

Hisense 海信家電

海信家電集團股份有限公司

Hisense Home Appliances Group Co., Ltd.

Stock Code: 00921

Hisense



2020欧洲杯全球官方合作伙伴



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INTRODUCTION

I. SCOPE OF REPORT

Organizational scope of report: This report pertains to Hisense Home Appliances Group Co., Ltd. and its controlled subsidiaries.

Reporting period: 1 January 2020 to 31 December 2020.

Reporting cycle: This report was issued within five months after the end of the financial year ended 31 December 2020.

II. PREPARATORY BASIS OF REPORT

This report was prepared in compliance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

III. PUBLICATION OF REPORT

This report is published in electronic format, and is available for inspection at www.cninfo.com.cn, www.hkexnews.hk or hxjd.hisense.cn.

IV. DESCRIPTION OF REFERENCES

For easy reference and reading, “Hisense Home Appliances Group Co., Ltd.” is referred to as “Hisense HA” and the “Company” in this report.

V. CONTACT

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COMPANY PROFILE

Hisense Home Appliances Group Co., Ltd. (“Hisense HA” or the “Company”) was founded in 1984 and headquartered in Shunde District, Guangdong Province, People’s Republic of China (the “PRC”). The Company is principally engaged in the R&D, manufacturing and marketing business of electrical appliance products such as refrigerators, residential air-conditioners, central air-conditioners, freezers, washing machines, commercial cold chain and kitchen appliances. The Company’s manufacturing bases are located in Guangdong, Shandong, Jiangsu, Zhejiang, Sichuan and other provinces in China. The Company’s products are widely sold in more than 130 countries. In 1996 and 1999, the shares of the Company were respectively listed on the main boards of The Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange.

The Company adheres to its development strategy of “reliance on technology”, and regards “technology” as the primary driving force of its development. It also places emphasis on “energy conservation and environmental protection” and “green design”. With strong technical strength, the Company promotes the development and application of green technology and green products to meet the demand of green life of users and drive the sustainable development of the enterprise. The Company’s products have won numerous awards for energy conservation, environmental protection and green health, and with outstanding air purification performance, Hisense 5G Glory Home Central Air Conditioner (海信5G榮耀家中央空調) won the “Nanshan Award”(南山獎), the highest honor in the air purification industry, in the “11.28 National Air Purification Festival”(11.28全民空淨節) in 2020, becoming the the first and only product in the central air conditioning industry to receive this award.

The Company attaches great importance to its corporate social responsibility and is committed to synchronizing economic and social benefits. One of its priorities in this area is “education and culture”, which it fulfils its responsibility through means such as providing educational aids and funds to the needy.

ESG GOVERNANCE

I. ESG MANAGEMENT

Effective ESG management is critical to the Company’s sustainable development. To ensure that proper ESG management is in place, the board of directors (the “Board”) of the Company is responsible for overseeing its ESG management governance and identification of material risks, reviewing key ESG information. The management under the leadership of the President of the Company is responsible for the day-to-day management of specific ESG work, regularly reviewing the Company’s key ESG indicators and directing the annual ESG information summary and report preparation. The heads of each department of the Company is responsible for collecting and reporting ESG information, implementing specific ESG work, and implementing at all levels to ensure effective management of ESG.

II. COMMUNICATION WITH STAKEHOLDERS

The opinions of different stakeholders form the basis on which the Company devises its short-and long-term sustainable development strategies. The Company is committed to effective communication with stakeholders through a wide range of channels in order to understand and respond to their expectations and concerns.

Stakeholder	Expectations and Concerns	Methods of Communication and Response
Government departments	<ol style="list-style-type: none"> 1. Comply with relevant laws and regulations strictly 2. Cooperate with government regulation and promote healthy development of enterprises 3. Paying taxes in accordance with the law 4. Production safety 	<ol style="list-style-type: none"> 1. Seminar 2. On-site interviews and research 3. Work report
Shareholders	<ol style="list-style-type: none"> 1. Focus on shareholder return 2. Stable operation 3. Maintain effective communication 4. Regulate operation 	<ol style="list-style-type: none"> 1. General meetings 2. Investors exchange meeting 3. On-site research 4. Conference call 5. Email and online interactive platform
Business partners	<ol style="list-style-type: none"> 1. Strictly fulfill the contract 2. Maintain long-term good cooperation relationship 3. Operate in good faith to achieve a win-win situation 	Working meetings and business dealings
Customers	<ol style="list-style-type: none"> 1. Quality products and services 2. Protect the rights and interests of customers 	<ol style="list-style-type: none"> 1. Product manual and after-sales contact 2. User feedback and satisfaction survey
Industry	Maintain fair competition and promote healthy development of the industry	Industry exchange meetings and field trips for exchange, etc.
Employees	<ol style="list-style-type: none"> 1. Occupational, health and safety 2. Compensation and benefits 3. Career growth 	<ol style="list-style-type: none"> 1. Union 2. Staff seminar 3. Occupational, health and safety training 4. Daily interviews 5. Employee satisfaction survey
Community	<ol style="list-style-type: none"> 1. Focus on the local impact of daily production 2. Help the underprivileged 3. Create jobs 4. Enhance environmental protection work and reduce environmental pollution 	<ol style="list-style-type: none"> 1. Regular return visits 2. Participate in public welfare 3. School-enterprise employment cooperation

During the reporting period, the Company has assessed the importance of the above-mentioned ESG-related issues, taking into account the actual business and industry characteristics, and on this basis extracted the four major areas of “Environmental Protection”, “Caring Staff”, “Operating with Integrity”, and “Social Welfare”, and introduced them in detail in this report as our key businesses.

