



Bring Great Innovations to Life



Midea Group Green Financing Framework

January 2022

Contents

About Midea Group	3
Midea's Green Strategy	3
Midea's Green Financing Framework.....	5
(i) Use of Proceeds.....	5
(ii) Process for Project Evaluation and Selection.....	8
(iii) Management of Proceeds.....	9
(iv) Reporting	10
External Review	12

About Midea Group

“Bring Great Innovations to Life” – Following the operating philosophy of creating a better life for everyone in the world through technology development since 1968, Midea Group (“Midea” or the “Group”) has grown into a global technologies group comprising 5 business divisions: the Smart Home Business Group, the Electro-Mechanical Business Group, the HVAC & Building Technologies Division, the Robotics and Automation Division, and the Digital Innovation Division. The Group provides products and services for around 400 million users over 200 countries and regions, and boasts a diversified brand portfolio including COLMO, Midea, KUKA, Little Swan, Toshiba, WAHIN, BUGU, Clivet, Eureka, GMCC and Welling. Since September 2013, Midea has been listed on the Shenzhen Stock Exchange.

Midea has a strategic focus of “Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact” to further solidify the Group’s operating foundations. To be specific, Midea has been adhering to a future-oriented approach and building up the innovation capability and the advantage of scale in Research and Development R&D. Midea is digitization- & intelligence-driven to promote structure upgrading; and will continue to be customer-oriented and promote business reform; and adhere to global operations and promote breakthroughs in the overseas operations.

Midea’s Green Strategy

With the vision of “building a green global supply chain, providing green products and services, and building a green and beautiful home”, and the goal of promoting the “3060” strategy by proactively responding to the national vision of achieving carbon peak by 2030 and carbon neutrality by 2060, as well as supporting the global decarbonization pathway, Midea has divided the promotion plan of its green strategy into 4 stages, and built the whole green industry chain process around 6 pillars of “Green Design, Green Procurement, Green Manufacturing, Green Logistics, Green Recycling, and Green Services”, to contribute to the China and worldwide target of “carbon peak and carbon neutrality”.

Midea will consecutively implement its Green Strategy under the following 4 stages:

- ❖ **First Stage:** Early deployment of green energy, smooth peaking by 2030
- ❖ **Second Stage:** Increase the proportion of green power to reduce greenhouse gas emissions, and achieve gradual carbon reduction by 2040
- ❖ **Third Stage:** Significant carbon reduction by 2050 through the usage of carbon neutral power
- ❖ **Forth Stage:** Converging forces to move toward carbon neutrality by 2060

Midea has built the whole green industry chain process around 6 pillars with details in the below:

1. Green Design

- Green Technology
- Green Products
- Green Standards

2. Green Procurement

- Fulfilling Social Responsibility
- Sourcing Green Materials
- Green Supply Integration
- Global Green Procurement

3. Green Manufacturing

- Intensification of land use
- Harmless raw materials
- Cleaner production
- Resourcefulness of waste
- Low carbonization of energy

4. Green Logistics

- Green Energy
- Digital Intelligence Logistics
- Green Packaging
- Green Cooperation

5. Green Recycling

- Customers can feel comfortable with a new one
- Convenient recycling channels
- Green dismantling and scrapping can be traced

6. Green Services

- Building Digital Intelligence Solutions
- Energy Integration Solutions

Through the adjustment of energy structure, on the premise of ensuring the incremental development of the enterprise, Midea responds to the national call to insist on green operation. With an expectation to achieve the carbon peak of the total direct and indirect emissions (Scope 1 and Scope 2¹) within the enterprise around 2028, Midea aims to adopt 30% of green power by 2030.

¹ According to GHG Protocol, Scope 1 refers to Direct Emissions and Scope 2 refers to Indirect Emissions.

Midea's Green Financing Framework

The Midea's Green Financing Framework (the "Framework") is set up to define how Midea and its fully-owned subsidiaries will raise fund through Green Bonds and/or Green Loans (collectively referred to as "**Green Financing Instruments**") to finance and/or refinance eligible green assets and green projects.

Green Bonds issued under this Framework will be structured in alignment with the Green Bond Principles released by the International Capital Market Association²; and Green Loans will be aligned with the Green Loan Principles jointly published by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association³ respectively.

