students. The school adopts a small class size to focus on the all-around development of each student. In the future, Midea will join hands with the People's Government of Shunde and East China Normal University to continuously innovate in the school-running model and make full use of educational resources, striving to build Shunde Midea School into a regional benchmark school for compulsory education.



Midea Group will go all out to support the development of the East China Normal University Affiliated Shunde Midea School on a long-term basis and make greater contributions in supporting high-level talents settling in Beijiao.

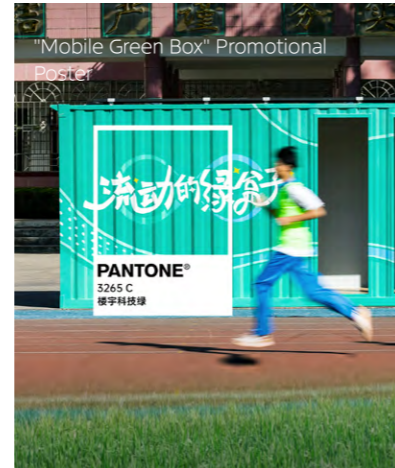
-- Paul Fang, Chairman & President of Midea Group



### Care about Science and Technology Education

For children's science and technology education, Midea focuses on left-behind children in rural areas, hoping to engrave Midea's concept of a "smart life and smart city" in the minds of children and guide them to develop a green and low-carbon outlook on life. In October 2022, MBT joined hands with the Science for All Fund of China Charities Aid Foundation for Children to launch the "Mobile Green Box" public welfare activity. With "Digital Technology Leads a Green Future" as the theme and several researchers from the Chinese Academy of Sciences as scientific advisors, the project has built the first mobile science classroom in containers for schools in rural mountainous areas and regions with ethnic minorities, advocating the integrated "digital + green" development philosophy.

The project has been implemented in Mubin Middle School, Jinxiu School, Ningtang Middle School in Xingning, Guangdong Province. With an original science popularization model featuring "experimental interaction and video lectures", it vividly presents cutting-edge technologies and urban development results to nearly 10,000 teachers and students, allowing them to experience the charm of green technology and green buildings up close. Besides, Midea has worked with LONGi Green Energy to equip the project with a supporting photovoltaic power generation system to popularize green energy knowledge among students with practical applications and boost the development of green technology education.



### Supporting Rural Revitalization

2022 was a key year for China to consolidate and expand the positive results achieved in the battle against poverty and effectively transit to rural revitalization. Midea continues to plow deeper into the area of rural revitalization on top of more than 200 existing projects as a way to actively respond to the country's rural revitalization strategy. In August 2022, Midea donated RMB 10 million to Qiandongnan Prefecture in Guizhou Province to promote the development of local culture and education. It actively supports the local government in offering a series of vocational skills training and implementing relevant measures for assuring businesses and stabilizing employment, to further improve the employment stability and professional competence of migrant workers in Qiandongnan and facilitate the high-quality development of the local economy and society.



Donation Ceremony of Midea Supporting the Development of Qiandongnan Prefecture



"Mobile Green Box" Science Class

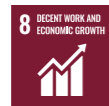


# ROBUST COMPLIANCE MANAGEMENT



# 07

## Compliance Management



### Performance Highlights

50%

Independent directors accounted for over 50%

RMB 86.7 billion

Distributed cash dividends of RMB 86.8 billion in total

200+

Conducted over 200 integrity training sections

Robust corporate governance is the cornerstone of corporate development. Regarding compliance with laws and regulations as the premise of all business activities, Midea has established a sound governance mechanism to fully implement the code of conduct in board governance, compliance management, risk management, anti-corruption and other aspects, so as to lay a solid foundation for the steady development of the Company.