ENVIRONMENTAL PROTECTION

I. ESTABLISHING A SOUND ENVIRONMENTAL MANAGEMENT SYSTEM AND BUILDING AN EFFECTIVE LONG-TERM MECHANISM FOR ENVIRONMENTAL MANAGEMENT

The Company developed its “Environmental Factors Control Standards” in accordance with laws and regulations including the “Environmental Protection Law”, “Atmospheric Pollution Prevention Law”, “Water Pollution Prevention and Control Law”, “Prevention and Control of Noise Pollution Law”, “Solid Waste Environmental Pollution Prevention and Control Law”, “Energy Conservation Law” and the “Cleaner Production Promotion Law” of the PRC. Its purpose is to provide clear requirements for environmental management in areas such as “design and development of products”, “manufacturing, packaging and transportation of products”, “waste management” and “obtaining raw materials and natural resources”.

During the reporting period, Hisense HA closely integrated its energy conservation and emissions reduction efforts with its corporate operational strategy. This was done in full compliance with the laws, regulations and requirements of relevant systems of the Company for the purposes of further improving the environmental management system, specifying job responsibilities and detailed appraisal rules, strengthening supervision and management over the operation of environmental protection facilities and regulated environmental protection work, and improving the Company’s general awareness of environmental protection.

Environmental Management System

The Company continues to improve its environmental management on the basis of up-to-standard discharge of manufacturing enterprises and the “three simultaneous” of environmental protection for construction projects. It is striving to build an effective long-term mechanism for energy conservation and emissions reduction to achieve sustainable development. In November 2020, the Company’s ISO14001 environmental management system passed the certification authority’s renewal verification process, which ensured the certification’s continuing validity.

Assuming Responsibility for Environmental Protection

The Company has implemented a comprehensive enterprise environmental protection system. Each plant is assigned with specialized personnel for environmental protection, and an environmental protection responsibility statement is signed by all levels of management to achieve “fixed personnel, responsibilities, tasks and fixed rewards and punishment” and extend environmental protection management to all operational posts and staff.

Strengthening Energy Management

The Company has further strengthened its energy management. By establishing an energy management system, manufacturing enterprises have tightened control over energy-consumption indicators of main working procedures to conduct the efficiency monitoring for key energy-consuming equipment and facilities. Each operating unit has established a working system of control indicators to enhance the energy indicator appraisal and energy efficiency benchmarking system. The Company encourages its subordinate enterprises to increase the use of clean energy to drive the creation of a sufficient, safe and clean energy supply system and accelerate the building of an eco-friendly enterprise.

II. STRENGTHENING MANAGEMENT OF “THREE WASTES” AND PROVIDING ENVIRONMENTAL PROTECTION EDUCATION TO BUILD AN ECO-FRIENDLY ENTERPRISE

The Company actively invests in energy conservation and emissions reduction, and has implemented several innovative projects in this regard. It has focused on the management of “wastewater”, “carbon emissions” and “waste”, and further advocated the building of an eco-friendly enterprise through a combination of strict management and encouragement.

During the reporting period, Hisense Rongsheng (Guangdong) Refrigerator Co., Ltd. (海信容聲(廣東)冰箱有限公司), a controlled subsidiary of the Company, was awarded the “Guangdong-Hong Kong Clean Production Partner (Manufacturing Industry)” (粵港清潔生產夥伴(製造業)) certificate, Hisense (Chengdu) Refrigerator Co., Ltd. (海信(成都)冰箱有限公司) passed the “Clean Production Review and Assessment” (清潔生產審核評估) by the Department of Ecology and Environment Protection of Sichuan Province, and Hisense (Shandong) Refrigerator Co., Ltd. (海信(山東)冰箱有限公司) was awarded the “Excellent Energy-saving Supplier” (優秀節能供應商) by the Company’s important customers.

Wastewater Management

The Company facilitates the nearby recycling of process wastewater, and continues to optimize the wastewater reuse rate of plants and reduce the consumption of fresh water in keeping with the principles of “source reduction, process control and end treatment”.

Subordinate companies whose operations involve process wastewater discharge have also set up wastewater recycling and treatment stations to ensure their discharges are up to standard.

Carbon Emissions Management

According to the Joint Announcement on Climate Change, China promises that the proportion of non-fossil energy for primary energy consumption will increase to around 20% by 2030. The “Work Plan for Controlling Greenhouse Gas Emissions” during the 13th Five-Year Plan period states that carbon emissions per unit of GDP will decrease by 18% by 2020 compared with 2015. China will regulate both its total energy consumption and carbon intensity, and implement near-zero carbon emission demonstration projects. It will launch a national carbon emissions trading market and significantly increase its forest carbon sink. In this context, the Company will face more pressure and opportunities in respect to carbon emissions.

The Company has taken action to reduce greenhouse gas emissions. It has continued to reduce total energy consumption and the absolute amount of carbon emissions; constantly adjusted its energy structure to expand its use of clean energy such as natural gas; and implemented clean production to improve energy utilization efficiency. Several subordinate enterprises have passed clean production audits. The Company also improved its management of carbon emissions through technical measures such as energy audit and carbon calculation.

