

海尔

## 2005 Environmental Report of Haier



**Haier Group**



## HAIER IS THE SEA.

Haier should be like the sea. Because the sea can accept all the rivers on earth, big and small, far and near, coming all the way into it.

Once in the bosom of the sea, every drop will function as a whole and rush together pertinaciously and dauntlessly, under the command of the sea, to a common goal. They will rather be smashed to pieces than retreat as deserters, hence the overwhelming force of the sea.

The sea offers all of itself to the mankind and never demands anything in return. Only through this bounty and unselfishness can the sea become an everlasting existence providing for all living beings.

Haier should be like the sea - accepting all talented people from around the world for an ambitious goal. Every Haier employee should be capable rather than mediocre and redundant, for they are the backbone and guarantee of Haier's future development.



CEO of Haier Group  
**Zhang Ruimin**



Concerted efforts will generate power of the sea. This will be backed by a spirit - "Dedication to the Motherland by Pursuing Excellence" which Haier persistently advocates. Therefore, everything deemed unbelievable and impossible can be real and possible, and the Billow of Haier will rush past everything on its way and roll on and on.

Thus, Haier should be like the sea - making contributions to the mankind "sincerely forever". In so doing, it will exist forever for the

good of all. Haier will be an integral part of the whole society.

Haier is the Sea.



## Environment Friendly Product Design Is Essential To The Harmonious Relation Between Human and Nature

One of the great missions of an enterprise committed to the Harmony of Society is to develop environment friendly products that will enhance the



President of Haier Group  
Yang Mianmian

harmonious relation between human and nature. To be environment friendly is to reduce environmental impact and improve energy efficiency. We should be environment minded in research, development and manufacture to ensure green design, clean production and responsible recycling. Green design is the key to optimal utilization of resource and energy and harmonious integration of technology, environment and profitability.

China has been technically prepared for clean production, ecological package and responsible recycling of industrial products. Clean production means i) use of recycled materials; ii) lower raw material consumption and less waste, i.e. minimum energy consumption, safety / health risk and environmental impact iii) efficient production management. Ecological package means i) use of non-toxic and recycled packaging materials; ii) control of hazardous materials; iii) use of green packaging materials.

Responsible recycling means i) recycle and reuse of certain materials; ii) reduction of environmental load by recycling.



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## 9. Environmental Outlook





## General Information



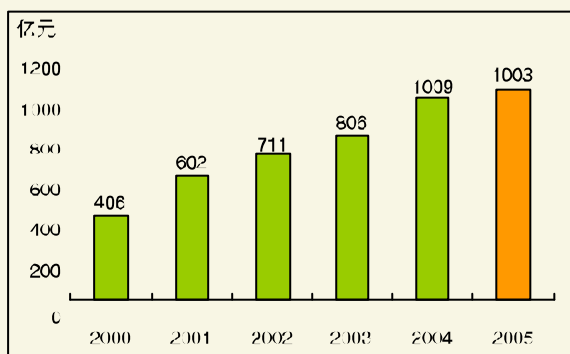
**Address of Haier HQ:** 1 Haier Road, Laoshan District, Qingdao

**Date of Incorporation:** December 26, 1984

**Total Assets:** RMB43.65 billion (in 2005)

**Global Business Turnover:** RMB103.375 billion (in 2005)

**Number of Employees:** 52,835 (in 2005)

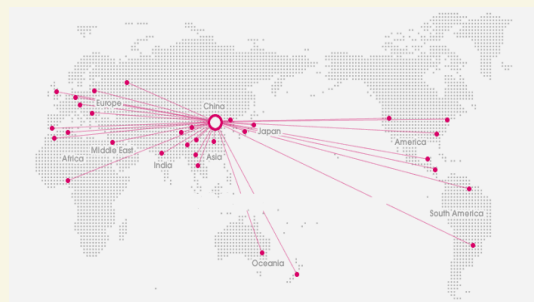


16 categories of Haier Group are listed as China's famous brands, including refrigerators, air conditioners, washers, televisions, water heaters, computers, cellphone and home integration solutions, etc. Among them, Haier refrigerators and washers are chosen as first China's World-Class Brands by AOSIQ.

According to Financial Times, UK dated on August 30, 2005, Haier ranks the first place of China's Top 10 World-Class Brands. The presence of Haier brand is increasingly felt in the global market.

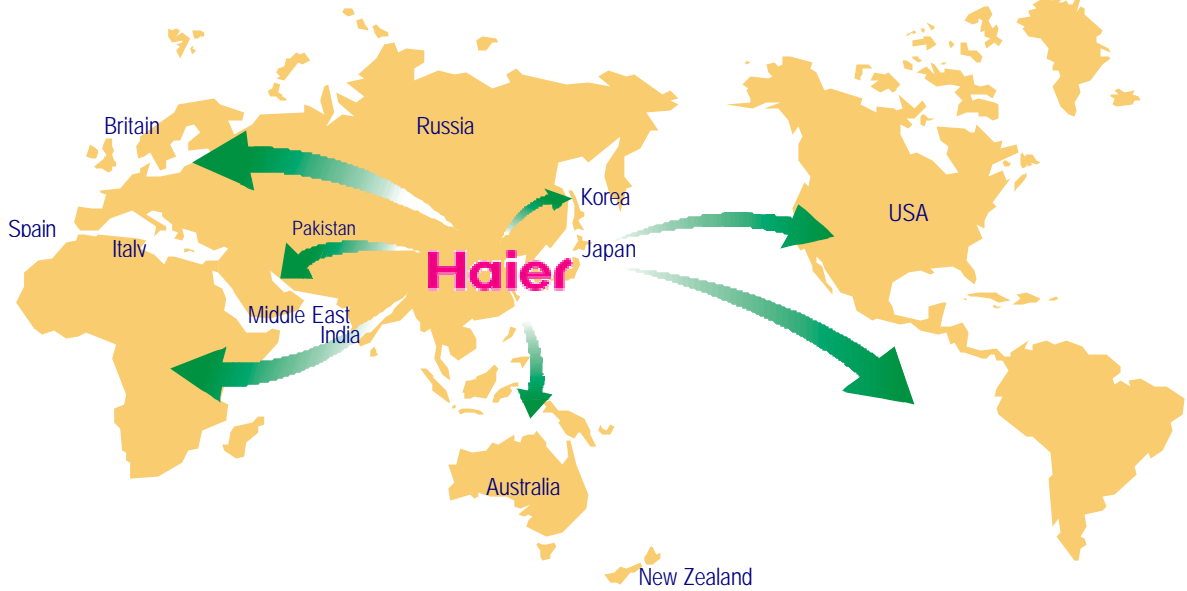
Being the world's No.4 white goods manufacturer and the No. 1 electronics and IT products supplier in China, Haier Group is a multinational conglomerate comprising more than 240 entities and operating localized design centers, manufacture facilities and trade companies in over 30 countries and 58,800 sales outlets worldwide. Haier Group has extended its business into 13 sections, i.e. home appliances, telecommunication, IT, home integration, biology, software, logistics, financing, tourism, real estate, parts and components, digital home and bio-mechanical equipment with a global turnover of RMB 103.375 billion in 2005.

## Worldwide Sales



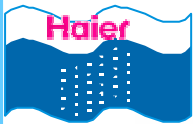


Worldwide Organizations

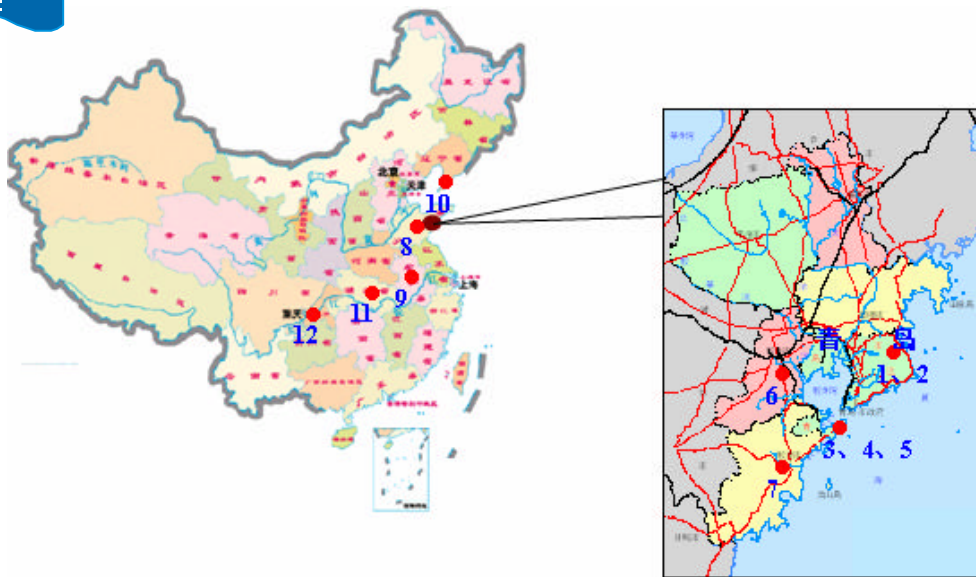


Haier has set up 15 industrial parks and 18 design centers all over the world, including 12 industrial parks and 10 design centers based in China and 3 industrial parks and 8 design centers in the rest of the world.

The integrated share of Haier in the Chinese market has reached 21%, specifically, 34% for white goods and 14% for small appliances.



Domestic Organizations





### China-based Haier Industrial Parks and Their Products

Name	Location	Date of Inauguration	Products
1.Haier Industrial Park	1 Haier Rd, Qingdao	Nov 16, 1992	Commercial air conditioners, washers, and commercial freezers
2.Haier IT Industrial Park	Haier IT Park, 1 Haier Rd, Qingdao	Aug 13, 1998	Color televisions, molds and cellphones
3.Haier (ETDZ) Industrial Park	Qianwangang Road, Qingdao Economic & Technological Development Zone	Dec 28, 1998	Commercial air conditioners, dishwashers, kitchen appliances, water heaters, microwave ovens, refrigerators and freezers
4.Haier ETDZ International Industrial Park	Qianwangang Road, Qingdao Economic & Technological Development Zone	Jun 28, 2000	CFC-free inverter compressors, precision injection & metal processing and plastics
5.Haier ETDZ Emerging Industry Park	Haier Road, Qingdao Economic & Technological Development Zone	May 21, 2002	Electronic components for household appliances, compressors, printing products, tubing and sheet materials
6.Haier (Jiaozhou) International Industrial Park	Qingdao Jiaozhou Economic & Technological Development Zone	Jul 8, 2000	Electric motors for household appliances, precision molds, electronic components and new materials
7.Haier (Jiaonan) Industrial Park	Qianwangang Road, Jiaonan, Qingdao	Feb 28, 2005	Air conditioners, color televisions and washers
8.Haier (Zhangqiu) Industrial Park	Zhangqiu Industrial Development Zone, Jinan	Oct 28, 2004	Electric motors for household appliances
9.Haier(Hefei) Industrial Park	Heifei Economic & Technological Development Zone	March 28, 2000	Color televisions, washers and air conditioners
10.Haier (Dalian) Industrial Park	Dalian Free Trade Zone	Sep 18, 2001	Air conditioners and refrigerators
11.Haier (Wuhan) Industrial Park	Wuhan Dunkou Development Zone	Mar 19, 2002	Air conditioners, water heaters and freezers
12.Haier (Chongqing) Industrial Park	Gangcheng Industrial Zone, Jiangbei District, Chongqing	Jan 8, 2006	Residential air conditioners, commercial air conditioners, washers, color televisions, gas water heaters





### ➤ Overseas Plants and Their Products

#### Haier in USA

In 2000, Haier's home appliances program was launched in USA. The program consisted of a design center in Los Angeles, a marketing center in New York and a manufacture center in South Carolina. Specializing in refrigerators, freezers, washers, televisions and air conditioners, Haier America is the first milestone in Haier's globalization.



#### Haier in Europe

Haier's design centers in Lyons, French and Amsterdam, Netherlands were opened on June 19, 2001. A marketing center was set up in Milan, Italy to promote sales of televisions, refrigerators, air conditioners, washers, microwave ovens, etc. Haier is making its way into the European market, the origin of the world's home appliance industry, with quality product, customized design and prompt response.

#### Haier in Middle East

Haier had set up three plants in Jordan, Iran and Syria respectively in 2003. Meantime, an after-sales service network had taken shape. In March 2005, Haier Middle East Industrial Park was established in Amman, the capital city of Jordan. The industrial park offers products such as refrigerators, washers, televisions, microwave ovens and dishwashers, etc.



#### Haier in Asia-Pacific Region

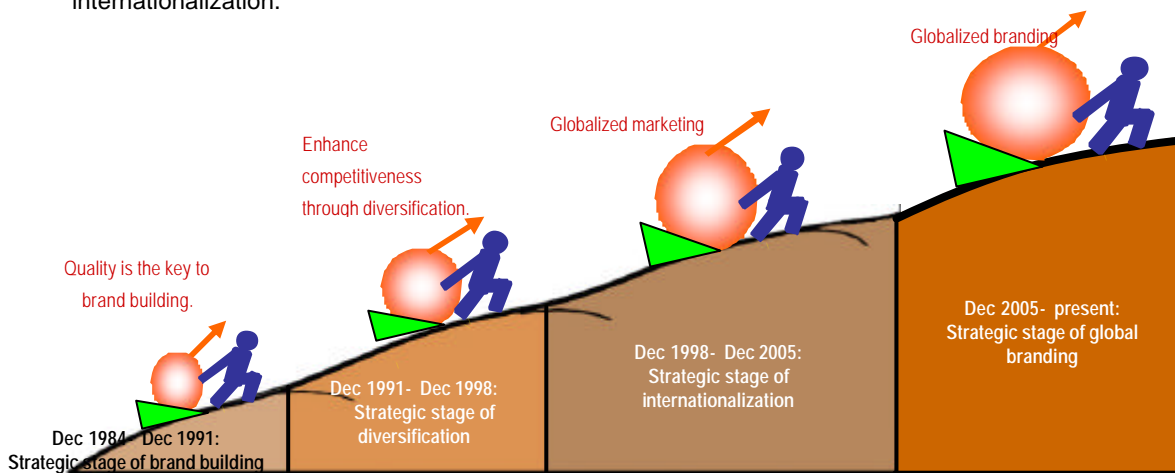
In April 2001, the foundation of Haier's second overseas industrial park was laid in Pakistan. By now, Haier has established plants in Malaysia, Indonesia, Bengal, Vietnam and Pakistan and set up a trade company in Singapore to manufacture and sell refrigerators, air conditioners, washers, dishwashers, microwave ovens, televisions, DVD and cellphones.