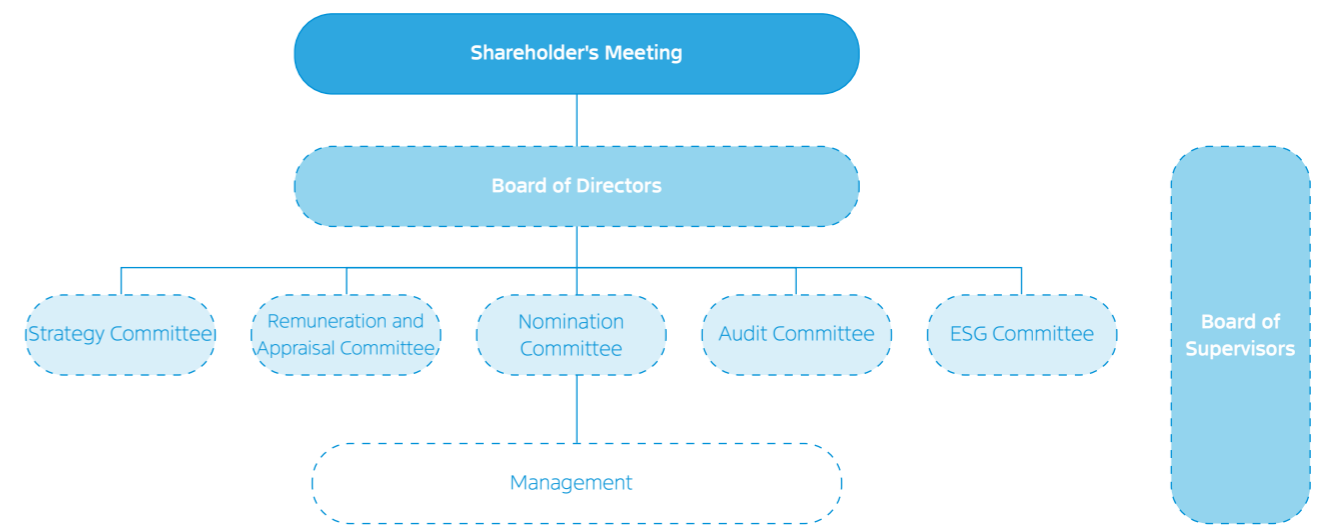
## Governance Mechanism

### Governance Structure and Policy

Midea has been dedicated to building an open, transparent and efficient corporate governance system. In accordance with the Company Law, the Securities Law and relevant laws and regulations required by the China Securities Regulatory Commission, Midea has established a corporate governance structure composed of the Shareholder's Meeting, Board of Directors, Board of Supervisors and the Management, and formed a coordination and balance mechanism that runs as regulated with well-defined powers and responsibilities among the authority, decision-making, supervisory

organs and the management. For governance regulations, Midea has established a series of normative documents such as the *Rules of Procedure for the Board of Supervisors*, *Rules of Procedure for the Board of Director Special Committees Working Rules for the Board of Directors Secretaries*, as well as the *Administrative Measures for Information Disclosure*, *Management Rules for Registration of Recipients of Inside Information*, and *Internal Audit Rules*, to continuously improve its corporate governance policy.

Midea Corporate Governance Structure



### Board Governance

Midea's Board of Directors is responsible to the shareholders, implements the resolutions issued by the Shareholder's Meeting, and exercises the decision-making authority on the Company's significant matters. To ensure the diversity and rationality of the Board's decision-making, the Board of Directors consists of 8 members with expertise in different fields and diverse professional backgrounds, including 5 directors, 3 independent directors and 1 female director. There are five special committees under the Board of Directors, namely the Strategy Committee, Remuneration and Appraisal Committee, Nomination Committee, Audit Committee, and ESG Committee. Over 50% of the directors at the special committees are independent directors, which ensures the professionalism and efficiency of the Board of Directors when it comes to deliberations and making decisions. For the supervision of the board governance, the Company has set up a Board of Supervisors composed of 3 members, which supervises significant matters of the Company and offers independent opinions according to the Rules of Procedure for the Board of Supervisors and other requirements, to protect the shareholders' rights and interests.

During the reporting period, Midea convened 6 general meetings of shareholders, 10 board meetings and 10 meetings of the subcommittees of the Board of Directors (including 3 meetings of the Audit Committee, 3 meetings of the Nomination Committee, 3 meetings of the Remuneration and Appraisal Committee, 1 meeting of the Strategy Committee), and 5 meetings of the Board of Supervisors.

Midea constantly improves its incentive and restraint mechanism for directors and senior executives. The Remuneration and Appraisal Committee manages the remunerations of the Management according to the Remuneration Management Rules for the Directors, Supervisors and Senior Executives and continuously strengthens the standardization and effectiveness of the Board of Directors' operation. The appraisal indicators of the Company's directors and senior executives are related to the overall performance of the Company, and the performance appraisal results of the business segments under their charge are also taken into consideration to ensure the integrity of the indicators. The appraisal mechanism of Midea's Management ensures that directors and senior executives are fully motivated to fulfill their responsibilities, binding the responsibilities of the core management team and the Company's long-term growth value.