In 2020, the relevant government department of the Company’s domicile set an energy conservation target of 200 tons of standard coals for the Company. Approximately 319.4 tons of standard coals was subsequently saved by the Company, with a completion rate of 159.7%.

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Waste Management

Emissions reduction: The Company and its subordinate enterprises aimed to reduce the amount and volume of solid waste by various means and decrease solid waste output by continuously improving production processes. The Company implemented a hazard-free disposal of waste and engineering treatment to reduce secondary pollution.

Cyclic utilization: The Company and its subordinate enterprises have facilitated the recycling treatments and the recycling of useful constituents and energy from solid waste to cut resource consumption and accelerate utilization of recycled resources. The total volume of waste materials recycled by the Company was 19,027.31 tons in 2020.

Hazardous waste management: The Company and its subordinate enterprises implemented the classification management and centralized treatment of hazardous waste to achieve reduction, recycling and biosafety. A sound hazardous waste management system was established, and measures were taken to prevent environmental pollution by hazardous waste. The Company separated the collection and storage of hazardous waste and set up relevant warnings. Hazardous waste is collected by a qualified unit for treatment in full compliance with environmental protection regulations.

Environmental Protection Education

The Company continued to offer education on energy and resource conservation through training, routine emergency drills, and pay increased efforts to publicize and implement the new Environmental Protection Law and relevant systems. The latter was accomplished through organizing expert lectures and setting up environmental protection notice boards to raise the awareness of environmental protection of its staff.

Green Office

The Company encourages its subordinate enterprises to implement the “green office” concept. This includes saving resources and energy, reducing pollutant emissions, increasing use of recyclable and renewable products, and contributes to the provision of a safe, healthy and comfortable “people first” work environment.

Saving paper: Fully utilize digital network, advocate double-sided printing of documents, consistently sort and recycle usable waste paper.

Saving electricity: Stipulate operating guidelines for use of electrical appliances; for example, switch off lights during lunchbreaks, switch off all electrical equipment after working hours, and purchase energy-saving and environmentally-friendly products.

Saving water: Establish water-saving regulations, use non-disposable teacups, reduce use of disposable bottled drinking water during meetings and group activities; post slogans like “save water” in office corridors and washrooms. Focus on water resource facilities and strengthen drinking water safety.

Comfortable work environment: Advocate the planting of greenery in the office to purify indoor air and reduce air pollution.

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III. RESPONSES TO CLIMATE CHANGE

In response to extreme weather events such as typhoons and floods, subsidiaries of Hisense HA have created an “Emergency Plan for Natural Disaster Prevention such as Wind and Flood” and regularly organize drills to minimize the impact of natural disasters on the Company.

IV. USER-CENTERED LONG-TERM DEVELOPMENT STRATEGY FOCUSING ON ENVIRONMENTAL PROTECTION

Hisense HA actively responds to the national strategy of “accelerating the construction of a green manufacturing system and leading the high-quality development of the industry”, insists on the sustainable development of green environment protection and energy saving. With strong technical strength and a strong sense of mission and responsibility, the Company promotes the development and application of new technologies of green products. The Company successfully developed and applied the environment-friendly LBA system with low boiling point, and greatly reduced the application cost of the environment-friendly foaming system, providing technical support for further elimination of high pollution type production materials; steaming, ironing and washing technology is applied in washing machines which can achieve wrinkle removal, refreshing, and sterilization of clothes without adding detergents, energy saving and environmental protection; high-efficiency condensation drying technology breaks the limitations of traditional drying systems, which improves the volume of the inner cylinder and drying efficiency. In the fifth green manufacturing list announced in 2020, a number of products from the Company were included.

V. PARTICULARS OF EMISSIONS AND USE OF RESOURCES DURING THE REPORTING PERIOD

Emissions	2020
Carbon dioxide emissions (tons)	217521.89
Methane emissions (tons)	0.51
Total emissions of greenhouse gases (tons)	217522.40
Including: total direct greenhouse gas emissions (tons)	1812.95
Including: total indirect greenhouse gas emissions (tons)	215709.45
Total volume of discharged wastewater (ten thousand cubic metres)	108.12
Total emissions of hazardous waste (tons)	340.78
Total emissions of solid waste (tons)	10052.40
Use of resources	2020
Electricity (ten thousand kWh)	34239.59
Including: amount of electricity utilized per square metre of gross floor area (kWh/square metre)	181.05
Unleaded petrol (tons)	60.07
Including: Volume of unleaded petrol utilized per square metre of gross floor area (kilogram/square metre)	0.032
Diesel (tons)	112.87
Including: Volume of diesel utilized per square metre of gross floor area (kilogram/square metre)	0.059
Natural gas (ten thousand cubic metres)	718.57
Including: Volume of natural gas utilized per square metre of gross floor area (cubic meter/square metre)	3.79
Liquefied petroleum gas (tons)	455.96
Including: Volume of liquefied petroleum gas utilized per square metre of gross floor area (kilogram/square metre)	0.241
Steam (ten thousand tons)	4.89
Including: Volume of steam utilized per ten thousand square metres of gross floor area (kilogram/square metre)	25.866
Total water consumption (ten thousand tons)	260.64
Including: Volume of water consumed per square metre of gross floor area (tons/square metre)	1.378
Total volume of product packaging materials (ten thousand tons)	10.52

CARING STAFF

I. EMPLOYMENT AND LABOR SYSTEM

The Company operates in full compliance with the “Labor Contract Law of the People’s Republic of China” and other applicable laws, regulations and policies. The Company is committed to employment equality, and providing a fair, democratic, competitive and merit-based selection and employment mechanism, including labor contracts with defined rights and obligations according to the law.