Four strategic stages

- ◆ **Strategic stage of brand building** (Dec 1984 – Dec 1991): Producing top-class refrigerators and introducing managerial basis of diversification – OEC approach.
- ◆ **Strategic stage of diversification** (Dec 1991 – Dec 1998): Producing diversified products on a large-scale basis and introducing managerial basis of internationalization.
- ◆ **Strategic stage of internationalization** (Dec 1998 – Dec 2005): International operations in brand, capital and human resources; 3-high-1-low; 3 conversions.
- ◆ **Strategic stage of global branding** (Dec 2005 - present): China-based, Haier is creating brand recognition in local markets all over the world.



	Dec 1984 - Dec 1991: Strategic stage of brand building	Dec 1991 - Dec 1998: Strategic stage of diversification	Dec 1998 - Dec 2005: Strategic stage of internationalization	Dec 2005 - present: Strategic stage of global branding
Market	Be No.1 in China (top quality)	Get In (quality is always the first concern.)	Stay In (3-in-1 localization)	Lead Up (integration & creation)
Technology	Introduction	Innovation	Patent application	Standard setting
Standard	Ensure product quality by meeting stricter standards	Improve competitiveness through	Create new demand by setting new standards	Build world-class brand though industrial



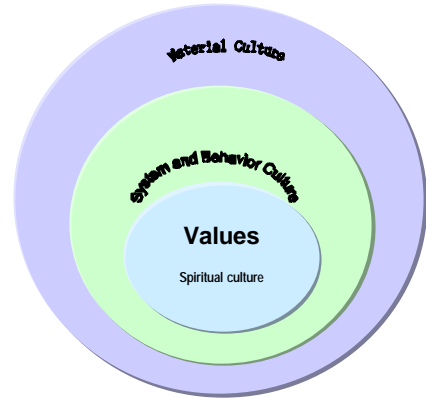
Corporate Culture



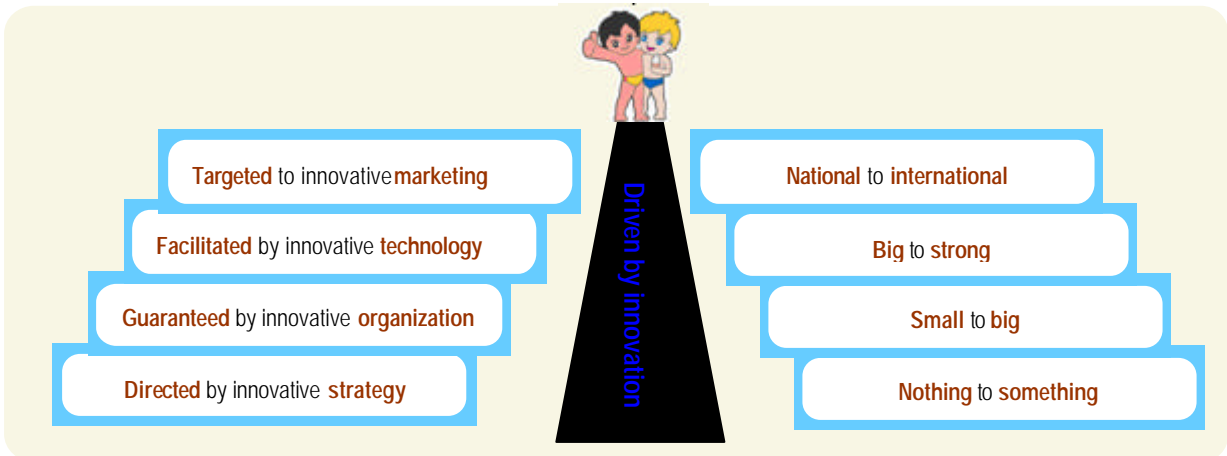
Our Philosophy

- ✧ **Core:** Innovation
- ✧ **Characteristic:** Extensively recognized and implemented by all employees
- ✧ **Goal:** Build a world-class brand and win honor for the Chinese nation
- ✧ **Spirit:** Creating resources and worldwide prestige
- ✧ **Style:** Individual-goal combination, swift action and success

Hierarchical structure of Haier Culture



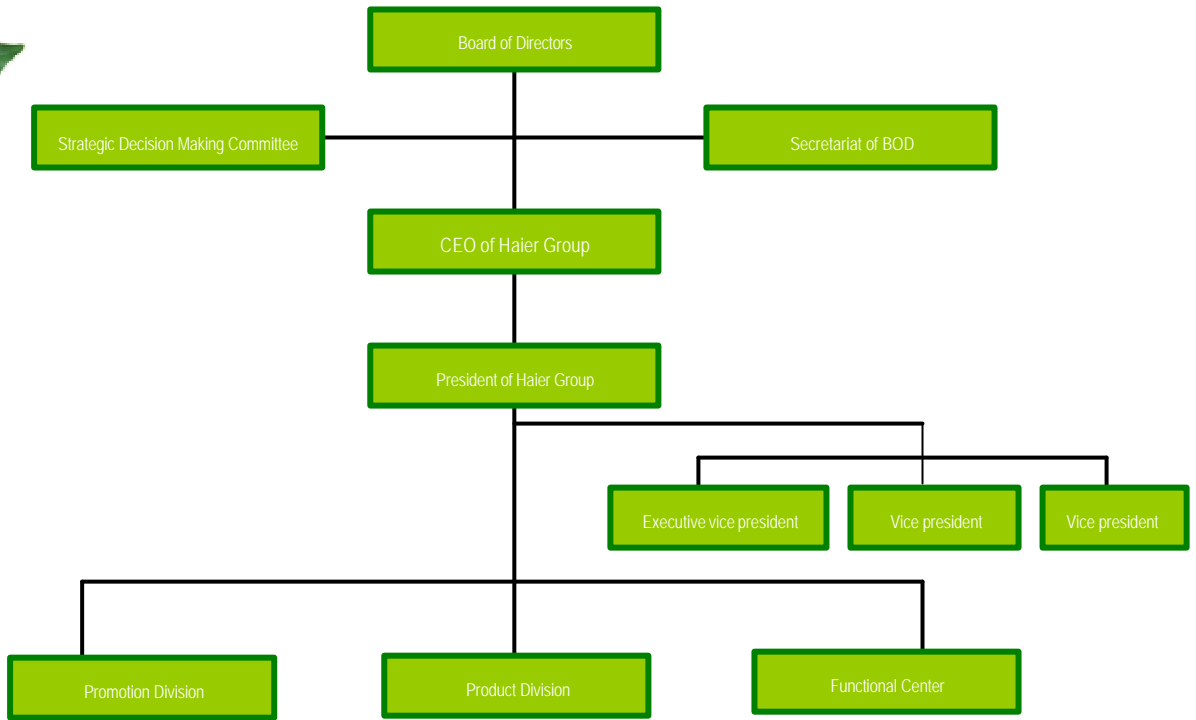
The superficial hierarchy of Haier's corporate culture is the material culture that is tangible. The central hierarchy is the behavior culture consisting of rules and regulations. The deepest hierarchy is the spiritual culture, i.e. values. These values are about one thing – innovation. An innovative idea will create an innovative mechanism and in turn create innovative technologies and products.





Corporate Management

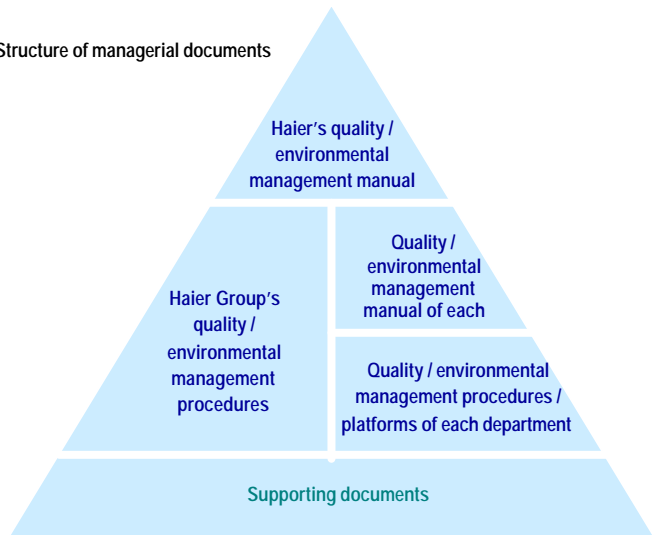
Managerial Structure and Standard



Managerial Regulations

The ISO 9001 Quality Management / ISO 14001 Environmental Management Manuals of Haier Group serve as the guidelines of all quality and environment related activities for department subject to certification and instructional documents for other departments. These manuals shall be observed in all quality and environment related activities and ensure the validity of and consistency between all applied documents.

Structure of managerial documents



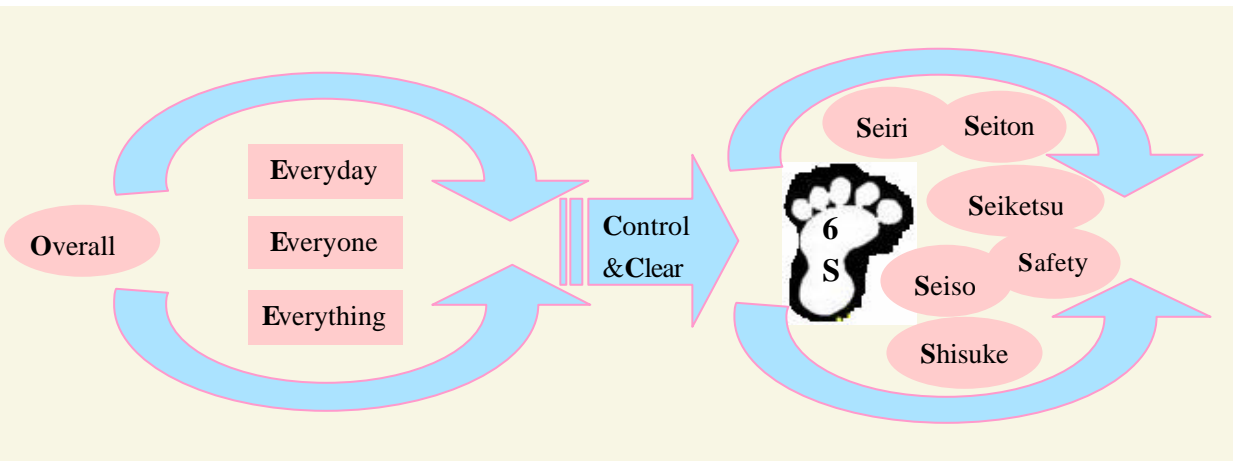
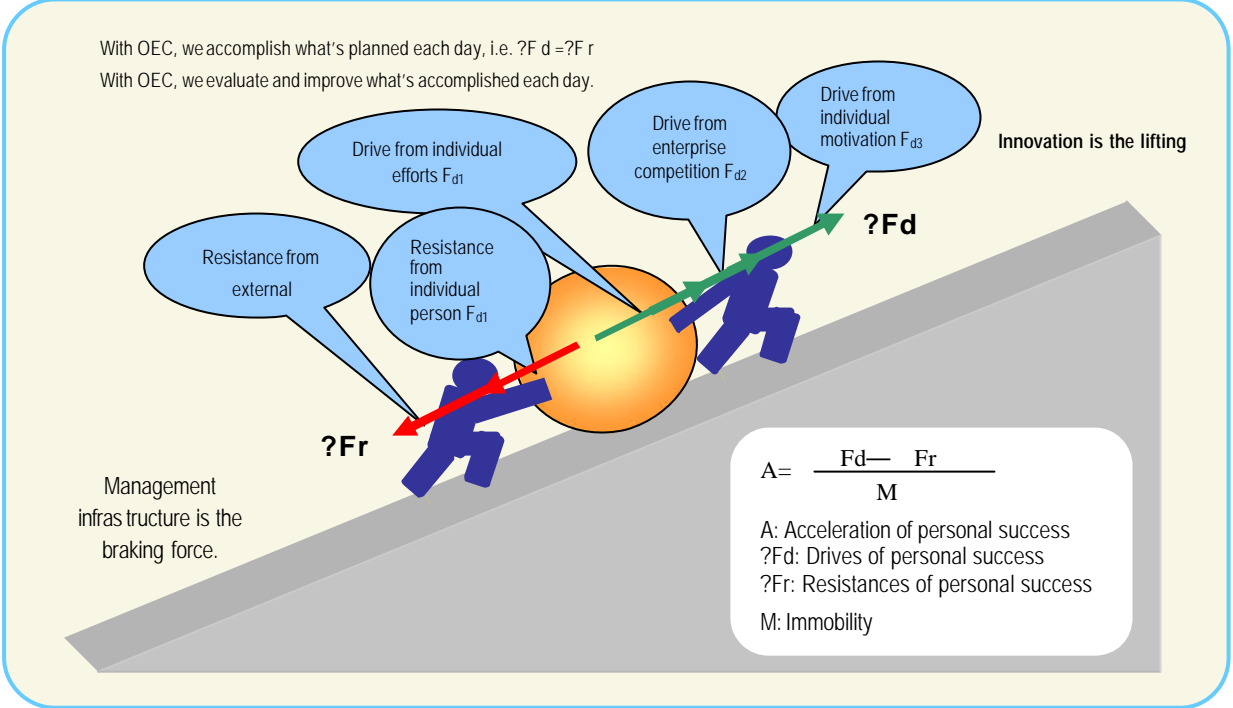
Department responsible: QA Operation





Innovation of corporate management

◆ OEC Approach



**Background information:** OEC is the abbreviation of Overall Every Control and Clear, that is, overall control and clear-up of everything done by everyone. The OEC approach is comprised of three systems: i.e. objective system, daily check system and incentive system.