This Framework was structured under the following four main pillars:

- (i) Use of Proceeds
- (ii) Process for Project Evaluation and Selection
- (iii) Management of Proceeds
- (iv) Reporting

(i) Use of Proceeds

An amount equivalent to the net proceeds of any Green Financing Instruments launched by Midea will be exclusively allocated to finance and/or refinance, in whole or in part, new, under-construction or operating eligible green assets and green projects as defined below ("**Eligible Green Assets**").

² <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

³ https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

Eligible Green Asset Categories	Eligibility Criteria	UNSDG Alignment ⁴	Key Environmental Objectives ⁵
Eco-Efficient Product Design and Development	<ul style="list-style-type: none"> ❖ Investments to develop and manufacture (including research and development “R&D” expenditures) eco-friendly and energy-efficient products, services, solutions and technologies in relation to: <ul style="list-style-type: none"> ○ Products, components or systems which are expected to provide a minimum 15% improvement in energy efficiency or obtain recognized eco-performance labels such as China Energy Label Level 1 or above or EU Energy Label B or above. For example, the Midea Commercial Air Conditioner Building Management System which expects to increase the refrigeration energy efficiency of large public buildings by around 30% ○ Core components of vehicles with zero tailpipe CO₂ emissions 	 <p>UNSDG 11 – Target 11.B</p>  <p>UNSDG 12 – Target 12.5</p>	Climate change mitigation and Natural resource conservation
Energy Efficient and Eco-Efficient Manufacturing and Processes	<ul style="list-style-type: none"> ❖ Investments related to the technologies, systems and facilities which make manufacturing processes at least 15% more energy efficient in terms of energy intensity per production unit, examples include: digital energy management systems for intelligent production planning, energy efficient heating and cooling systems, energy-saving electrical equipment, exhaust air energy recovery systems, etc. 	 <p>UNSDG 9 – Target 9.4</p>  <p>UNSDG 11 – Target 11.B</p>	Climate change mitigation and Natural resource conservation
Pollution Prevention and Control	<ul style="list-style-type: none"> ❖ Investments for the design improvement of product packaging to minimize, recycle and reuse packaging materials; or to make packaging material biodegradable in minimizing environmental impact 	 <p>UNSDG 11 – Target 11.6</p>	Pollution prevention and control

⁴ Full alignment please refer to: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

⁵ Full mapping please refer to: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Project-Mapping-June-2021-100621.pdf>

		 <p>UNSDG 12 – Target 12.5</p>	
Clean Transportation	<ul style="list-style-type: none"> ❖ Acquisition of electric vehicles (including electric cargo trucks) ❖ Development and manufacturing of essential components for zero tailpipe CO₂ emissions 	 <p>UNSDG 11 – Target 11.2</p>	Climate change mitigation
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> ❖ Investments and expenditures related to the operation and maintenance of sewage treatment systems and facilities to reduce water pollutant discharges; and those to filter, recycle and reuse wastewater to lower water consumption 	 <p>UNSDG 6 – Target 6.3</p>	Pollution prevention and control
Green Buildings	<ul style="list-style-type: none"> ❖ Acquisition or investment of buildings, including logistic centres and warehouses, which have received or are expected to receive recognized green building certifications such as the below: <ul style="list-style-type: none"> ○ Chinese Green Building Evaluation Label – 3 Star (Design / Operations Label); or ○ Building Research Establishment Environmental Assessment Method (BREEAM) – “Excellent” or “Outstanding”; or ○ U.S. Leadership in Energy and Environmental Design (LEED) – “Gold” or “Platinum”; or ○ Any other green building label, that is an equivalent standard of the above. ❖ Renovation, refurbishment and maintenance work of existing buildings (including warehouses and logistics centres) to optimize energy efficiency including the installation of LED and other energy efficient light and smart meters 	 <p>UNSDG 11 – Target 11.C</p>	Climate change mitigation and Natural resource conservation

<p>Renewable Energy</p>	<ul style="list-style-type: none"> ❖ Acquisition, installation, maintenance and upgrade of renewable energy generation including rooftop solar panel; ❖ Energy storage equipment and facilities; ❖ Procurement of renewable energy to reduce energy-related carbon footprint through the following: <ul style="list-style-type: none"> ○ Long-term physical and virtual Power Purchase Agreements (PPAs); or ○ Long-term energy attribute certificates such as Renewable Energy Certificates (RECs) 	 <p>UNSDG 7 – Target 7.2</p>	<p>Climate change mitigation</p>
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Exclusionary criteria: energy efficiency projects which involves technologies or assets which hamper the development of low-carbon alternatives and cause carbon lock-in.