The Company’s “Collective Contract”, “Measures for Management of Labor Contract”, System for Management of Labor Leave Benefits and Implementation System for the Management of Loss of Office of the Company provide clear requirements on “working hours”, “leave taking”, “termination of labor contracts” and other employment matters. As a people-oriented Company, it prohibits employment discrimination in any form.

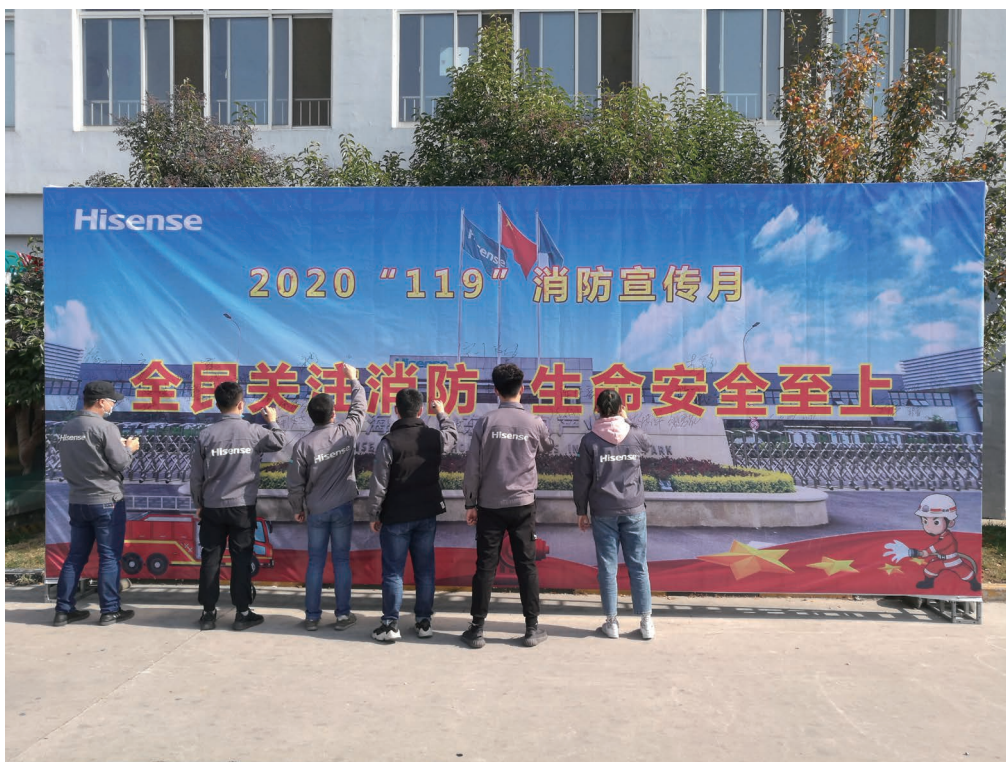
The Company insists on optimizing the talent structure, rationalizing the division of labor and improving the efficiency of the system. The staff structure of the Company in 2020 is as follows:

Total number of employees in service (persons)	39499
Gender Composition	
Male	22934
Female	16565
Professional Composition	
Production staff	20154
Sales staff	13350
Technical staff	5256
Financial staff	224
Administrative staff	515
Education Level	
Doctor	35
Master	1073
Bachelor	5552
Below bachelor’s degree	32839
Age Composition	
Under 30	17115
Over 30	22384
Geographical Composition	
Within China	39480
Outside China	19

With the continuous development of the company, the company’s demand for talents is becoming more and more urgent. To attract new talent whilst retaining current staff, the Company continues to improve its competitive remuneration, benefits and retention mechanisms with the addition of such features as a profit sharing mechanism, an equity incentive model, and an internal recommendation and reward system, etc. The turnover rate is maintained at single-digit level.

The Company fully complies with the labor systems and regulations in different regions. Equal employment is enforced to all staff. The employment, welfare treatment and promotion of employees are not affected by factors such as race, gender and political faction. Wages and related welfare are paid on time, and there have been no occurrences of default in their payment. The Company provides paid vacations, escort leave for children’s education, and work transfer; it maintains staff restaurants and staff dormitories, and provides meal allowances. The Company’s factories are equipped with ventilation and cooling equipment, and heat-relieving beverages are provided to employees during summer. The Company provides special benefits such as free physical examinations for employees, a Chinese New Year shopping festival and birthday benefits. Internal remuneration analysis is conducted every year based on external remuneration reports to ensure competitiveness. Contributions are made by the Company to social security funds. Benefits such as high temperature and housing allowances are granted as required by local policies. The annual salary system or working hour system is carried out according to different job nature. Work systems for positions allow flexible working hours and are appropriately designed according to actual circumstances to ensure employees’ well-being and right to rest days which enable them to complete the production tasks of the Company.