## Shareholder's Interests

Fully considering the investors' position, Midea takes effective measures to protect the investors' legitimate rights and interests. The Company has established relevant management rules for information disclosure in accordance with the law, unclogged channels for online and offline investor communication and interaction, and strives to improve information transparency for its investors while maintaining sound operations, reasonably formulating dividend plans and continuing to give back to the shareholders.

## Investor Communication

Giving high priority to the communication with investors, Midea follows the communication principles of compliance, equality, proactivity, honesty, and integrity and discloses company-related information through annual reports, ESG reports, and company websites to protect the investors' right to know. In addition, the Company has set up an investor relations department and assigned full-time personnel to handle related affairs. Midea communicates with investors about its development strategy and current situation through channels such as shareholder's meetings and business performance briefings to realize two-way communication and positive interaction with investors.

## Shareholder Returns

Since its listing in 2013, Midea has been giving back to the shareholders and has formulated a sustainable and stable dividend policy and share repurchase policy. By 2022, Midea has distributed cash dividends of RMB 86.7 billion (includes the 2022 annual dividend plan), with 58.2% of the net profit attributable to Midea's shareholders being distributed as cash dividends every year. To ensure a consistent and stable profit distribution policy and protect investor interests, Midea reviews its shareholder return plan at least every three years.

While stabilizing its dividend payout, Midea has implemented a series of share repurchase plans. Following the completion of an RMB 4 billion share repurchase in 2018, Midea launched a repurchase plan in 2019 for its equity incentive schemes/employee stock ownership schemes to maintain the stability of Midea's market value and the interests of all shareholders. As at 31 December 2022, the Company has used over RMB 2.6 billion for the share repurchases during the year, with a total share repurchase reaching RMB 27.1 billion.

To align the interests of the Company, shareholders and employees, Midea has been adopting various stock incentive tools since 2014. By 2022, it has launched nine Stock Option Incentive Schemes, six Restricted Share Incentive Schemes, eight Global Partner Stock Ownership Schemes and five Business Partner Stock Ownership Schemes. Midea not only established a governance structure aligning the interests of senior management and core business backbones with that of all shareholders but also formulated an incentive mechanism combining long and short-term incentives and restraints.

## Compliance with the Law

Adhering to the principle of "Legally Compliant Development of Midea", the Company regards law-abiding and compliant operation as an important prerequisite for its steady development and has built a compliance management system from three aspects: management structure, management policy and operation mechanism, and culture development.