Purpose of OEC: Accomplish what's planned each day; evaluate and improve what's accomplished each day. The plan for today should be completed 1% better than in yesterday. OEC is targeted to 6S, i.e. Seiri, Seiton, Seiso, Seiketsu, Shisuke and Safety. OEC is fundamental to accomplish our goals.



Market Chain Management

Market chain is the reengineered business process that is supported by Haier Culture and IT infrastructure and oriented to order information flow, in a form of material flow and capital flow, with an aim to actualize "3 zeros" (zero stock, zero distance and zero working capital). A market chain connects the enterprise to the market in the shortest and integrated process and streamlines the organizational structure to achieve zero management.

In the synchronized process of Haier's market chain, all business units are dealing with the market directly. The two ends of the main process are global supply chain and global customer network respectively. The functional departments are converted into supporting processes. The execution standard of market chain is SST (Suopei - compensation, Suochou - payment, and Tiaozha - stop).

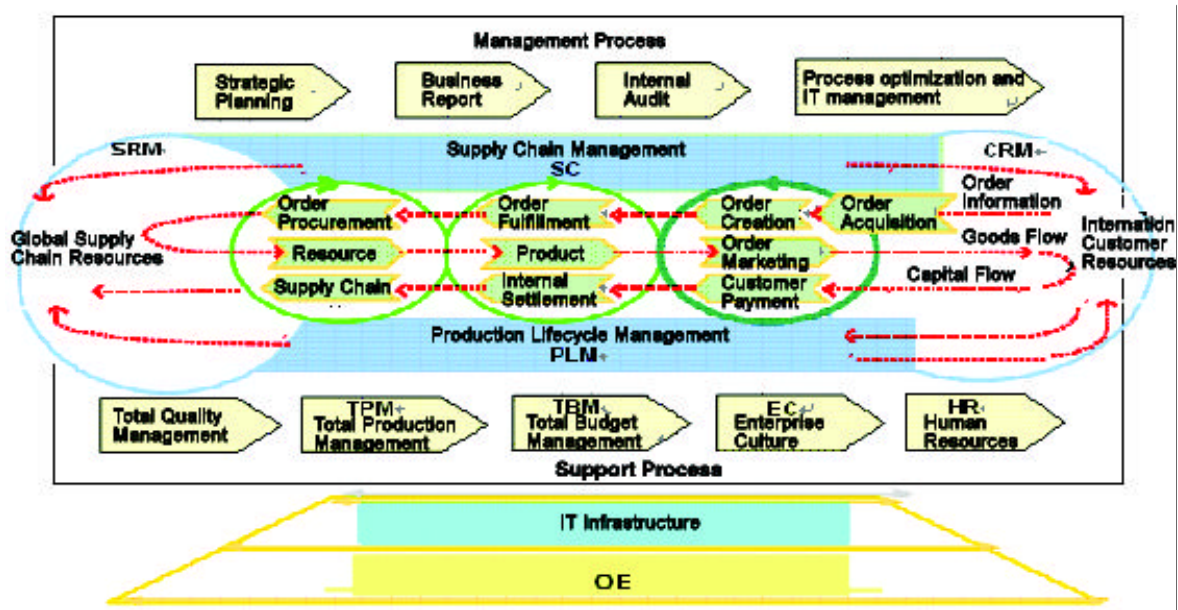
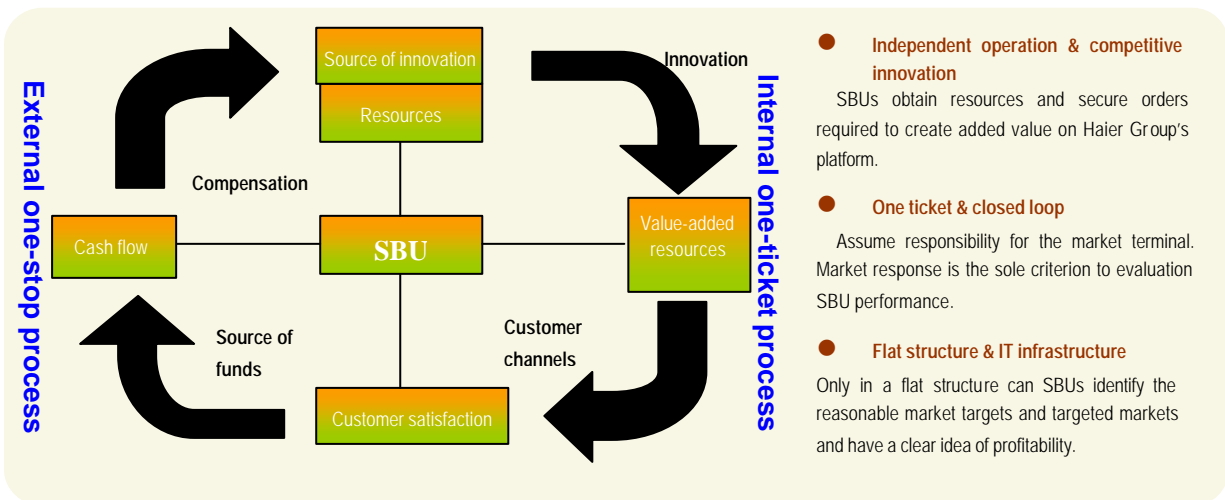


Illustration of Haier SBU Management Approach





## Overall Quality Control

### Evolution of quality management principle

Quality of product is the lifeline of an enterprise. The quality management principle has evolved over four periods from nothing  $\emptyset$  something, from small to big, from big to strong and from national to international.

**1984 - Specific quality management:**  
Compliance with standards and specifications of each process

**1989 - Broad quality management:**  
Quality minded and tailed to meet personalized requirements of customers

**1992 - Systematic quality management:**  
A comprehensive quality system is established to make Haier a world-class supplier.

**1998 - Market chain quality management:**  
Customer and market minded, an internal market chain was formed to set quality standard tailored to customer's needs.



Award of Merit for Enterprise Management of China (Golden Horse Award)

### The story of Zhang Ruimin destroying defective refrigerators

Since its start, Haier Group has been implementing strict quality standards to make sure no nonconforming item is delivered. One day in 1985, a warehouse check revealed that 76 refrigerators were defective. Notwithstanding shortage of materials and lack of technology, CEO Zhang Ruimin made an abrupt decision that these refrigerators should be destroyed. Zhang Ruimin believed that "a defective product is a reject", "quality products are made by qualified people" and "in order to succeed in implementing the branding strategy, quality is always the basis of survival".





Four approaches of overall quality management

✚ “Do It Right” quality management

A “Do It Right” process is in place to ensure the quality standards are met from incoming inspection, R&D, manufacture, transport, sales and after-sales service. A person in charge is designated to carry out one-ticket quality assurance of each sector. Once a problem is detected, this person will take contingent, interim and corrective actions to solve the problem and prevent reoccurrence.

✚ “Market Chain” quality management

SBU mechanism is introduced to eliminate the conflict between speed and error rate, high performance and low price, and high quality and large volume encountered during global operation in the form of market chain. In particular, designers are regarded as Model Managers who’re responsible for the marketability of their products.

✚ FDAR quality management

FDAR approach is a combination of two parallel elements, i.e. technical process and managerial process. The causes of technical problems rooted in management practices and management problems rooted in technical obstacles are identified and improvement is accomplished through interaction between these two elements to bring about a result of 1+1 >2.

✚ IT enabled quality management

Digital technology, network technology and corporate processes are combined and a network-based IT infrastructure is introduced to enable a brand-new way of collecting and processing information. The flow of goods is converted into the flow of information collected from each part of production process. The use of quality inspection information system, HP system, quality improvement information system enhances efficiency greatly and ensures data accuracy. QA personnel may further quality improvement based on the quality status.

FDAR quality management









**Innovation of Haier - Create a world-class brand supported by intellectual property**



Haier has applied for 6,189 patents (including 819 invention patents) over the past 20 years since its foundation. Meanwhile, Haier is the owner of 589 software copyrights. Haier has been engaged drafting nearly 100 national standards and industry standards. The proprietary technologies such as anti-shock water heater and double-drive washer have been submitted to IEC technical committees. Haier has become a world-class leader of innovation.



Anti-shock water heater



Double Drive washer

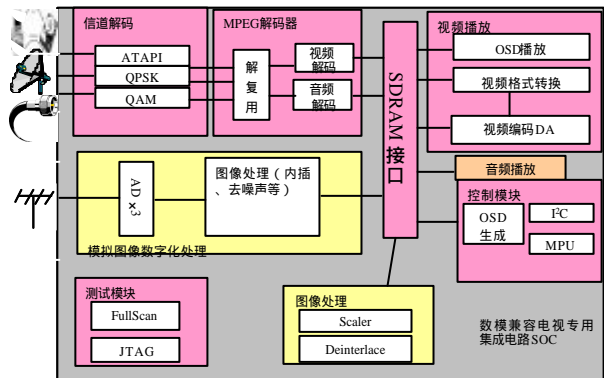
Water Saving  
省水 50%  
Time-Saving  
省时 50%



After 6 years' hard work, Haier proposed the solution for 3C digital home featuring PCA and based on a home gateway to link the home devices and the external gateway. The user can operate home device by remote control through phone call or internet. Haier is a pioneer in commercialization of network appliances.

Proprietary technology enabled, Patriot III makes DTV source decoding SOC possible. Being the first commercially manufactured and top-prized DTV decoding chip, it's the first of its kind to support progressive scan and integrate FLASH source decoding, allowing it to get a bite out of foreign manufacturers' monopoly in the market and secure a share up to 50% of DTV chips.

Schematic diagram of decoding chip used in Patriot III





Innovation and Implementation Criteria of Haier Refrigerator



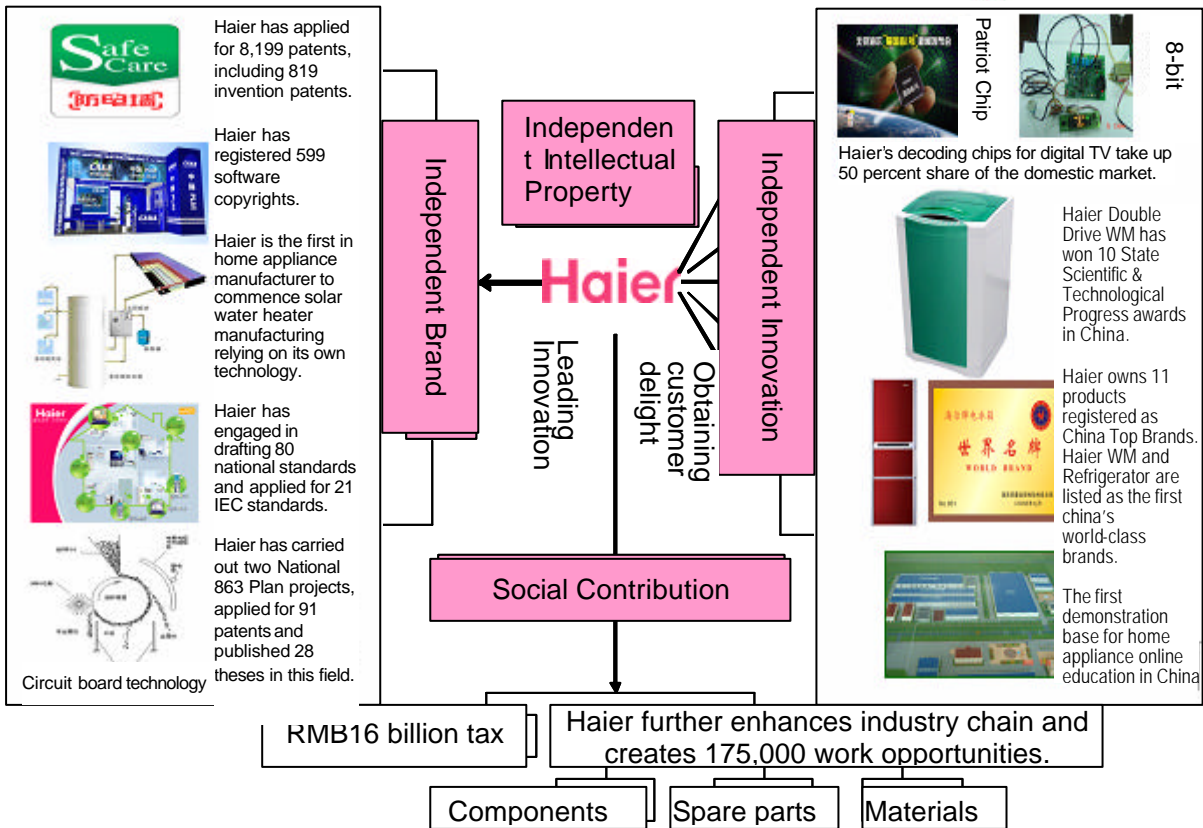
The first Liebherr refrigerator      CFC-free refrigerator      Inverter refrigerator      Aerospace refrigerator