II. OCCUPATIONAL HEALTH AND SAFETY



Hisense HA's policy is safety first, and it prioritizes prevention and comprehensive governance. The Company enforces safety and environmental protection across its production and operational activities, and employs a double prevention mechanism of hierarchical risk control and potential hazard identification and governance. Its whole-process safe production and occupational health management system was established to achieve “proper function of five aspects”, namely safety responsibility, management, investment, training and emergency rescue. The Company implements the principle of “managing on level bases and taking responsibility on line bases” to optimise and implement the system of production safety accountability. The Company's system of production safety accountability applies to all employees. The principal officers of each group company take full responsibility for the production safety of their respective units, while department heads, workshop directors and team leaders are the first responsible persons for the safety of their respective responsibility areas. According to the Production Safety Law, all entities must improve the accountability system for production safety. The Company insists that CPC committee and administration share the same responsibility, one post undertaking multiple responsibilities, sharing of management responsibilities, and accountability for dereliction of duty, with an aim of keeping business management, production and operation management, and technology management safe.

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The Company takes a modern scientific approach to management which includes the maintenance of an effective occupational health and safety and environment management system. It continues to develop production safety standardization, and realizes the standardization of safety management, operation behavior, equipment, facilities and operating environment. It provides a safe and healthy working environment for all staff by ensuring that production and operational processes meet high standards of occupational health and safety and environmental protection.



Hisense HA maintains a refined system of occupational health and safety management. Its production safety management systems are developed at headquarters level in accordance with national laws and regulations. These include the “Standards for Evaluation of Occupational Health and Safety and Environmental Responsibility Targets”, “Standards for Rewards and Penalties Management for Occupational Health and Safety and Environmental Governance”, “Standards for Identification and Evaluation of Sources of Hazards and Environmental Factors”, “Standards for Management under Laws, Regulations and Other Requirements”, “Standards for Management of Environmental Safety Training”, “Standards for Management of Performance Evaluation and Monitoring” and “Standards for Management of Occupational Health and Safety Contingency Preparation and Response”. Corresponding rules for safe operation are also in place regarding the equipment and facilities of the Company’s subordinate factories.

During the reporting period, the Company invested tens of millions of RMB in site safety improvements, workplace safety equipment for employees, and workplace safety education and training. The Company’s occupational health and safety management system passed its certificate renewal verification by the China Academy of Safety Science and Technology in November 2020, ensuring that the certification remains valid. Except for one work-related fatality in 2018, there were no work-related fatalities in the Company in the past three years. The number of lost working days due to work-related injuries in the past three years was 1,871, 555, and 544 days, respectively.

In accordance with requirements from the Ministry of Emergency Management, Hisense HA has fulfilled the characteristics of an A Grade Safe Production Standardization Enterprise. It has worked to intensify basic production safety management and enhance the intrinsic safety of its equipment and facilities to create a safe, healthy and comfortable working environment. During the reporting period, three of the Company’s controlled subsidiaries maintained their national certificates for A grade enterprises on safe production standardization, and three more obtained certificates for B grade enterprises on safe production standardization.

III. DEVELOPMENT AND TRAINING

The Company recognizes the fundamental value of its employees and talents under the employment principle of “selection-recruitment-cultivation-promotion-retention”. Therefore, the Company has created a broad development platform to improve the quality of our employees and teams. This includes a three-tier training system which provides all employees with opportunities for learning and career development.

In 2020, the Company actively carried out various employee training activities. In keeping with the Company’s annual business strategy’s focus on “value to the user” and “product innovation”, offline training using flipped classrooms and workshops was carried out along with online learning. This has improved the overall capability of cadres and their reserve talents, and accelerated the growth of reserves.

For new employees, induction and systematic training – including a mentor system, “rotational internship” and “fixed-position internship” – is offered to assist them in quickly gaining essential job skills adapt to the corporate culture. For existing employees, specific training is provided to address departmental and individual weaknesses. The Company’s training models include “internal and external training”, “project and topical exercises”, “job rotation” and others, under which are programs such as corporate management, production quality, corporate culture, production and manufacturing, and technology R&D. During the reporting period, the percentage of cadres and their talent reservoir trained was 100%, and the Company has provided over 380,000 hours of training. Among them, by gender, 34% of female employees were trained, with 10.5 hours of training per person; 66% of male employees were trained, with 12.1 hours of training per person. According to the category of personnel, 15% of the managers were trained, with 7.0 hours per person; 26% of the R&D technicians were trained, with 10.5 hours per person; 59% of the front-line employees were trained, with 16.5 hours per person. These training covered employees from the elementary level(such as production and marketing) to various management personnel at different levels, and promote the continuous improvement of staff quality and ability.



The Company is constantly optimising its systems for employee development, and uses a dual-channel of development that can be described as “a professional promotion channel complemented with a management promotion channel”. In 2020, the standards of qualification management and the assessment system for marketing employees were improved. The Company annually reviews individual employees’ job titles so as to provide multi-platform development opportunities for career planning. In order to meet the international development needs of the Company, the Company carries out international talent training programs to select and train international talents.

IV. LABOR STANDARDS

The Company complies in full with the “Labor Contract Law of the People’s Republic of China” and other applicable employment laws, regulations and policies. The Company is committed to employment equality and compliant employment. The Company’s labor contracts define rights and obligations in accordance with law.

The Company’s “Collective Contract” and “Measures for Management of Labor Contract” provide clear requirements on the prohibition of child labor, forced labor, and other situations. The Company recruits and manages employees in full compliance with applicable laws and regulations, and regulates employee behavior through inspection and training. Recruitment of minors under the age of 16 is strictly prohibited. Statutory holidays and leave systems are strictly observed, and the Company has a working time management system and a system for monitoring and avoiding forced labor. No instances of child labor or forced labor have been found in the Company. The Company’s system of recruitment is reviewed annually, with each stage of the process rigorously being inspected, including CV screening and recruitment approval. An induction management system provides employees with detailed guidance on induction procedures. Newly recruited personnel must complete a job application registration form, and dedicated personnel are in place to review the age and other relevant information.