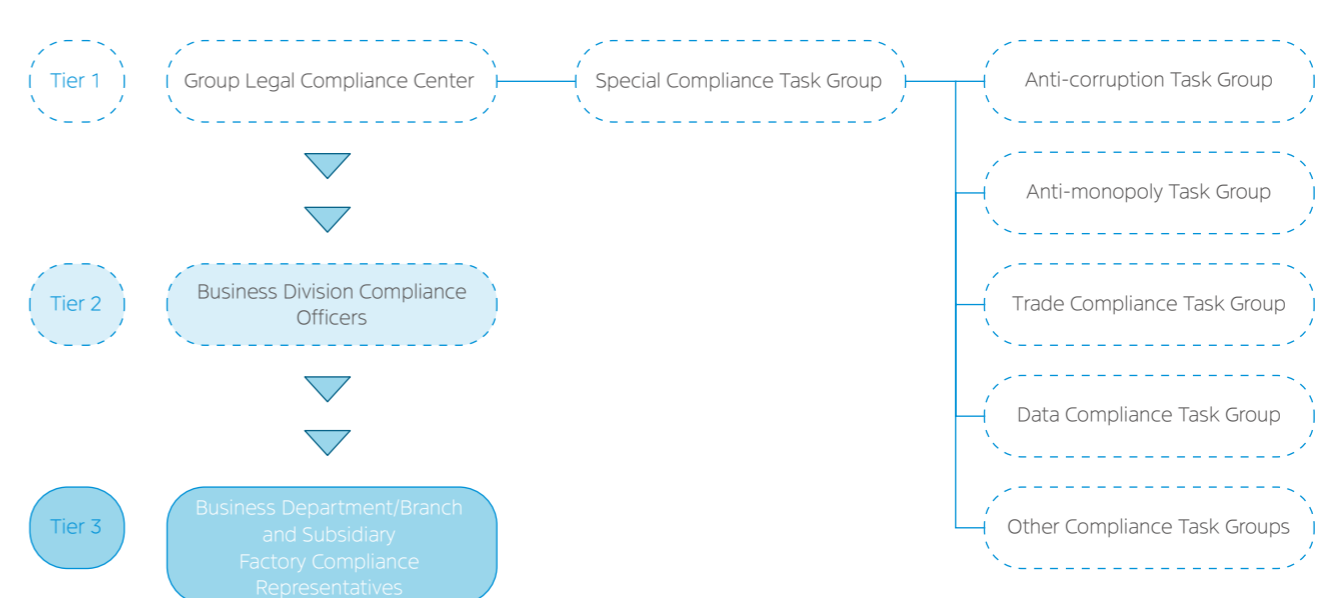
## Compliance Organizational Structure

Midea's Board of Directors and top management attach great importance to compliance risk prevention and control. Three lines of defense have been established to build a compliance system and continuously improve corporate compliance governance capabilities. When building the second line of defense- a specialized compliance organization, Midea has set up the Group Legal Compliance Center to study relevant laws and regulations, as well as supervisory policies, coordinate Midea's compliance management, and provide business divisions with guidance on proactively conducting compliance management. The Company has set up special compliance task groups under the Group Legal Compliance Center, including Anti-bribery, Anti-monopoly, Trade Compliance, Data Compliance Task Groups, to improve its compliance system in all aspects. To effectively implement its various compliance policies, the Group also appoints compliance officers and compliance representatives in each business division to manage its routine compliance tasks, promptly report major compliance risks, and actively carry out compliance training and publicity. In addition, Midea has established a three-tiered compliance organizational structure and keeps enhancing the execution of compliance risk identification, assessment, prevention and control by continuously empowering its business units.

Midea Group's Three Lines of Defense for Compliance Management



Midea Group's Three-tiered Compliance Organizational Structure



## Compliance in Key Areas

For management rules and operation mechanisms, Midea has established management rules and control procedures in six key compliance areas, namely anti-unfair competition, anti-monopoly, data compliance, trade compliance, anti-commercial bribery and anti-money laundering. At the same time, the Company keeps up with the regulatory trends both at home and abroad and updates relevant rules. In 2022, since the new version of the *Anti-monopoly Law* came into effect and the *Anti-unfair Competition Law (Revised Draft for Comments)* was released, the Company, based on the "risk map" summarized globally, has actively organized the interpretation of laws and regulations, gap analysis and thematic seminars, and consulted external consultants when appropriate, to effectively implement relevant laws, regulations and regulatory requirements.

For data compliance, Midea has set up a data protection office and the Data Compliance Task Group to lead its data compliance control. In 2022, the Company set up a data export security assessment project team, established several data approval processes according to the *Administrative Measures for Data Safety*, *Administrative Measures for Personal Information Protection* and other rules that had already been launched, and ensured data compliance through a series of initiatives. In addition, the Company continued the data compliance self-inspection of its apps, mini-programs, overseas official website, and IT system to reinforce data and personal privacy protection of related intelligent products.

For the anti-unfair competition, anti-monopoly, and trade compliance areas, the Company supplemented the *Administrative Measures for Anti-monopoly Compliance*, *Administrative Measures for Trade Control Compliance*, *Compliance Guidelines for Advertising and Promotion Behaviors* in 2022, and has provided more concrete guidelines for compliance operation in different business scenarios with reference to the typical cases announced by regulatory authorities, further consolidating its compliance management foundation. Besides, the Group Legal Compliance Center worked closely with the Group's functional departments, business divisions and other stakeholders to continuously improve compliance rules and operation mechanisms for the compliance operations of routine business and the management and control of third-party compliance risks.

## Compliance Awareness

Committed to internal compliance culture development, Midea publicizes relevant compliance requirements among all employees through compliance newsletters, video courses, special training, etc., to enhance their compliance awareness. The Company has established an online training system covering all current employees, and provides basic legal compliance training for all new employees. In 2022, Midea released more than 60 compliance newsletters, covering current news, legal hotspots, new law express, case analysis, group policy analysis, etc. Meanwhile, the Company continuously steps up the training in key compliance areas. In 2022, it carried out nearly 50 thematic training sessions in trade control, data compliance, foreign-related contracts and other areas and organized the third special training camp for data compliance workshops to constantly cultivate compliance professionals.