(ii) Process for Project Evaluation and Selection

Midea shall form a dedicated Green Finance working group (the “Working Group”) including representatives from the Finance Department, in which some of the members will be equipped with green finance transaction experience or expertise, the Sustainability Department, in which some of the members will be nominated as subject matter experts, and representatives from business unit(s) which is responsible for the operations, acquisition or maintenance of the projects, in the selection of Eligible Green Assets when required. The Working Group is directly supervised by the Vice President of the Group.

Prior to the launch of any Green Financing Instruments, the Finance Department shall conduct a preliminary screening of potential Eligible Green Assets in accordance with the criteria and standards described in the “Use of Proceeds” section in this Framework, and form a list of nominated green assets. Refinancing of Eligible Green Asset will have a look-back period of no longer than 3 years from the time of issuance.

Respective divisions responsible for the nominated green project(s) would identify the environmental and social risks associated with the projects and provide an analysis to the Working Group, according to internal environmental and social risk management policies and frameworks.

The Working Group will then review and approve⁶ the list of nominated green assets based on a variety of factors, including but not limited to, the eligibility criteria defined in this Framework, the expected environmental and/or social risks and impact related to the green assets based on the associated feasibility report, environmental impact assessment reports, or product energy efficiency certifications if applicable.

⁶ Approval by majority by Working Group members would be required

Midea strictly observes the Environmental Protection Law of People’s Republic of China, the Environmental Impact Assessment Law of the People’s Republic of China, and the relevant laws and regulations of the places where the subsidiaries of Midea are located. Midea has clearly defined the red line of environmental protection management in production and operation activities and set forth requirements and regulations for management of environmental regulation compliance new reconstruction and expansion projects, waste water and gas discharge standards, etc.

Midea Group follows the ISO14001 environmental management system standard as to manage and mitigate environmental risks related to its operations and projects. All business divisions have established EHS management organization and formulated environmental management policies for systematic management. In strict compliance with the Basel Ban Amendment in the disposal of e-waste, Media does not export any such waste to any non-OECE country.”

Focusing on health and safety, safety committees were set up in Midea’s headquarters as well as each subordinate business divisions and product company to take charge of the management of production safety and occupational health of Midea and business divisions. Midea has signed an annual safety responsibility letter with each subordinate business division to stipulate annual safety assessment indicators and guiding indicators, and regularly followed up on the indicator progress.

On sustainable supply chain, Midea has specified clear review requirements for suppliers’ social responsibility fulfillment. The social responsibility assessment and assurance system for suppliers is incorporated into the Material Supplier Cooperation Agreement of Midea Group, the Midea Supplier Code of Conduct and other documents. Suppliers are bound in five aspects, including labor rights, occupational health and safety, environmental protection, business ethics and management system requirements.

Post-allocation, the proceeds allocation from the Green Financing Instruments will be reviewed by the Working Group at least on an annual basis or as necessary, to ensure that the proceeds are fully earmarked to a portfolio of Eligible Green Assets in alignment with the eligibility criteria throughout the tenor of the Green Financing Instruments. Allocated assets that no longer fulfil the eligibility criteria will be replaced by other Eligible Green Assets.

(iii) Management of Proceeds

Midea’s Finance Department shall establish and maintain a dedicated ledger (the “Ledger”) to record and track the allocation of the proceeds to Eligible Green Assets. The proceeds will be managed and tracked through a formal internal process to ensure the link of the proceeds to the Eligible Green Assets.