The Company greatly values its internal talent pool, and encourages employees to challenge for new positions according to their own developed abilities. The Company implements an “Administrative System of Internal Talent Pool” to regulate staff mobility. It uses unified criteria for job applications and procedures and standards for internal transfers, and creates a platform by which employees may choose their own career paths.

Under the Company’s “Administrative Measures for Rotation among Special Positions”, staff in key functions such as procurement and quality are rotated annually, ensuring that they gain an understanding of requirements for positions in different businesses. The goal of such rotation is to foster innovation, strengthen the internal talent pool and cultivate versatile employees.

In addition, the Company has established a sound management system for employee relationship to continuously improve communication channels. Through systems such as “Administrative Measures for Employee Relationship” and “Administrative Measures for New Employees”, communication between Company management and employees is two-way and free-flowing. Benefits include improved labor relations and efficient resolution of staff work problems.

OPERATING WITH INTEGRITY

I. OPERATING WITH INTEGRITY

The Company adheres to integrity in doing business, believing that operating in compliance with laws itself is a competitive power and upholds the concept of fair dealing and good faith. With the hope that all staff of the Company can practice the core value of “honesty, integrity, practicability and progressiveness” and to make sure that the interaction between the Company and its stakeholders can abide by honesty and trustworthiness and in compliance with law and regulation, the Company formulated the Code of Integrity within the Company, and those violators will be brought to severe punishment in accordance with the Code.

The Code of Integrity applies to all staff of the Company and they should strictly comply with the Code if Integrity involving shareholders, staff, customers, partners, government and society.

II. SUPPLY CHAIN MANAGEMENT

The Company has established a supplier adoption and evaluation system based on the values of integrity, mutual trust and win-win cooperation, and set stringent requirements for qualification of new suppliers. For example, the supplier holds enterprise certifications such as SA8000, ISO 9001 (quality certification) and ISO14001 (environment management system certification), and all raw materials and spare parts provided to the Company conform to ROHS Regulations (i.e., the Directive of the European Union on Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment. The core of ROHS Regulations is prohibition of the use of hazardous substances in electrical and electronic equipment to protect environment and eliminate hazards in production and consumption) and REACH Regulations (“Registration, Evaluation, Authorization and Restriction of Chemicals”). The Company’s supplier management team conducts audits on new suppliers in terms of industry status, quality systems, technological capability, social responsibility, key resources, management and financial capacities, operational risk assessment and other areas. The Company’s “Administrative Measures for Supplier Evaluation” and “Strategic Supplier Administrative Measures” also require comprehensive regular evaluations of suppliers from the standpoint of technology, quality, delivery, cost, services and other respects. Suppliers with low scores will undergo follow-ups and be encouraged to make improvements.

The Company has more than 1,000 qualified suppliers, of which about 90% are from China. The Company signs procurement contracts and supplier safety and environmental protection agreements with each qualified suppliers to promote ESG practices.

The Company reinforces its long-term, in-depth cooperation with core suppliers through an annual expertise exchange programme, project cooperation, and negotiation to strengthen the sharing of supply chain information and build strategic mutual trust. The Company regularly holds supplier conferences, where the top management of suppliers and the top management of the Company come together to establish good relationships with suppliers and discuss future cooperation programs, as well as to convey the Company’s energy-saving and green management philosophy.

III. PRODUCT RESPONSIBILITY

(I) Product Quality Management

Upholding the idea of “good product quality may not make an enterprise prosper, but a decline in quality is detrimental to the enterprises’ well-being”, the Company has established control processes for product manufacturing cycles, design and development, procurement, inspection and continuous improvement to meet customers’ demand. It has also developed quality standards exceeding customers’ requirements and stringent performance assessments. During the reporting period, no products sold or delivered required recalls for reasons of health and safety.

During the reporting period, the Company actively implemented a number of key quality projects, continued to focus on improving the user experience and continuously improved the user experience of its products with users in mind. The first batch of certified “healthy home” products was announced, and Hisense air conditioners were named “2020 First China Healthy Home Appliance Industry Conference Priority Brand (2020首届中国健康家居产业大会优先品牌)”; Hisense Fresh Air air-conditioner with oxygen enrichment systems (海信新风增氧空调) won the “Fresh Air (新风)” certification, becoming the industry benchmark. The Company promoted a number of QC quality improvement issues, forming a quality improvement atmosphere for all staff, and steadily improving the process quality management capability and system operation performance.



Hisense Central Air Conditioning was rewarded with the Nanshan Award, the highest honor in the air purification industry, by Academician Zhong Nanshan himself.



(II) After-sales Product Management

The Company supports the idea that “living up to our commitment is crucial to building customer trust for a century” in its after-sales product services. Under its “Service Quality Control Measures”, it has created a service management system in line with the quality system standards which covers different nationwide markets and provides efficient after-sales services that satisfy user needs.

The Company has implemented a “guaranteed return and replacement for quality issues within 30 days” promise for all its household electrical appliances. This far exceeds the national service policy standard of “guaranteed return for functional issues within seven days and guaranteed replacement for functional issues within 15 days”. Differentiated services are provided for high-end products, as well as differentiated high-quality services for high-end user products in terms of user service rights protection and service experience.