### Series events of the first Midea Group Compliance Publicity Month

In March 2022, Midea officially launched its Compliance Publicity Month events. The presidents of business divisions and platforms signed the Compliance Commitment, undertaking compliance as their own responsibility on behalf of its top management while securing the compliance of Midea. Chairman Paul Fang accepted the Compliance Commitments of all BUs on behalf of the Group. BUs held events in sub-venues according to their actual business situations, covering topics such as export control and sanctions, anti-money laundering, anti-corruption, anti-commercial bribery, taxation compliance, anti-monopoly, intellectual property compliance and data compliance. To further enhance employees' compliance awareness, the Company held the first compliance knowledge competition as part of the series of events during the Compliance Publicity Month. A total of 14 teams from different BUs participated in the competition online, creating a good internal compliance atmosphere.

## Compliance Certification

Midea actively responds to national policies and has been working extensively in the field of compliance for years. Pursuant to laws, regulations and international standards, the Company implements compliance rules based on risk appetite and business priorities, by areas and phases. So far, Midea has passed many compliance certifications such as TRUSTE, ISO 27001, ISO 37301 and APEC CBPR.

In 2022, Midea further improved its risk evaluation process, identified compliance obligations specified in anti-monopoly and data protection-related laws and regulations, and strengthened digital and systematic management to integrate compliance obligations into the planning, operation and management of its compliance management system, thus continuously improving its capability in this respect.



ISO 37301: International Standard Certification of Compliance Management

## Anti-corruption

Midea carries out business activities in strict accordance with all applicable laws and regulations, abides by high standards of business ethics and integrity, and prohibits any form of commercial bribery. Based on the *Code of Business Conduct of Midea Group*, Midea has stipulated a code of conduct in business ethics including anti-corruption and formulated corresponding norms and procedures on such basis to continuously improve its anti-corruption management system.

To improve employees' awareness of integrity and compliance and enhance the effectiveness of corruption control, Midea has established a reporting system and regulations such as *Administrative Measures for Rules on Reporting and Disposal of Gifts Received and Integrity and Reporting*. In the mean time, the Company has set up a tiered investigation mechanism for whistleblowing to ensure that the investigation is done independently and objectively, and the accountability stays fair and just, striving to improve the consistency of accountability within business organizations and create a simple, transparent, fair and just business environment.

Midea continues to carry out anti-corruption and integrity education and publicity on its employees through internal information platforms, integrity training sessions, routine promotion and other channels and methods. For example, Midea releases integrity posters on important holidays to spread the concept of integrity among employees and holds integrity and anti-corruption activities such as integrity video filming and integrity index survey to create a culture of corporate integrity. In 2022, Midea released graphic content such as interpretations of integrity rules and case analysis on its internal information platform, which received a total of 191,379 views. It also organized more than 200 integrity training sessions to improve the integrity awareness of all employees from multiple angles and in all aspects.







08

## Supply Chain Management



### Performance Highlights

100%

Completed the social responsibility review on 100% newly introduced suppliers

4,324

4,324 existing suppliers passed the social responsibility self-assessment and review

1,000

Organized green strategy training sessions on over 1,000 suppliers

Regarding the supply chain as its lifeline, Midea organically integrates the concept of social responsibility with supply chain management, striving to create a compliant, green and sustainable supply chain system.

## Responsible Procurement

While practicing the responsible procurement principle, Midea continues to create sustainable value along the supply chain through a sound supplier review mechanism and the building of the supplier performance capacity.