➤ **Implementation criteria**

- Quality management** The first Chinese manufacturer to receive ISO 9001 certification in 1992
- Environmental management** The first Chinese manufacturer to receive ISO 14001 certification in 1996
- Other certifications:** ISO 10015 certification in 2002  
OSHMS18001 certification in 2003

➤ **Haier's Achievements in Innovation Activities**

Independent Brand, Independent Intellectual Property, Independent Innovation





**Awards**

Category	Time	Name of Award	Remarks
Management	2001.04	Special Award for Innovation Achievement of National Enterprises Management Modernization	The Conference themed "Chinese Entrepreneurs Facing Globalization" that was convened on April 22, 2001 in Shanghai International Convention Center awarded Haier a certificate for "Innovation Achievement of the 7 <sup>th</sup> National Enterprises Management Modernization". "Reforming the Business Flows as Linked Up by 'Market Chains'" of Haier won the Special Award.
	2004.11	Special Honor for Quality Management in the Electronics and Information Industry	In the disclosure of awards by China Quality Management Association For Electronics Industry in Nov. 2004, Haier was awarded the prize of "Special Honor for Quality Management in the Electronics and Information Industry" by the attending experts.
Service	2005.10	The Top Winner of Customer-satisfied Endurable Consumables in China	The survey team for customer-satisfied durable consumables publicized their results in 2005, and seven product categories of Haier namely refrigerator, air-conditioner, washing machine, television, water heater, range hood and home gas range topped in the survey. Haier was the company that received the biggest favor of customers.
	1996.06	The Five-Star Diamond Award	In June 1996, The American Academy of Hospitality Sciences awarded Haier "The Five-Star Diamond" prize, hence Haier becoming the only winner from the home appliances industry. In the same time, President Zhang Ruimin was awarded the prize of "Five-Star Individual Lifetime Honor", the only entrepreneur from China.
Environment Protection and Energy Saving	2004.08	Three prizes for Energy-Saving, Water-Saving and Environmental Protection	On the First Home Culture and New Products Fair of Energy Saving, Water Saving and Environmental Protection, Science and Technology, China Standard Certification Center released the 2004 prizes for Energy-Saving, Water-Saving and Environmental Protection. All these prizes went to Haier that become the only company that snatched all the three keynote prizes.
	2002.05	Energy Star certification for Haier dishwashers	Haier Dishwashers HDB24QA and HDB24SA were certified as "Energy Star" products by the US Environmental Protection Agency and US Department of Energy and were given the authority to use such a label.

**2005年《世界品牌500强》排行榜**  
The World's 500 Most Influential Brands

海尔是中国品牌的一面旗帜。它承载着现代中国工业的梦想。创立于1984年，海尔可以追溯到第一品牌诞生的标志。其生产的冰箱、空调、彩电等产品，曾经遥遥领先于质量和价格。在一段时期内，海尔品牌在中国市场的份额，只有海尔为数不多的本土品牌可以与之竞争。它还在激烈的竞争中得到了壮大，成为家电行业的一个领跑者。从一个烟台的小厂发展成为今天的世界级企业，这是世界家电史上绝无仅有的奇迹。

英国《金融时报》评选中国十大世界品牌，海尔荣登榜首。

国家质检总局评委会公布第三届中国世界名牌，海尔荣登榜首。

FT "世界十大品牌" 暨排行榜

排名	单位名称
1	Haier 海尔
2	Lenovo 联想
3	China Mobile 中国移动

海尔在百年华诞之际，中国最著名品牌"冠军"。2005年海尔品牌价值702亿元。

**Certificate of Recognition**

Presented to  
*the Haier Company*

for its Contribution to the Success of China's 1998 - Chinese Award for Development, Production, and Marketing of Energy Efficient Refrigerator

**Certificate of Recognition**

The Russian Federal Ministry of the Environment recognizes the efforts of  
**The Haier Group**

for its initiative and activities for environmental protection and... (text partially obscured)



Haier Refrigerator, always for you

海尔冰箱, 为您着想

Industry ... 海尔空调, 永创新高

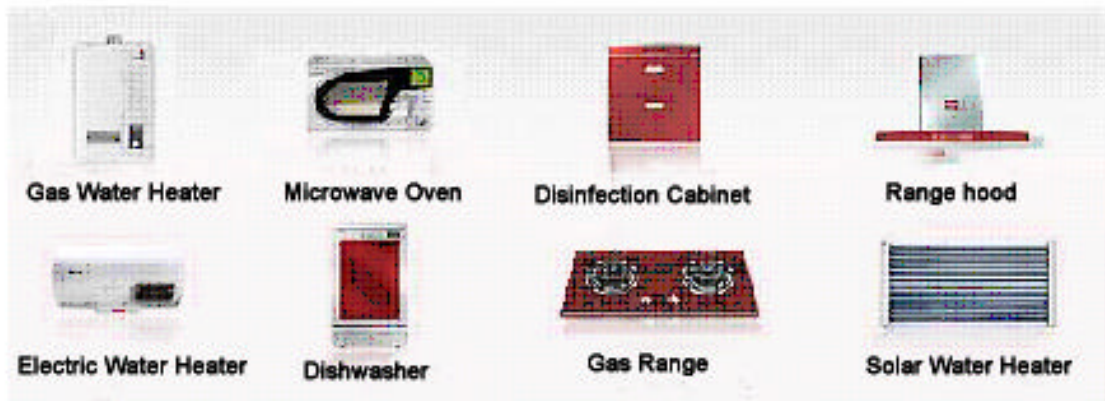
Haier Air Conditioner, always for the better



#### Living room appliances



#### Kitchen appliances



#### Audio and Video Products



#### 商用电器

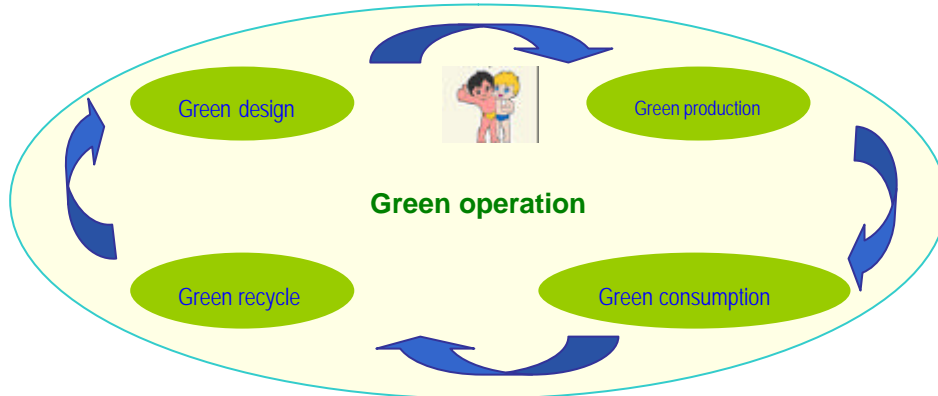




**Environmental**

✧ Promote environmental awareness and make environment protection and energy / resources saving an integral part of everyday work and life of all employees

✧ Carry out green operation based on ISO 14001 Environmental Management System certification to build a green Haier.



**KEY MEASURES**

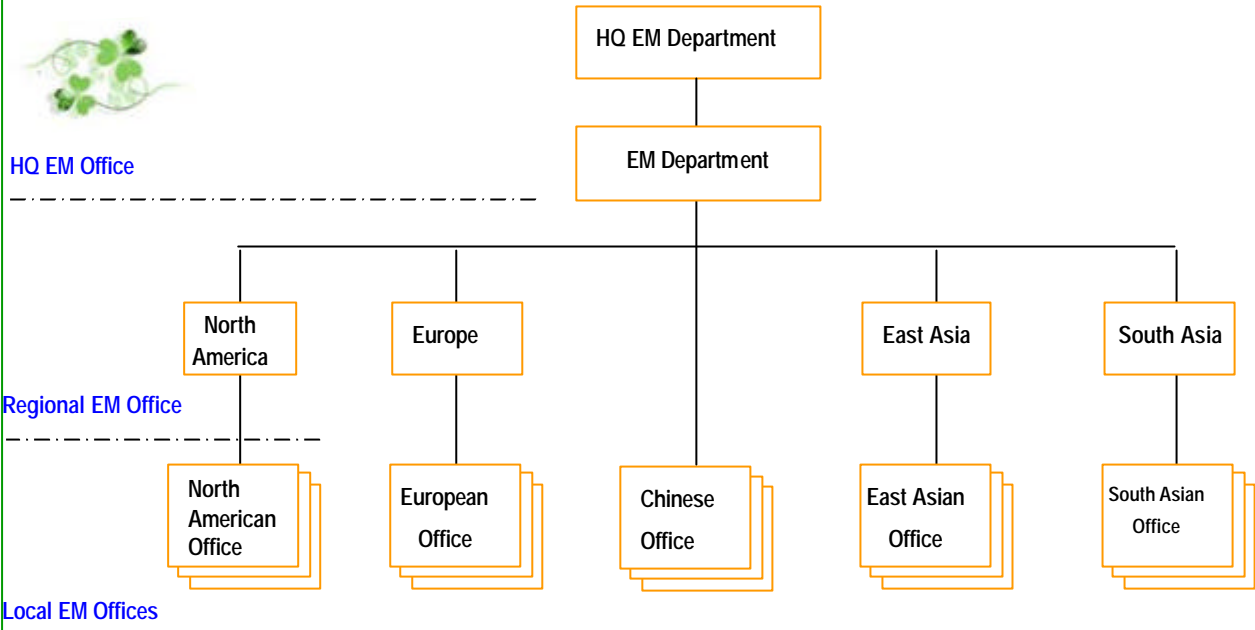
Theme	Description
Three situations	Normal situation, abnormal situation, emergency
Three tenses	The past, the present and the future
Four objects	Prevention of global warming, minimizing consumption of natural resources, control of chemicals and protection of natural environment
Eight types	Emissions into atmosphere, discharges into water, waste and byproducts, land pollution, use of raw materials and natural resources, energy liberation (heat, radiation, vibration, etc.), use of energy, physical properties (size, shape, color and appearance, etc.)

**A Quick Glance**

Laws and regulations observance	Communication and cooperation with local citizens
Release of corporate environment information	Education and training of environmental protection
Business planning	Study and research of actual situation
Planning & design of product and service	Purchase of raw materials and parts
Production management	Logistics, sales, market research and after-sales service
Recycling of discarded and used products	



### Environmental Management



#### Responsibilities of EM Offices

- **HQ EM Office:** Set out environmental strategy of Haier Group, identify environmental objectives of sustainable development, and carry out supervision and management of all EM offices.
- **Regional EM Offices:** Make supplement to the environmental objectives set out by HQ EM Office as per local laws and regulations as well as environment standards and carry out supervision of all local EM offices.
- **Local EM Offices:** Work towards Haier Group's environmental objectives and report to superior EM Offices.

#### ISO 14001 environment management system

- In 1996, Haier Refrigerator was the first Chinese manufacturer to acquire ISO 14001 certification successfully.
- Haier Group acquired ISO 14001 certification in 1998.
- Divisions of Haier Group (Refrigerator, Residential AC, Commercial AC, Precision Injection, Washer, Haier-Merloni, Haier-Mitsubishi Heavy Industry, Supermarket, Freezer, Electric Heater, Dishwasher, Electronics) have acquired ISO 14001 certification. In addition all key products of Haier Group have acquired ISO 14001 certification.

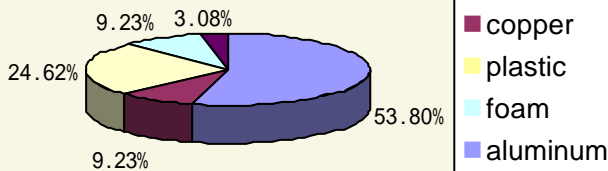
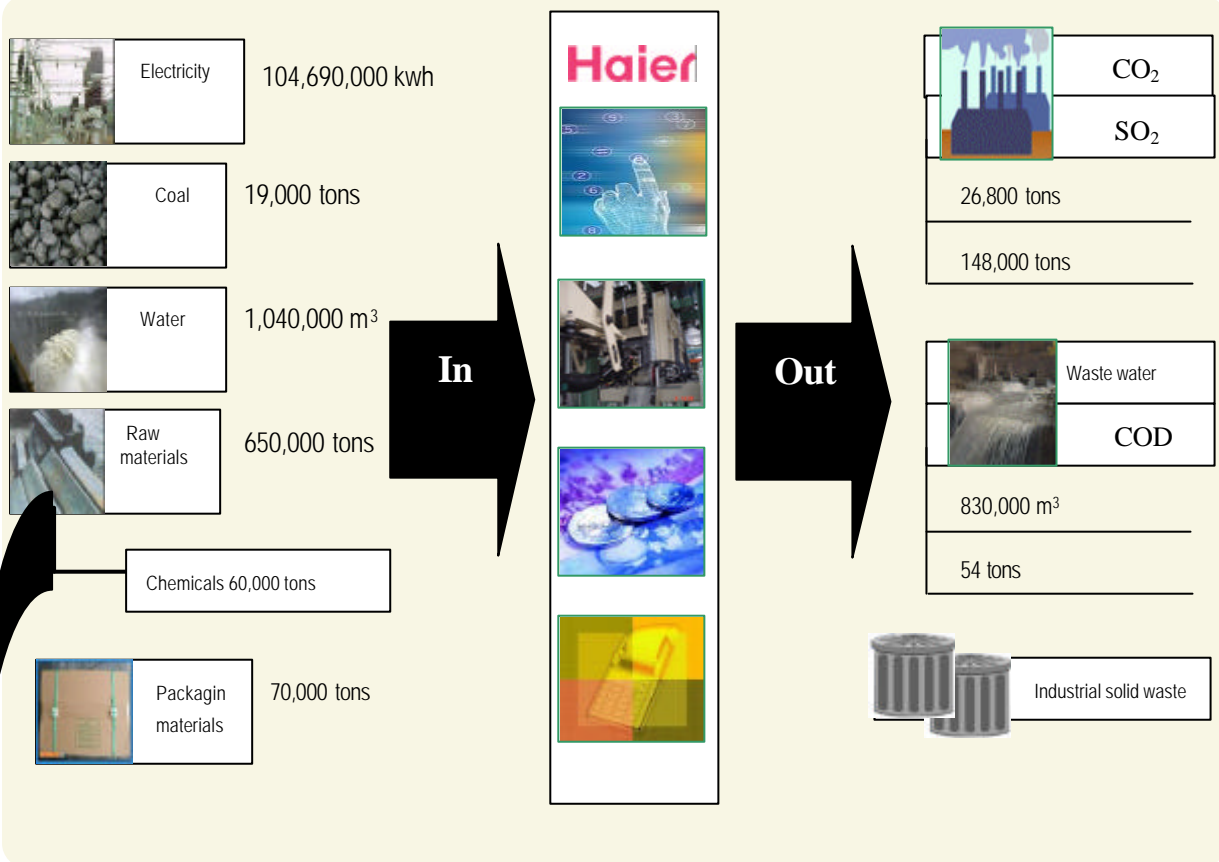




**Environmental Load**

In view of environmental impact of production and operation activities, Haier Group has worked towards the environmental objectives by reducing environmental impact through a strengthened environment management system.