The Company provides effective and timely resolution to customer service complaints with its 24-hour national after-sales service hotline and real-time detailed monitoring of the service process. During the reporting period, there were no significant quality cases about products and services. The modern information management systems used for this purpose form an information management process cycle which allows the immediate handling of customer complaint information, follow-up and resolution. The Company has a rigorous mechanism under which customer complaint information is handled and then prompt feedback is delivered to improve understanding of customer satisfaction and enhance service quality. The Company conducts industry research on a regular basis to ensure that its service quality and management standards are at industry-leading levels.

(III) Promotion, Advertising and Product Price Management

In accordance with the “Advertising Law of the People’s Republic of China”, the Company rigorously manages product promotion, advertising and pricing, including but not limited to elements such as labels, and prohibits dishonest practices such as false advertising and price gouging. The Company requires that any information communicated externally must be verified as correct and reliable, and forbids any transmission of false information to consumers via deception, exaggeration or fraud. Product features must be advertised in a way conforming to general knowledge. False product and service performance indicators are likewise forbidden.

In keeping with the Company’s core value of “honesty and integrity” and brand commitment of “unlimited credibility”, it strives to eliminate harm to consumer interests caused by false or exaggerated publicity. The Company is acutely aware of the negative impact such as dishonesty on operational safety, profits and the Company’s future. As such, its “Administrative Measures for Honest Market Publicity” ensure reasonable and accurate preparation of product publicity materials, and unify brand and product promotion standards. The authority and responsibilities of each department in this area have been clearly determined and the processes involved are standardised.

Under the Company’s “Administrative Measures for User Experience Improvement in the Sales Process”, it has established a system of reasonable price control which ensures the unified management of terminal sales prices. The Company requires sales personnel to correctly output the effective time of the activity price to consumers. Sales personnel are not permitted to unilaterally reduce prices or commit to prices that violate Company regulations.

(IV) Data Privacy

The Company is in full compliance with laws and regulations in China such as the “Law on Protection of Consumer Rights” and “Regulations on Safety of Computer Information Systems”. It has also established stringent measures to protect its operational data and to preserve the privacy of customers. The Company signs confidentiality and competition restriction agreements with key personnel, and has implemented automatic encryption strategies for core and important confidential personnel. These measures ensure the security of operational and technical data, customer privacy and trade secrets of third parties on whom it bears confidentiality obligation. The Company’s corporate information security system also ensures adequate safety of the data of the Company and relevant parties via document encryption, data leakage prevention, intranet access verification, firewalls, and other features.

(V) Intellectual Property Rights Protections

The Company strongly advocates the maintenance and protection of intellectual property rights, and has accordingly implemented “Administrative Measures for Confidentiality” and “Detailed Rules for Management of Confidential Documents”. Upon induction, all employees who may be subject to confidentiality obligations receive training and must pass examinations regarding the abovementioned systems prior to signing a confidentiality agreement. The Company further guarantees execution of such measures through means such as computer and document encryption.

The Company complies fully with the “Trademark Law of the People’s Republic of China”, “The Copyright Law of the People’s Republic of China”, “The Patent Law of the People’s Republic of China” and other laws and regulations relating to the protection of intellectual property rights.

The Company is strongly committed to the cultivation and maintenance of its own trademarks. It has responded to similar trademarks, trademark infringements and unfair competition through methods such as trademark objection, trademark administrative litigation, complaints to online e-commerce platforms, offline complaints to the administrative department, trademark infringement and unfair competition litigation. It uses an effective patent management system to escort production and product sales through global patent applications, patent infringement risk management and control, patent operation, patent litigation, and invalidation.

IV. PREVENTING CORRUPTION

The Company prohibits employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. The Company’s staff handbook lays out the Company’s expectation and guiding provisions on code of conduct. The Company requires employees and we encourage customers, suppliers, or other parties to report incidents relating to any conflicts of interest, extortion, bribery, fraud and money laundering.

(I) Strengthening Anti-corruption Organization and Leadership

The Company’s Disciplinary Committee has established that the principal officers of each company hold responsibilities for preventing corruption. All companies are required to ensure discipline in this area is maintained through inspection, and to implement the Company’s requirements for these inspections. Currently, the organizational structure for discipline inspection is complete, management is standardized, and the execution capacity is strong.

(II) Discipline and Accountability

The Company’s anti-corruption measures include the establishment of mailboxes and telephone lines exclusively for whistleblowers. The Company is serious about pursuing the reported cases and clues received.

At the Company’s direction, functional departments are organized to study the “Regulations on the Management of Responsibility for Anti-Corruption (Trial)” and “Regulations on the Management of Accountability for Anti-Corruption (Trial)”, and sign the “Commitment on the Management of Anti-Corruption”.

Cases of possible corruption among employees have been investigated and the parties involved were punished severely. During the reporting period, there were no concluded corruption lawsuits against the Company or its employees.

(III) Prevent the Spread of Corruption

The Company has issued the “Responsibilities of the Disciplinary Inspection Department (Trial)”, “Regulations on the Management of Responsibilities for Anti-corruption (Trial)”, “Administrative Measures for Handling in Gifts (Trial)” and “Administrative Measures for Supervision of All Staff (Trial)” to combat corruption.

Employees in key positions have signed the “Incorruptible Practice Commitment”, and suppliers have signed the “Anti-Commercial Bribery Commitment”.