The Ledger will contain, but not limited to, the following information:

- Information of issuances of the Green Financing Instruments, including the issuance date, maturity date, coupons / interest rate, currency, amount, ISIN (for Green Bonds) etc.; and

- Information of the allocated Eligible Green Assets, including:
 - The aggregate amount of allocated proceeds to each eligible green asset;
 - Asset summary and its Eligible Green Asset Category;
 - The expected environmental benefits.

Any balance of proceeds from Green Financing Instruments not earmarked to Eligible Green Assets shall be held in accordance with Midea's internal liquidity management policy. The unallocated proceeds can be held in cash or cash equivalent.

On the best effort basis, Midea will fully allocate the net proceeds of Green Financing Instruments within 36 months after launch or drawdown. The Group will maintain an aggregate amount of Eligible Green Assets that is at least equal to the aggregate net proceeds of all outstanding Green Financing Instruments throughout the respective tenor.

In case of divestment or cancellation of an allocated green asset, or whenever an allocated green asset no longer meets the eligibility criteria depicted in this Framework, Midea will reallocate the proceeds to other Eligible Green Assets on a timely basis.

If Midea is informed or aware of any material environmental and/or social controversy from the allocated green project(s), the Company will undertake internal review of the respective green project(s), and commits to keep the findings transparent, and make timely replacement.

(iv) Reporting

Green Bonds

Until full allocation of the Green Bonds proceeds to the Eligible Green Assets, Midea shall disclose the information of allocation reporting and impact reporting in the annual Corporate Social Responsibility Report or in a standalone annual Green Bond Report. Subject to material changes to the allocated projects that causes them to no longer meet the eligibility criteria defined in this Framework, the Group will replace the ineligible assets into other Eligible Green Assets and notify the market in a timely manner.

1. Allocation Reporting

The allocation reporting shall include the following information:

- Percentage of proceed allocation by Eligible Green Asset category;
- Remaining balance of proceeds which have not yet been allocated;
- Case studies of selected allocated Eligible Green Assets, subject to confidentiality

2. Impact Reporting

Midea shall disclose the relevant information on the expected positive environmental benefits of the allocated Eligible Green Assets by Eligible Green Asset category. On a best effort basis, Midea will disclose the relevant calculation methodologies.

Where relevant and feasible, Midea will provide the impact report using the potential impact indicators recommended under the Harmonized Framework for Impact Reporting. Below is the list of potential impact indicators:

Eligible Green Asset Categories	Potential Impact Indicators
Eco-Efficient Product Design and Development	<ul style="list-style-type: none"> ❖ Type of products supported by the R&D and the relevant certification expected/ obtained ❖ Energy efficiency or other environmental performance improved relative to an established baseline (%)
Energy Efficient and Eco-Efficient Manufacturing and Processes	<ul style="list-style-type: none"> ❖ Annual reduction in electricity consumption (MWh/year) ❖ Energy intensity improvement per production unit (%) ❖ Annual energy efficiency gains relative to an established baseline (%) ❖ Annual GHG emissions avoided (tCO_{2e}/year)
Pollution Prevention and Control	<ul style="list-style-type: none"> ❖ Annual waste gas emissions avoided (tonnes/year) ❖ Annual amount of solid waste treated/reduced (tonnes/year) ❖ Annual GHG emissions avoided (tCO_{2e}/year)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> ❖ Annual volume of sewage discharge reduced (tonnes/year) ❖ Annual reduction in water consumption (tonnes/year)
Green Buildings	<ul style="list-style-type: none"> ❖ Type and level of green building certifications obtained ❖ Amount of energy saved (MW/year)
Renewable Energy	<ul style="list-style-type: none"> ❖ Annual amount of renewable energy purchased (MW/year) ❖ Annual GHG emissions avoided (tCO_{2e}/year)

Green Loans

Subject to respective loan agreement, Midea shall disclose information on the allocation of proceeds, and provide relevant information on the environmental impacts of Eligible Green Assets where feasible. Subject to the agreement and preference of the lenders, Midea may disclose the relevant information in the annual Corporate Social Responsibility Report or in a standalone Green Loan Report.

External Review

Midea has engaged S&P Global Ratings to obtain a Second Party Opinion on this Framework to confirm the Framework's alignment with the Green Bond Principles, and the Green Loan Principles. This Second Party Opinion report is publicly available on Midea's website.