**Haier HQ fact sheet of material and energy consumption and pollutant emission**



➤ **Data acquisition & analysis of raw material flow** Each year, Haier Group collects and analyzes information of material and energy consumption as well as pollutant emission and identifies objectives of reducing the use of natural resources and energy and the emission of pollutants for the coming year in order to reduce environmental impact. These objectives are decomposed among various departments.



## Environmental accounting

## Scope of Accounting:

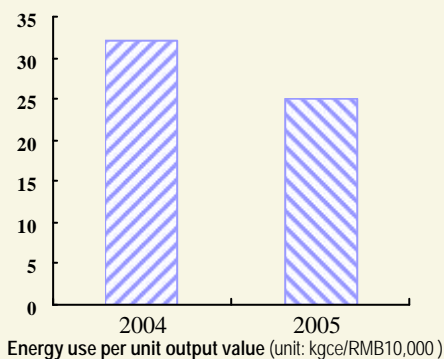
- ◆ **Production costs:** Including expenditure in upgrading technological equipment; improving efficiency; reducing CO<sub>2</sub> emission; introducing new techniques to reduce energy consumption and promote reuse of resources and energy; cutdown in overhead expenses; training, etc.
- ◆ **Waste disposal costs:** Including expenditure in purchasing waste sorting and handing devices; acquiring waste gas and waste water treatment facilities; operation and management of equipment; regular monitoring etc.

- ◆ **Potential liability costs:** Including waste treatment charges and environment recovery fees.
- ◆ **Financial benefits of environmental investment:** Including benefits resulting from reducing pollutant emission; recycling of waste and reducing use of resources; enhanced corporate image as a result of meeting consumers' needs for environment friendly products through reducing or eliminating pollution.

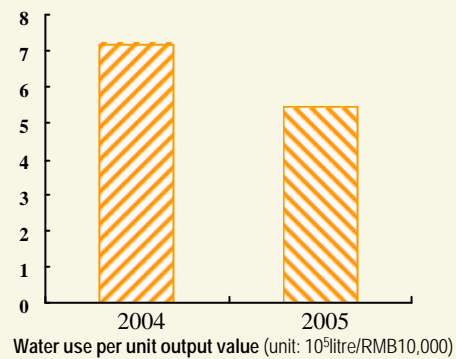
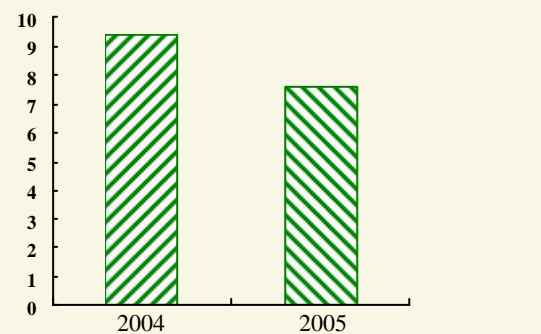
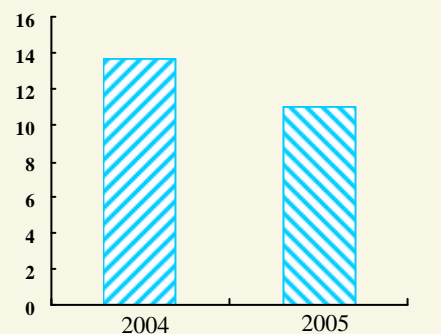


## 2005 Environmental achievements

Environmental evaluation of Haier Group covers 4 items: Energy use per unit output value, water use per unit output value, waste water produced per unit output value and CO<sub>2</sub> emitted per unit output value. The results indicate environmental impact of Haier Group and actions are taken accordingly to address the pollution problems.



Energy use per unit output value (unit: kgce/RMB10,000)

Water use per unit output value (unit: 10<sup>3</sup>litre/RMB10,000)Waste water produced per unit output value (unit: 10<sup>3</sup>litre/RMB10,000)CO<sub>2</sub> emitted per unit output value (unit: kg/RMB10,000)





## 2006 Environmental objectives

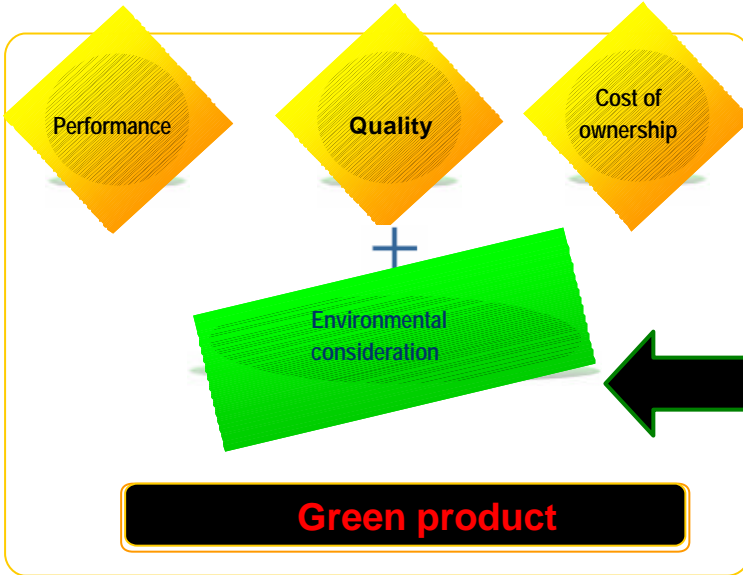
Executive Departments	EM Index (2006)	Supervising Department
Energy Division & Other Departments	Cut-down in water use: 51,000 tons Cut-down in electricity use: 8,300,000kwh	Energy & Power Committee
R&D	Meet export requirements of EU Directive by July 2006 and establish a disassembly line for used and discarded appliance	R&D, Energy & Power, Inspection
Refrigerator	82% of domestically sold products should meet the state's Level 1 requirements of energy use; further R&D of A++ products for European market; further R&D of Energy Star products for American market; all raw materials used in refrigerators comply with RoHS Directive and other environmental requirements	Refrigerator, Energy & Power, Inspection
Residential AC	Develop 2 models	Residential AC, Energy & Power, Inspection
Haier-MHI	Further R&D of relevant cooling-only air conditioners; eliminate the use of muffler; develop at least one refrigerant series (R410A, R407C); improve or replace materials used in models for EU market	Haier-MHI, Energy & Power, Inspection
Commercial AC	Deliver 127,542 CFC-free products	Commercial AC, Energy & Power, Inspection
Washer	Achieve a cost cut-down of RMB 55,180,000; develop 2 bio-tech washer models.	Washer, Energy & Power, Inspection
Dishwasher	Store parts and components for European market in EM warehouses; conduct RoHS tests for parts and components in EM warehouses before use; make product planning for various channels and customer needs	Dishwasher, Energy & Power, Inspection
Electronics	Develop 5 energy-saving products and acquire EMC certification	Electronics, Energy & Power, Inspection
Electric Heater	Give energy-saving feature the highest priority in R&D; enhance heat insulation of water heater; develop 12 energy-saving products; all new products should meet the state's Level 3 environmental requirements; achieve total CFC-free foaming	Water Heater, Energy & Power, Inspection
Haier-Merloni	Develop environment friendly QHQ1268H models	Haier-Merloni, Energy & Power, Inspection
Freezer	Hazardous substance content in homogeneous materials should meet EU RoHS Directive.	Freezer, Energy & Power, Inspection
Microwave Oven	Raise heating efficiency of microwave oven to 55% and above, 10% higher than national standard; develop 18 new products	Microwave Oven, Energy & Power, Inspection



Green Design

Haier's Definition of Green Product

A green product of green design is the combination of energy efficiency, advanced technology, supreme quality, affordability and environmental harmony.



- Global warming prevention  
**Reduced CO<sub>2</sub> emission**  
Minimized power consumption in standby and in use;
- Environmental protection  
**Restricted use of toxic and hazardous substances**  
Replacement of 6 forbidden substances in RoHS Directive; reduced pollutant emission;
- Resources preservation  
**3R promotion**  
Reduced use of raw material; recycling and reuse of discarded products, minimized discharge of waste water

Haier's Criteria of Green Products

Item	Category	Description
Global warming prevention	Reduced power consumption	Reduced power consumption in standby and in use
	Minimization	Cut-down in weight and size
Resources preservation	Reuse	Reuse of used parts
	Recycle	Recycle of metals, plastics, glass, parts and components in defective or discarded products
Environmental protection	Reduced use of toxic and hazardous substances	Replacement of 6 forbidden substances in RoHS Directive;
Environmental management	Clean production	Reduced use of resources and reduced pollutant emission;
	Environmental system certification	ISO 14001 certification
	Product design & manufacture	Evaluation of product design and manufacture processes
	Information release	Release of product information and manufacture process



➤ Green Actions of Haier

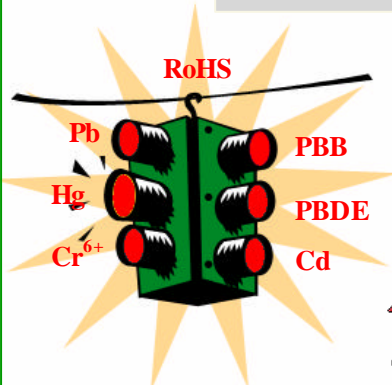
◆ Timetable for Reducing Poisonous and Hazardous Materials

Item	Refrigerator	Air conditioner	Television	Washing machine	Others
Before March 2004	Fact-finding of hazardous components and the content of hazardous substances				
From April to December 2004	Find a way to reduce or replace use of such hazardous substances. a. To reduce hazardous substances to meet environmental requirement b. To employ new techniques or advanced equipment, in order to reduce use of hazardous substances to meet environmental requirement c. To replace hazardous components (and to eliminate hazardous substances) d. To fully employ new technologies (resulting in hazard-free components) e. To do comprehensive analysis and comparison and decide on the best solution option. Pilot-scale experiments to be done independently.				
From January to November 2005	a. To do experiments on different electric appliances to test the selected solution. b. To fine-tune the solution æ per different electric appliances, and to make respective optimization. c. To finally decide on the solution, taking into account the electric functionality, economy and materials development trend.				
December 2005	Implementing the optimized solutions of different electric appliances and breaking through the "Green" barrier.				

RoHS Directive



In Jan 2003, the EU Parliament and EU Council inaugurated a RoHS (The Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment) Directive, which restricted the use of certain hazardous substances in electrical and electronic equipment and was also called the 2002/95/EC Directive. In 2005, the EU supplemented the above Directive with a 2005/618/EC resolution, which stipulated the maximum adoption of hazardous lead, cadmium, mercury, Cr<sup>6+</sup>, PBB and PBDE.



Limits of hazardous substances in the RoHS



The maximum content of lead, mercury, Cr<sup>6+</sup>, PBB and PBDE allowable is 0.1% (1000ppm), and that of cadmium is 0.01% (100ppm). Such restricted values are the legal basis to judge whether a product meets the RoHS Directive. So far, Haier has dropped the use of the above-mentioned six hazardous substances.



### ➤ Green Actions of Haier

#### Implementing Solutions for Designing Green Products

- ◆ **Energy-saving design:** Haier is the company that has acquired the most comprehensive energy-saving certifications in China. Most of its products have passed national energy saving certification and some of them have been awarded "Energy Star" and "EUROVENT Class A" respectively by the US Environmental Protection Agency and the EUROVENT certifying organization.
- ◆ **Low-toxic design:** In conformity with the EU RoHS Directive, Haier had come up with actions aimed at replace the six hazardous substances of lead, cadmium, mercury, Cr<sup>6+</sup>, PBB and PBDE. By the end of 2005, a total of 96 categories of electric appliances products made by Haier were free of the abovementioned six hazardous substances.
- ◆ **Modularized design:** In regard to the EU WEEE Directive, Haier has been accelerating modularized design of products, aiming at reducing the number of materials and components used in a product and avoiding soldering between different materials or soldering between plastics. This is an effort to facilitate disintegration of abandoned used products.

#### Background information of environmental certifications



China Energy Conservation Certification

Energy Conservation Certification is done according to internationally-popular procedure. When a product is approved by China Committee for Certification of Energy Conservation Product and is given a certificate and an energy-saving label, it is certified to be an energy-saving product.

The environmental label in China is based on the product life cycle assessing system. As a multi-standard-based label, it is certified by the certification center under the State Environmental Protection Administration of China and is the most authoritative green label in China.