### Review System

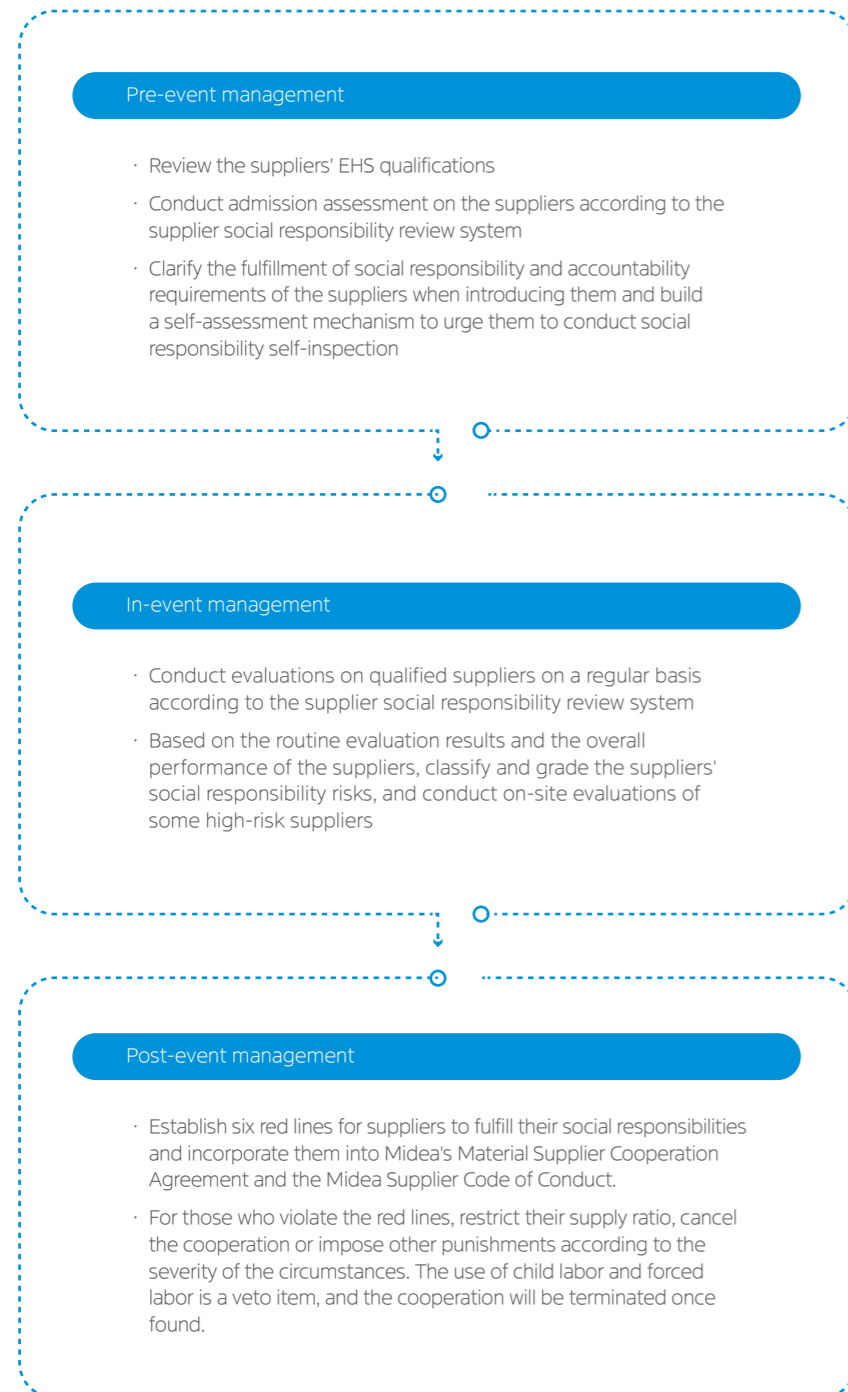
Midea has established a social responsibility review system for its suppliers in accordance with ISO 14001, ISO 45001, IPC 1401 and other international standards for social responsibility management systems, as well as national laws and regulations related to safety, environmental protection, occupational health and fire protection, while considering the actual situation of the Company. Midea, based on five aspects of labor rights, occupational health and safety, environmental protection, business ethics, and management system, manages and supervises all direct trading suppliers (including OEM/ODM product assembly suppliers, parts suppliers, and raw material suppliers), including the evaluation of suppliers' CSR management system, conflict minerals, social responsibility goals and action plans, and other related contents.



## Review Process

To ensure the suppliers comply with its rules of social responsibility review, Midea has established a supplier admission and assessment mechanism covering pre-event management, in-event management and post-event management. In 2022, Midea completed the social responsibility review on 100% of its newly introduced suppliers, and 4,324 of the qualified existing suppliers in the system passed the social responsibility self-assessment and review.

### Midea Supplier Admission and Assessment Mechanism



### Six red lines for suppliers of Midea Group to fulfill their responsibilities



## Conflict Minerals Management

Midea takes the issue of conflict minerals seriously. The Company publicly declares that it will not purchase or support the use of any conflict minerals that directly or indirectly finance or support areas affected by armed conflicts. To avoid conflict or human rights violations caused by the minerals procured, Midea explicitly requires the suppliers to sign a "Conflict-free Minerals Pledge" covering raw materials such as tantalum, tin, gold and tungsten. Meanwhile, relevant evaluation clauses have been established for supplier admission and day-to-day evaluation, The Company also conducts due diligence on the use of conflict minerals in the supply chain using the RMI-CMRT questionnaire.