For corruption issues that may occur in the procurement business, the procurement department leads the creation of a supplier management committee which incorporates “responsibility for coordinating the construction of the Company’s clean management and reporting violations”.

For front-line employment corruption issues, the Human Resources Department is tasked to take the lead in formulating administrative measures such as the “Administrative Measures for Internal Control of First-line Employment Management Risks”, and “Administrative Measures for Introduction and Evaluation of Cooperation Colleges of First-line Employment” to plug the corruption loopholes in the system.

(IV) Strengthen Anti-corruption Publicity and Education

A special conference on preventing corruption was convened to report cases and their results serve as a sign of warning for potential perpetrators.

All employees participated in exams relating to the “Business Interaction Guidelines for Employee of Hisense” and “Business Interaction Guidelines for Partners of Hisense”. Education and training using typical cases of preventing corruption was given to increase employee awareness of anti-corruption.

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SOCIAL WELFARE

Hisense HA is an active participant in upgrading the economic structure, is an influencer on important areas relating to the national economy and people's livelihoods, and has responded to the goal of developing a well-off society in 2020 by enhancing the strength of the state with its own development. It has actively contributed to poverty alleviation and promoted social employment.

In the realm of social welfare, the Company has taken initiatives such as the Hisense Refrigerator Yuchen Scholarship (海信冰箱·雨辰助學) and "Studying, Watching the Sea and the World", established charity grants and education funds, donated to primary schools, and offered support to impoverished children and families. This charity movement is expected to spread all over the world with the increasing recognition of the brand.



These social welfare activities have enabled Hisense HA to improve its public reputation in China and abroad. The Company has been honored as "The Most Respected Enterprise of China" and "The Most Caring Donation Enterprise", and has received awards such as "Best Corporate Public Image Award", "Special Contribution Award for Respecting Teachers and Education", "Award for Outstanding Contribution to Chinese Philanthropy" and "Red-top Public Welfare Awards (紅頂公益獎)" for its excellent corporate image.

In response to the COVID-19 pandemic in 2020, the Company actively provided assistance and care to all walks of life, providing personnel, materials and funds to back up the medical personnel on the front line of the "epidemic fight". The Company donated clothes dryers, fresh air air-conditioners with oxygen enrichment systems, masks, tents, disinfectant, air purifiers and other materials to the epidemic area.

The public welfare team of Hisense HA insists that the public welfare projects and activities have no relationship with product promotion. Such activities are organized merely for the sake of charity so that the recipients of assistance can benefit. This position, combined with the determination to promote such activities constantly, distinguishes public welfare activities organized by Hisense HA from those by many home appliance companies in the PRC.

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REPORT GUIDE AND INDEX

The Company has complied with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The following table reports the summary of compliance.

Areas, aspects and key performance indicators (KPIs)	“Comply or explain” provision	Page reference
A. Environment		
Aspect A1		
Emissions		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5-8
KPI A1.1	Types of emissions and related emission data.	8
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (eg. per unit of production volume, per facility).	8
KPI A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (eg. per unit of production volume, per facility).	8
KPI A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (eg. per unit of production volume, per facility).	8
KPI A1.5	Description of emissions targets set and steps taken to achieve them.	5-8
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction targets and steps taken to achieve them.	7
Aspect A2		
Use of Resources		
General disclosures	Policies on the efficient use of resources, including energy, water and other raw materials.	5-8
KPI A2.1	Direct and/or indirect energy consumption by type (eg. electricity, gas or oil) in total (kWh in '000s) and intensity (eg. per unit of production volume, per facility).	8
KPI A2.2	Water consumption in total and intensity (eg. per unit of production volume, per facility).	8
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5-8
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and water efficiency target(s) set and steps taken to achieve them.	5-8
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	8
Aspect A3		
The Environment and Natural Resources		
General disclosures	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	5-8
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5-8
Aspect A4		
Climate Change		
General disclosures	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	8
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	8

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Areas, aspects and key performance indicators (KPIs)	“Comply or explain” provision	Page reference
B. Social		
Aspect B1		
Employment		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	9
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	9
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	9
Aspect B2		
Health and Safety		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	10-11
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	11
KPI B2.2	Lost days due to work injury.	11
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	10-11
Aspect B3		
Development and Training		
General disclosures	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	12
KPI B3.1	Percentage of employees trained, by gender and employee category (eg. senior management, middle management).	12
KPI B3.2	Average training hours completed per employee, by gender and employee category.	12
Aspect B4		
Labor Standards		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	13
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	13
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	13
Aspect B5		
Supply Chain Management		
General disclosures	Policies on managing environmental and social risks of the supply chain.	14
KPI B5.1	Number of suppliers by geographical region.	14
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	14
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	14
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	14

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Areas, aspects and key performance indicators (KPIs)	“Comply or explain” provision	Page reference
Aspect B6		
Product Responsibility		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	15-17
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	15
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	16
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	17
KPI B6.4	Description of quality assurance process and recall procedures.	15-16
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	16
Aspect B7		
Anti-corruption		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	17-18
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	17
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	17-18
KPI B7.3	Description of anti-corruption training provided to directors and staff.	18
Aspect B8		
Community Investment		
General disclosures	Policies on community engagement to understand the needs of the communities where the issuer operates and ensure its activities take into consideration community interests.	19
KPI B8.1	Focus areas of contribution (eg. education, environment, labor, health, culture, sport).	19
KPI B8.2	Resources contributed (eg. money or time) to the focus area.	19