China Environmental Label



"Energy Star"

"Energy Star" is a label in the USA that is given only to those manufacturing enterprises whose energy-efficient products consume less power than stipulated in the least power consumption standard.

The EUROVENT certification is issued by the European Association of Air Handling and Refrigerating Equipment Manufacturers and is the high-level performance certification of air conditioners in the Europe. Such a certification is highly recognized by consumers.



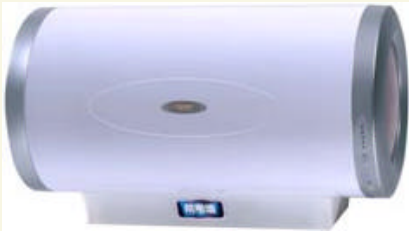
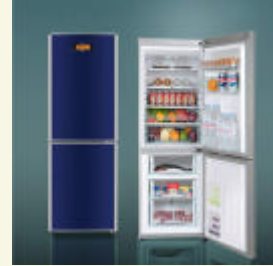
"EUROVENT Class A"



➤ Energy- and water-saving products

**Golden Prince BCD-209 refrigerator**

A BCD-209 saves 0.91kwh every day. If the 100 million refrigerators in China were replaced by BCD-209 refrigerators, 33.2 billion kwh could be saved each year.



**Anti-shock water heater**

In November 2003, Haier's Anti-shock technology is proposed to be an international standard by IEC technical committee.

**Pulsator washer**

Compared with a 5kg pulsator washer used 3 times per week with water consumption of 150litre per cycle, Haier's pulsator washer can save 180litre water per month and 9,360litre per year.



**Super water-saving washer**

The minimum water use per cycle of this 5kg washer is 35litre, far less than an ordinary washer using 140litre under the same conditions. It's a major breakthrough in water-saving technology of washers.

**DC two-way fresh air AC**

Saving 16.4kwh/day in heating and 11.5kwh/day in cooling, this air conditioner saves 1,001kwh if operated 8hour per day and 7 months per year.

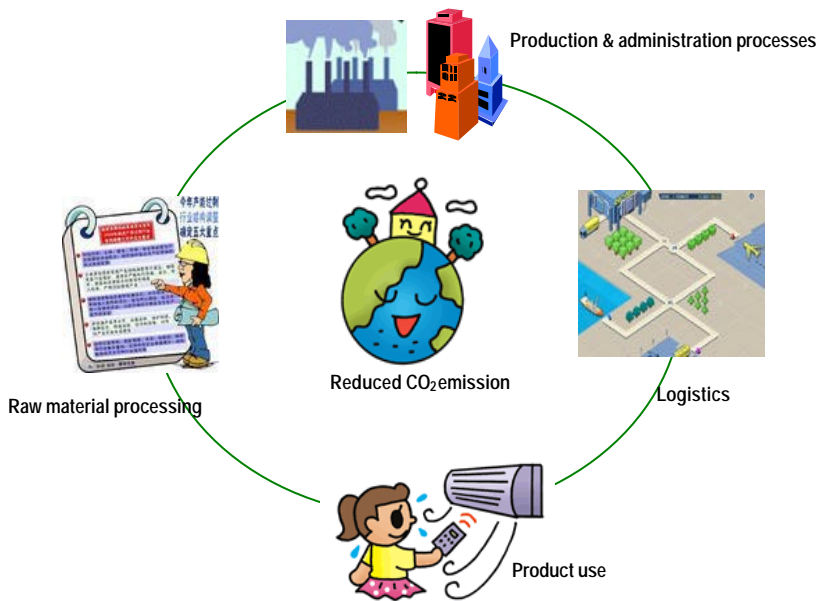




**Green production**

**➤ Global warming prevention**

Global warming prevention is one of the key aspects of Haier's environmental efforts. Measure to prevent global warming have been adopted corporate-wide, including production facilities, office buildings, raw material processing, manufacture, logistics, product use of end users, etc.



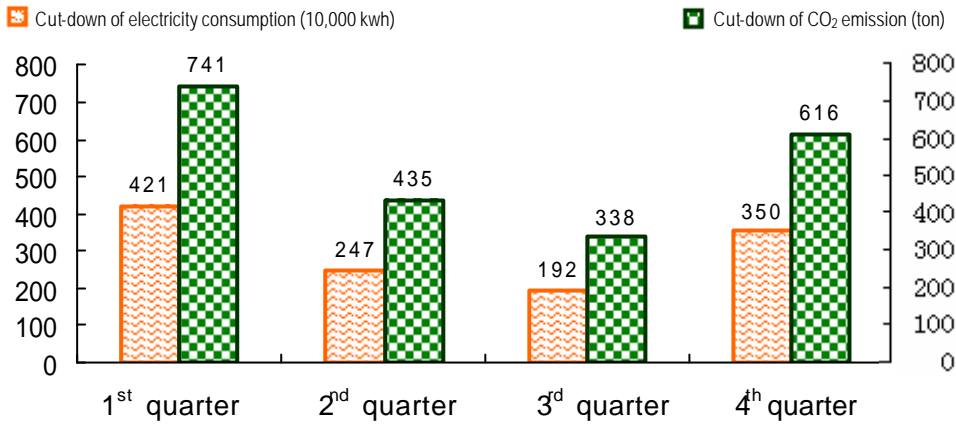
**Background information:**

Kyoto Protocol is designed to reduce global greenhouse gas emissions. It was adopted at the third session of the Conference of Parties (COP) to the UNFCCC in December 1997 in Kyoto, Japan. This Protocol requires industrialized countries to reduce their emissions 5.2% below their 1990 baseline over the 2008 to 2010 period.

<p><b>Production &amp; administration processes</b></p>	<ul style="list-style-type: none"> <li>✦ Reduced energy consumption and CO<sub>2</sub> emission during production process ;</li> <li>✦ Energy saving measures are adopted corporate-wide. The air conditioning systems in office buildings will be used only when the ambient temperature is 26°C or warmer in summer, and the indoor temperature will not exceed 20°C in winter. The heating systems in plants will be used only when the ambient temperature is 0°C or colder.</li> <li>✦ With respect to construction design, insulated wall material and electricity saving devices are widely used.</li> </ul>
<p><b>Product use process</b></p>	<ul style="list-style-type: none"> <li>✦ R&amp;D of products with low standby power consumption and reduced energy consumption of end users</li> <li>✦ Moderate package</li> <li>✦ Green consumption</li> </ul>
<p><b>Logistics process</b></p>	<ul style="list-style-type: none"> <li>✦ Green logistics of less CO<sub>2</sub> emission during transport</li> </ul>
<p><b>Raw materials processing</b></p>	<ul style="list-style-type: none"> <li>✦ Environmental accounting of suppliers is conducted to encourage them to take actions to reduce environmental load.</li> </ul>



◆ Results of electricity saving measures taken against global warming in 2005



◆ Observance of International Protocol

Halon is ozone-depleting and is therefore considered a greenhouse gas. In light of Montreal Protocol, Haier Refrigerator and Haier Air Conditioner have converted to Freon alternatives. Haier Refrigerator made the conversion in 1995 and Haier Air Conditioner adopted HCFC alternatives in 1998. Haier home appliances have fully converted to Freon alternatives since 2002.



Haier attended the Meeting of Parties (MOP) to Montreal Protocol on Substances That Deplete the Ozone Layer as the only participant from Asia.

In the technical conference held in New Delhi, India, Haier signed letters of intention with a number of enterprises regarding cooperation in CFC alternatives. Haier is engaging in environmental technology export.



**Background information:**

On Sep 16, 1987, 24 countries signed the Montreal Protocol on Substances That Deplete the Ozone Layer in Montreal, Canada. The Protocol specified 8 controlled substances, including 5 CFCs and 3 Halons. Under the Protocol, CFC phase out had been mandated for 1 January 1996 in developed countries, and developing countries should accomplish phase-out of ODS before 2010.



Haier was invited to International Workshop on Viable Alternatives to Ozone Depleting Solvents, New Delhi held on Feb 14, 1996 as a commendable manufacturer using CFC substitute.

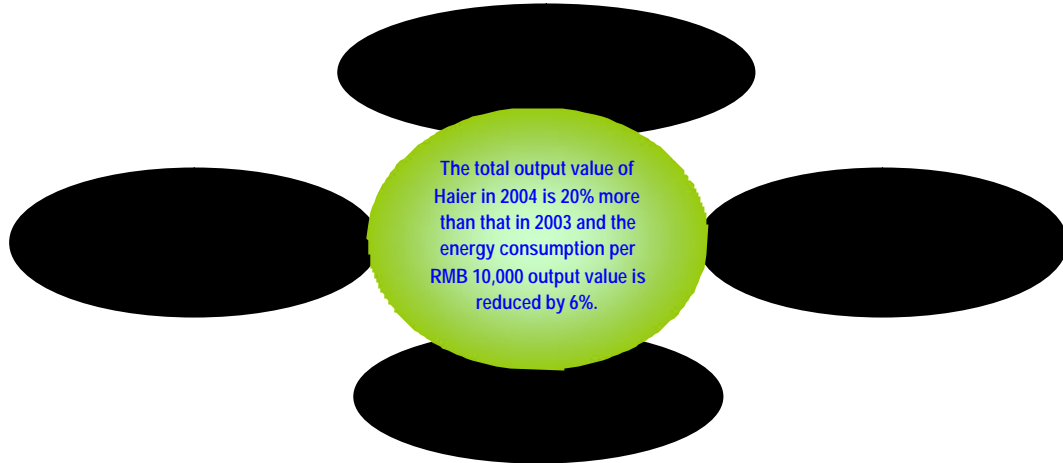
Haier Refrigerator participated in the Earth Day expo held in USA as the only product from Asia and was praised as the most typical environment friendly product.





## Clean Production

### Resources and energy-saving measures



### Energy and material consumption before and after the implement of clean production

No.	Item	Unit	Before	After	Results
1	Pass rate of powder coating	%	89.97	94.10	4.13
2	Power Consumption	kwh/work hour	3000	1600	1400
3	Powder consumption per unit area	kg/m <sup>2</sup>	0.1868	0.1656	0.0213

### Case Study

By maintaining indoor temperatures of office buildings below 20°C and not supplying heating in workshops above 0°C in winter, 2500 tons of coal are saved in December 2005, reducing the discharge of CO<sub>2</sub> and SO<sub>2</sub> by 1,100 tons and 28 tons respectively and preventing 1.07 tons of smoke and dust emissions.

The measure of not supplying heating at RT above 0°C not only brings in economic benefits for Haier but also helps to build corporate image and contributes to the reduction of environmental load and protection of ecological environment.



The indoor temperature of Haier offices in winter is maintained





- Measures to reduce power consumption in 2005

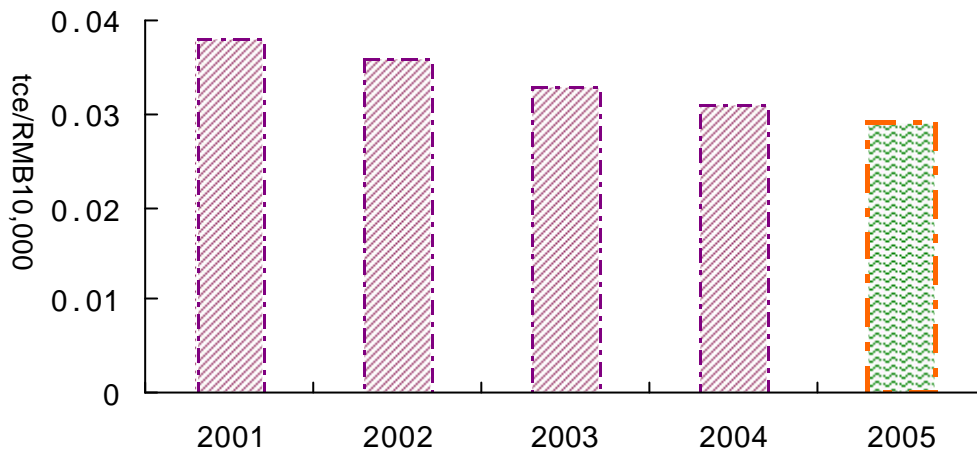
- Work out annual plan on energy consumption, mainly focusing on the profligate use of electricity in summer and heating in winter.
- Consolidate resources, adopt the T model of the energy service company, apply the zero-input energy-saving technology to product divisions and bolster the energy-saving management pattern.
- When build, extend and repair offices and other buildings, materials such as insulated wall and multilayer glass should be used and new energy-saving technologies for buildings should be adopted.
- Further enhance the inspection measures to make sure product divisions place importance on energy-saving efforts.

- Energy-saving Programs of Various Divisions in 2005

Division	Planned cut-down (10,000 kwh)	Actual cut-down (10,000 kwh)	Cut-down Rate (%)
Special Freezer	50	86	172
Freezer	45	46.292	103
Washing Machine	50	56.84	114
Residential Air Conditioner	30	32.4	108
Haier Merloni	60	61	102
Electric Heater	55	57	104
Refrigeration Equipment	40	40.196	100
Haier-MHI	35	36.2	103
Intelligent Home Integration	60	64.2	107
Injection Molding	70	74	106
Special Steel	40	41.5	104
Molding	45	46	102
Pharmacy	30	30	100
Refrigerator International	80	85.75	107
Commercial Air Conditioner	80	93.7	117
Dishwasher	50	50	100
Electronics	40	42	105
Total	860	943.3	110



- Changes in energy consumption per RMB 10,000 output value



#### ◆ Achievements

Review of clean production has been conducted to acknowledge the following achievements:

- ◇ In 2003, Haier Energy and Power Co., Ltd realized 5% cut in comprehensive energy consumption, water reuse ratio at 60%, 9% and 7% cut in CO<sub>2</sub> and SO<sub>2</sub> emissions respectively.
- ◇ In 2004, Haier Residential Air Conditioner realized an economic return of RMB 618,680,000, reusing 6.4 tons of waste copper tubes and 1.5 tons of scrapped tin materials. 475,000 waste plastic bags were recycled and R22 emission was cut by 600 tons. The annual capacity to reduce R22 emission reached 1000 tons. The water reuse rate and the waste water reuse rate came up to 50% and 50% respectively. Clean production contributed to 1.25% of every RMB 10,000 output value.