Midea actively uses information technology to trace the origin of incoming materials for production. It uses the global supplier cloud (GSC) platform to manage the number and geographical location of suppliers in real-time, requires suppliers to report the materials' attributes concerning their origins, and avoid purchasing raw materials from regions involved in human rights violations, illegal trade, financing violence and other issues. Midea has been dedicated to creating a safe, reliable and conflict-free supply chain.

# Awards

Award Name	Awarding Unit
<div style="border: 1px solid blue; border-radius: 50%; padding: 5px; display: inline-block;">Environmental awards</div> <p>Top 20 "Listed Companies in Green Governance in the Greater Bay Area"</p> <p>2022 ESG Industry Synergy Award</p> <p>2022 Forbes China Sustainable Development Industrial Enterprises Top 50</p>	<p>Shenzhen Research Association of Corporate Governance</p> <p>Alpworks</p> <p>Forbes</p>
<p>Ranked 6th in 2022 Top 100 Chinese Large Enterprises in Innovation</p> <p>Midea's Intelligent Manufacturing Research Institute won the honor of "2022 China's Top Ten Scientific and Technological Advances in Intelligent Manufacturing" (key technologies of intelligent injection molding factory)</p> <p>Midea Biomedical was awarded the title of 2022 Enterprise Standard Frontrunner</p> <p>Midea's Meysion won the 2022 Habitat Elite Summit "Science and Technology Award"</p> <p>Ranked 13th in 2022 Top 500 Private Enterprises in R&amp;D Investment</p> <p>Ranked 2nd in 2022 Top 500 Private Enterprises in Invention Patents</p> <p>IDC Future Enterprise Awards for China</p>	<p>China Enterprise Confederation / China Enterprise Directors Association</p> <p>Jiangsu Provincial Government, Ministry of Industry and Information Technology, Chinese Academy of Engineering, China Association for Science and Technology</p> <p>Eight ministries and commissions including the State Administration for Market Regulation, Development and Reform Commission, and Ministry of Science and Technology</p> <p>Organizing Committee of Habitat Elite Summit, China Real Estate Chamber of Commerce, Elite Habitat Development Foundation</p> <p>All-China Federation of Industry and Commerce</p> <p>International Data Corporation (IDC)</p>
<div style="border: 1px solid blue; border-radius: 50%; padding: 5px; display: inline-block;">Social awards</div> <p>Silver Award at the 23rd China Patent Awards selection in 2022 (dishwasher, subcooling and preservation controlling method of meat, controller and refrigerator)</p> <p>2022 China Standards Innovation Contribution Award</p> <p>Standard Contribution Award at the 3rd Science and Technology Award selection</p> <p>Forbes 2022 World's Best Employers</p> <p>2022 Industry Leader</p> <p>2022 Annual Global Influential Chinese Brand Award</p>	<p>China National Intellectual Property Administration</p> <p>State Administration for Market Regulation</p> <p>China Society for the Promotion of Science and Technology Commercialization</p> <p>Forbes</p> <p>21st Century Business Herald, Southern Finance Omnimedia Corp.</p> <p>PR Newswire</p>
<div style="border: 1px solid blue; border-radius: 50%; padding: 5px; display: inline-block;">Governance awards</div> <p>The 17th Golden Round Table Best Board Award among Listed Companies in China</p> <p>2022 Best Practices of Boards of Directors' Office Award</p> <p>Top 100 ESG Listed Companies in China at the 16th Awards of Chinese Listed Companies Value</p> <p>2022 Influential Listed Company on the Annual Golden Rankings conducted by Xueqiu.com</p>	<p>China Association for Public Companies</p> <p>China Association for Public Companies</p> <p>Securities Times</p> <p>Xueqiu.com</p>
<div style="border: 1px solid blue; border-radius: 50%; padding: 5px; display: inline-block;">Design awards</div> <p>35 Red Dot Design Awards</p> <p>58 iF Design Awards</p> <p>28 International Design Excellence Awards</p> <p>11 Good Design (G-Mark) Awards</p>	<p>German Design Council.</p> <p>iF Industrie Forum Design</p> <p>Industrial Designers Society of America</p> <p>Japan Institute of Design Promotion</p>

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