#### Awards in Environment & Resource Management in 2005

Haier Air Conditioner and Haier Washing Machine received awards including Water-saving Enterprise, Excellent Energy-saving Enterprise, Resource-saving Enterprise of Qingdao and Environment-friendly Enterprise of Shandong Province.



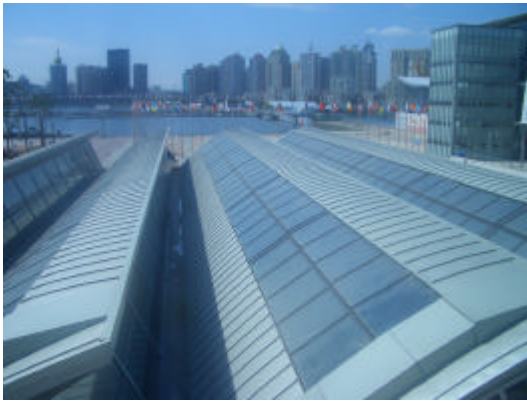


### ➤ Use of renewable energy

#### ◆ Use of solar energy

##### Economic benefits:

As the official white goods sponsor of the Beijing 2008 Olympic Games, Haier has succeeded in equipping Qingdao Olympic venues with its solar central air conditioning system and setting up Olympic service teams. The program of solar central air conditioning system is expected to save about RMB 2billion over its twenty-year service life.



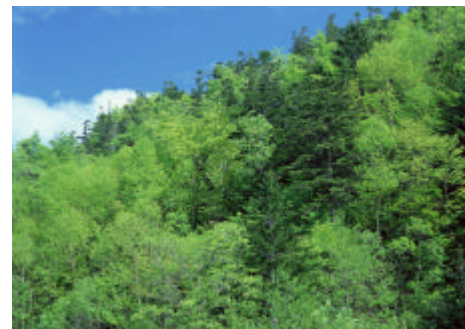
##### Reduced energy consumption:

The annual heat collecting capacity of the solar station in the backup center is about 393MWh and that of Athlete Center of Olympic Village can reach 789MWh. It is estimated that the solar station will save nearly 1.200MWh conventional energy, which is equal to the output of a large power plant in 1.2 months.



##### Environmental benefits:

The potential annual reduction amount of CO<sub>2</sub> of these two solar stations is approx. 391,200kg, which is equal to the annual absorption amount of a 1-hactare forest. The solar station will bring in substantial environmental benefits over its service time.





### ◆ Utilization of Wind Energy



Haier is actively engaged in exploration of reproducible resources. Wind power-generating equipment is installed in the International Training Center. This is an alternative to fossil energy and has made a scenic spotlight in the coast.



### Environmental Supervision and Countermeasures

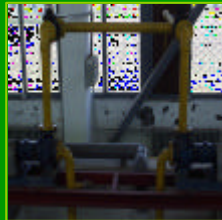
#### Environmental Supervision during Production Processes

- Control of phosphor, SS, COD, Zn and pH values in the phosphorus waste water and living waste water;
- Smoke: controlling the chroma of smoke, blackness of smoke gas, and content of sulfur dioxide;
- Noise: controlling factory noise.

Relevant archives are kept for at least 3 years.

Responsible unit: the Energy and Power Company

#### Countermeasures to Reduce Emission of Pollutants

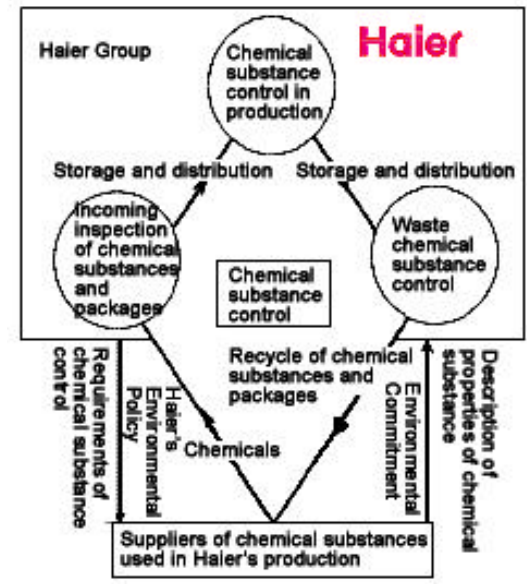
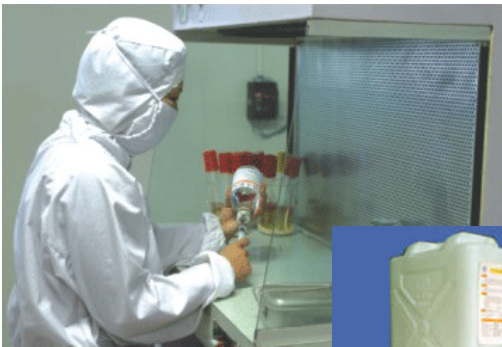


- ◇ **Industrial waste water:** A management system is in existence to reduce water consumption and reclaim of neutral water. Emission of 250,000 tons of waste water and 20 tons of COD are reduced per annum.
- ◇ **Air pollution:** Management over coal consumption is enhanced and low-sulfur coal is favored. All of air pollutants emission in 2005 met the standards.
- ◇ **Industrial solid wastes:** Pollution reduction and solid waste collection is enhanced, with a target management mechanism well established.
- ◇ **Environmental facilities:** Overhaul and maintenance of environmental facilities is improved. Specialized training is given to the operators who have to be a holder of a certificate of relevant qualification.



## Management of poisonous and hazardous materials

Haier has constituted a "*Handbook on Management of Chemical Materials*", which is to standardize procurement, storage, transport, usage and waste treatment of chemical materials in the production processes, as an effort to ensure work safety and safeguard the ecological system.



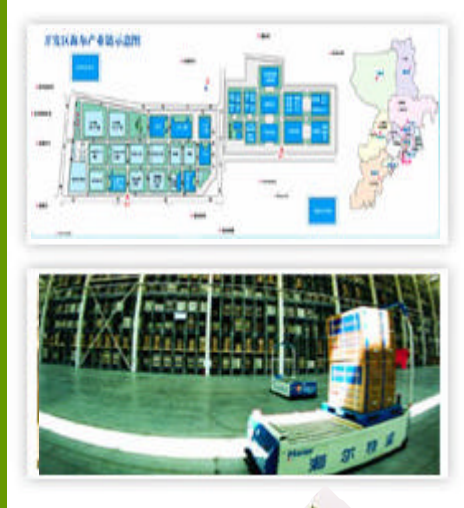
### Haier and Its Suppliers Are Jointly Forging a Green Haier

- All the suppliers are required to know Haier's guidelines on environment protection and sign a letter of environment protection pledge with Haier in regard to management of chemical materials.
- Packages of chemical materials provided by the suppliers have to satisfy state laws and regulations, and anti-loss measures have to be adopted in transportation of such chemical materials, to prevent environmental pollution from happening.
- Any chemical materials coming into Haier production base will be checked of package and inspected of material functionality by the Exterior Inspector from the Quality Check Division.
- The supplier shall provide instruction and relevant knowledge about the chemical materials. Haier provides training to the keepers and transporters.
- Storage and transport of chemical materials: Such materials should be kept far away from water sources; good ventilation for the warehouse; emergency articles ready in the warehouse; monthly inspection of package completeness by the keeper; safe transport and delivery by the transporter.
- Treatment of chemical wastes: phosphate residues along with non-poisonous and valuable package wastes are sent to qualified units for further processing. Package wastes and containers that are not independently processed shall be sent back the supplier.



**Green Logistics**

- ◇ **Reform of Haier's philosophy toward logistics**
- ◇ **Save spatial consumption by quick logistics:** the logistics reduces repertory by applying 3 JITs (Just In Time), namely those for procurement, raw materials distribution and finished products sorting.
- ◇ **Zero distance from the users and clients:** Synchronized information brings out timely responses; core competitiveness is upgraded in an open system.
- ◇ **Without logistics there shall be no flow of materials:** without modern logistics, the corporation would be a big warehouse and consequently there would be no efficient flow of materials.



➤ **Course of development**

- ◇ **Logistics restructuring:** United procurement, united storage and united distribution.
- ◇ **Management of supply chains:** Internal and external.
- ◇ **Industrialization of logistics:** The most advanced SAP R/3 system and SAP LES logistics execution system are employed. Haier is also experienced and capable in managing logistics of its RMB60 billion-worth materials.

➤ **Reduction of impact on the environment**

- ◇ In terms of long-distance transport, Haier reduces usage of trucks that remit a large amount of CO<sub>2</sub> and gives priority to transportation by railway or sea.
- ◇ Haier actively advocates the practice of outsourced sorting and logistics, and favors public transport.



**Goals of logistics development:** With the purpose of achieving both social and economic benefits, Haier is upgrading its core competitiveness and striving to develop into a top-class logistics company from a logistics-dragged company.



**Green Consumption**

Haier calls up its consumers to change their ideas about consumption and give priority to unpolluted and "green" products on their way to a natural and healthy lifestyle. Haier also attaches importance to treatment of wastes in order to avoid environmental pollution. Haier guides the customers to save energy and resources for sustainable consumption.



Washing powder is no longer needed now!





Green Recycle

The year of 2003 had seen junks of discarded television, washing machines, refrigerators, air conditioners and computers in China reaching the climax. If there is no effective reclaim of such wastes, a lot of resources will be chucked away and the natural environment will be intimidated.

In Dec. 2003, under the approval of State Council, the National Development and Reform Commission designated Zhejiang Province and Qingdao City of Shandong Province as two pilot places for experiment of reclaim of discarded home electric appliances and electronic products. Such an initiative aimed at setting up a standard recycling system for the discarded home electric appliances and electronic products, and accumulating experience to constitute related laws and regulations in this regard for development of a cyclic economy.

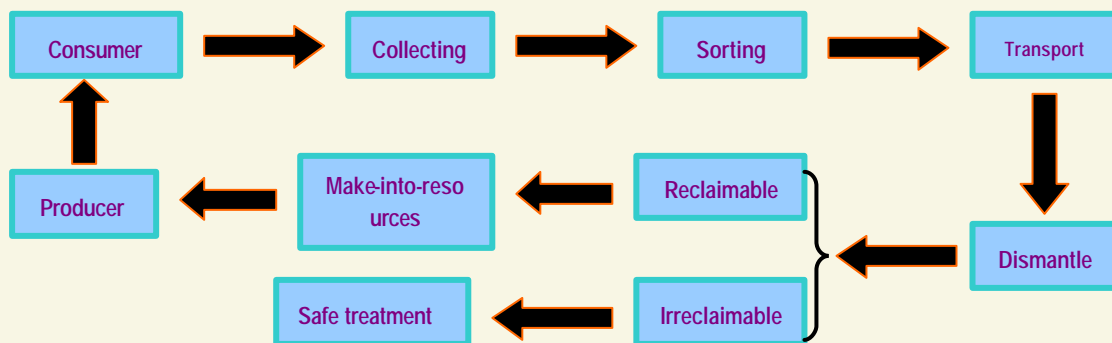


Bird View of the Planned Factory for Processing Discarded Home Appliances



As a pilot corporation for processing discarded home appliances, Haier invested an exemplifying project for processing discarded home appliances in 2005 in Jiangshan Town, Laixi, Qingdao. The first stage of the project is able to processing 200,000 units of discarded home appliances every year; when the project comes to complete construction, the annual processing capacity will reach as high as 600,000 units.

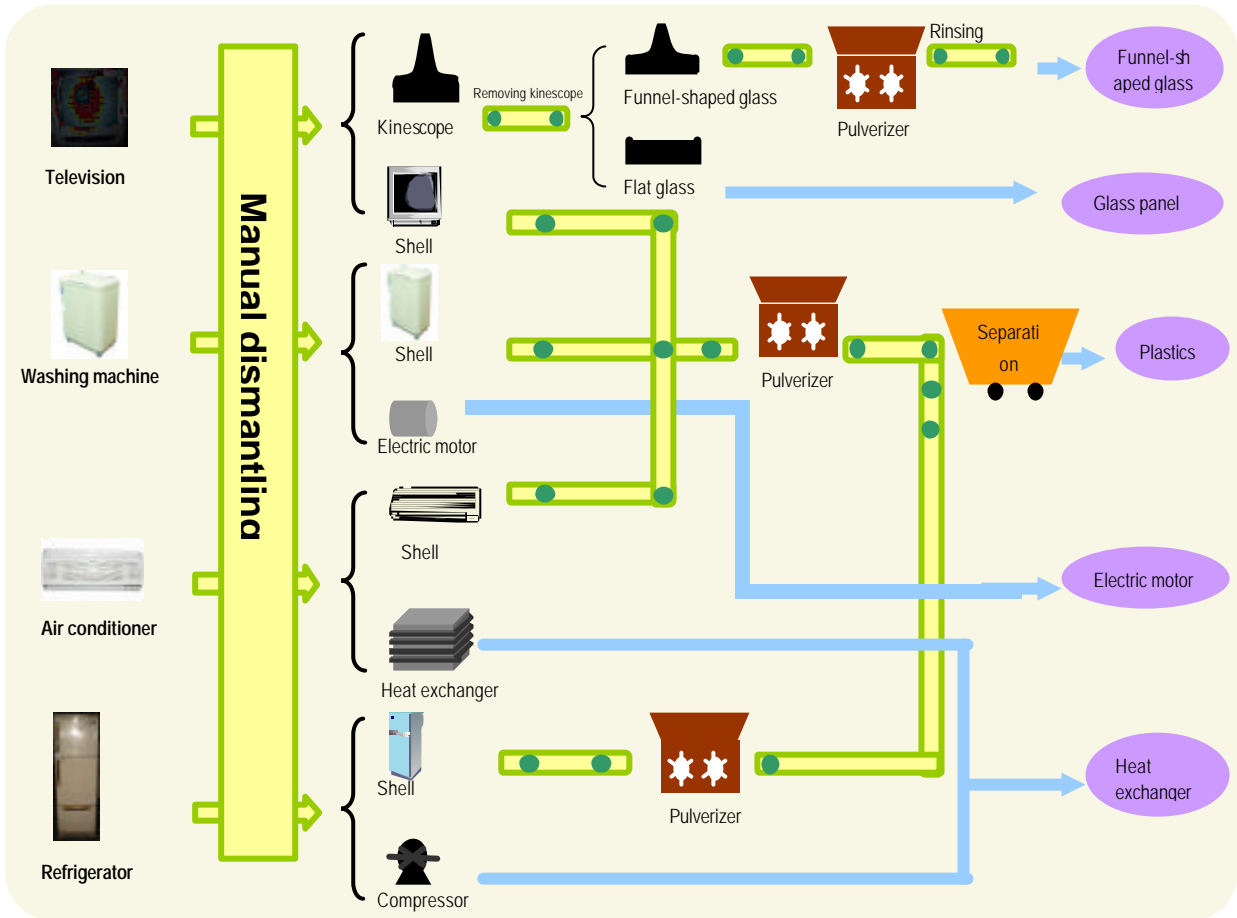
Sketch Map for Production, Use, Reclaim and Recycling of Home Appliances







### Dismantling and reuse of discarded home appliances



#### Reuse of Recycled Materials

- ✧ **Iron and steel:** Most of them are bought by iron and steel smelting companies, but a small fraction of them are directly used by the industrial equipment division of Haier.
- ✧ **Plastics:** Part of them is sold to plastic processing factories as material additives; the other part is transformed by Haier into mother material for making relevant products such as toys and building materials.
- ✧ **Non-ferrous metal such as copper and aluminum:** Part of them is directly re-used after quality check; the other part is re-used by sub-companies of Haier. Aluminum foils are smashed before being sent back to the original supplier for recycling.
- ✧ **Other valuable metals** are bought by electronic materials companies.
- ✧ **Glass reclaimed from televisions and display devices** are broken into pieces, which are good raw materials that can be applied to turning sections of expressways as a safety insurance for night drivers.



### Operational Performance

**Culture:** Haier Corporate culture, Haier spirit and Haier style

**Talent:** Everybody is talented and the right person comes out of competition other than judgment.

**Strategy:** Seeking predominance before seeking profit.

**Service:** Be customer the soil for business service.



Everybody is talented and the right person comes out of competition other than judgment

### Environment Information

Haier sets forth such concepts as green design, green production, green consumption and green recycle. **Green Design:** focusing on ecological design, improve energy-saving awareness, carrying out development & research of energy-saving, water-saving and material-saving home appliances, promoting environment-friendly products and digital products and technologies. **Green Production:** setting up goal management system, controlling the consumption of resources and energy of new projects, improving resource productivity. The major product lines will pass the verification of clean production and Haier will realize or surpass the leading international standards of energy consumption per product. **Green Consumption:** developing green products that are good for health, advocating green consumption. **Green Recycle:** improving waste home appliance recycle technology and added-value of products made from recycled materials, and accelerating the construction of Vein Industry Park.

### Relation with Interested Parties

#### ➤ Relation with Employees

#### ◆ HR Development System of Haier

##### ◇ Assessment System

- **Position assessment :** daily performance evaluation; weekly assessments of fulfillment of rigid indicators; monthly ranking according to performance, commending and warning systems.
- **Elimination mechanis:** elimination according to performance and elimination of rule-breaking employees

##### ◇ Post Shifting System

- **Rules:** For common posts, every 3-6 years for post shifting; for special posts, every 2 years for post shifting; all staff contending for posts
- **Methods:** "dolphin style promotion"; post shifting and regional transfer.



❖ **Distribution Rules**

- **Just:** Set up a mechanism platform and carry out strictly in conformity with the mechanism.
- **Fair:** All are equal before the mechanism.
- **Open:** All results are shown in public and under the supervision of the staff.

❖ **Promotion Mechanism**

- All staff contending for posts mechanism
- Contending for promotion mechanism
- Talent pool mechanism (talent reserve cultivation mechanism)
- Dolphin style promotion mode is good for enterprises to cultivate middle and top management

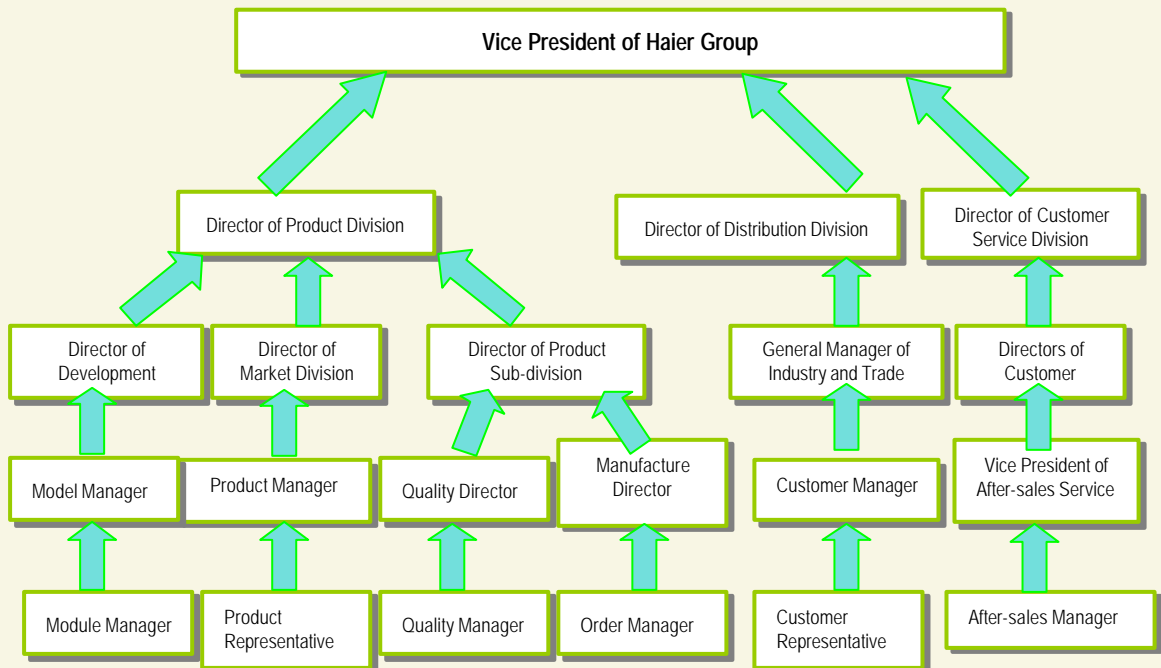
❖ **Distribution Mechanism**

- Stick to the rules of Just, Fair and Open.
- Prompt incentive: reasonable suggestions, SBU stars
- Performance-based distribution

❖ **HR Development Mechanism**

- Conversion from HR management to HR development
- Career planning for employees
- Training mechanism: field training, case training, just-in-time training and interactive training.

◆ **Promotion Diagram of Haier Employees**





A stage encouraging talented performers

你能翻多大跟头,给你搭多大舞台 欢迎加盟海尔

Everybody is talented and the right person comes out of competition other than judgment 人人是人才,赛马不相马

### Remuneration of Employees

- **Famous Brand Stage:** singular remuneration system of basic wage, skill wage and quality value vouchers
- **Diversification Stage:** multiple remuneration systems including post wage, project wage and annual salary
- **Internationalization Stage (Process Reengineering Stage):** SST market chain remuneration system
- **Global Branding Stage (SBU Promotion Stage):** 9-27 remuneration system.



### ◇ Employee Welfare

**Residing:** Offer flats to college educated employees and the flats are free of charge in specified time.

**Housing:** Pay housing accumulation funds for employees, employees and the company each 50%.

**Insurance:** social insurance (five types, namely endowment insurance, medical care insurance, employment injury insurance, unemployment insurance and maternity insurance),

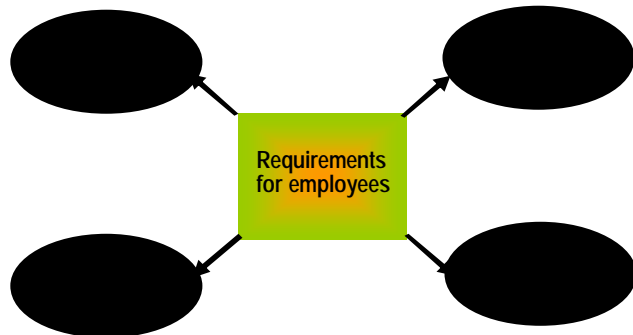
complementary insurance (endowment insurance and medical care insurance) and traffic accident insurance.

**Incentive:** distribute shopping vouchers for anniversary of the company

**Vacations:** paid leave, home leave, marriage leave, maternity leave, sick leave and personal leave.

Welfare funds and reimbursement of expenses: annual and quarterly welfare funds, presents for festivals, telephone toll and traffic fares.

**Other welfare:** vehicles for senior managers, shuttle bus for employees.





只要您拨打一个电话，  
剩下的事由海尔来做  
Service ...



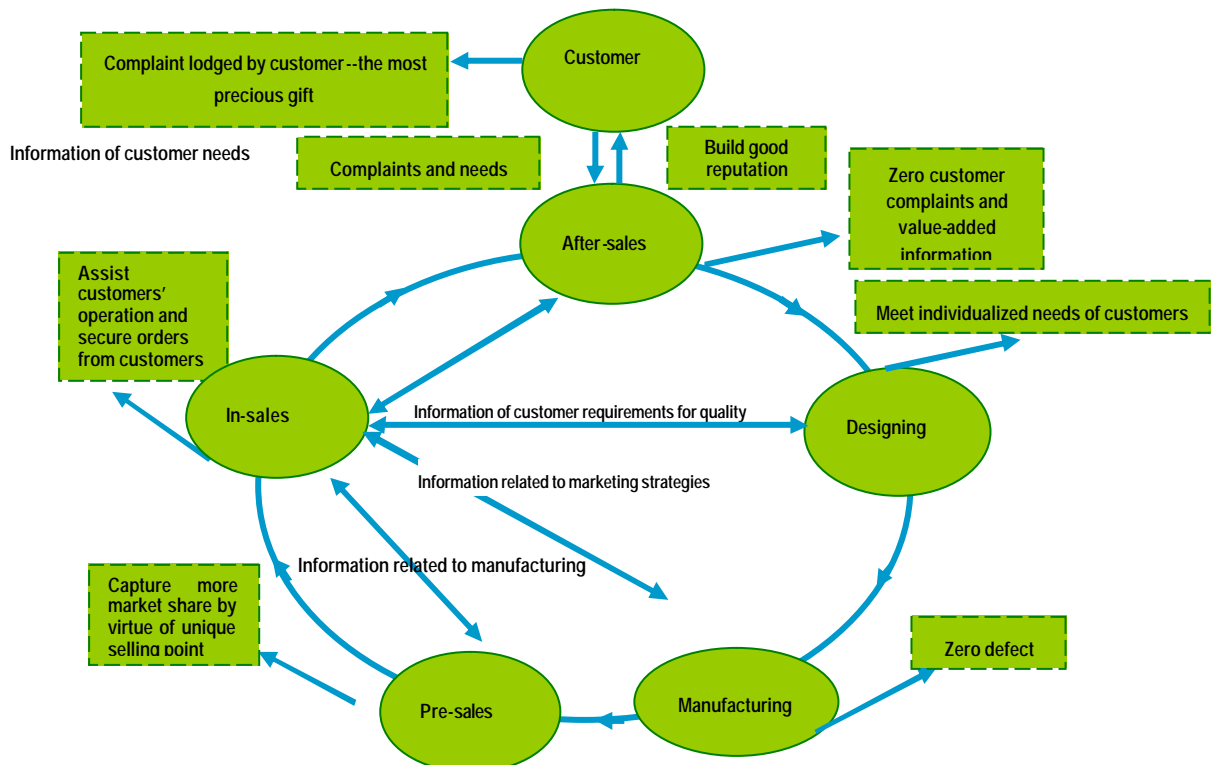
## ➤ Relation with Customers

### ◆ Communication with customers



- **Research for product development:** R&D center is responsible for preliminary research. Customer needs are identified in contract review, documented and implemented selectively in R&D and manufacture of relevant products.
- **Pre-sale promotion:** Before the release of new products, Market Center will carry out promotion campaigns such as promotion conferences, promotion by sales representatives and ads; introduce new products to customers and provide them with product brochures and other relative information.
- **In-sale consultation:** Consultation over functions, prices and other information of products should be dealt with by officers of Market Center and sales representatives in stores; consultation over contracts or orders should be tackled by Order office.
- **After-sales follow-up:** Service centers are responsible for the collecting and handling of customer feedback (complaints included). For those difficult to deal with, service centers may submit them to manufacturing centers of divisions for further settlement..

### ◆ Haier closed-loop value-added service





➤ **Service Criteria**

➤ **Availability (Zero Delay)**

- Arrive at the service place at the fixed time.
- RMB 10 compensation to customers for each one-hour delay.

➤ **Problem solving (Zero Repeated Repair)**

- One-time service to settle you complaints and meet you requirements.
- Replacements (including refrigerators, color TVs, WM and mobile phones) are provided for customers for temporary use if more service is needed.

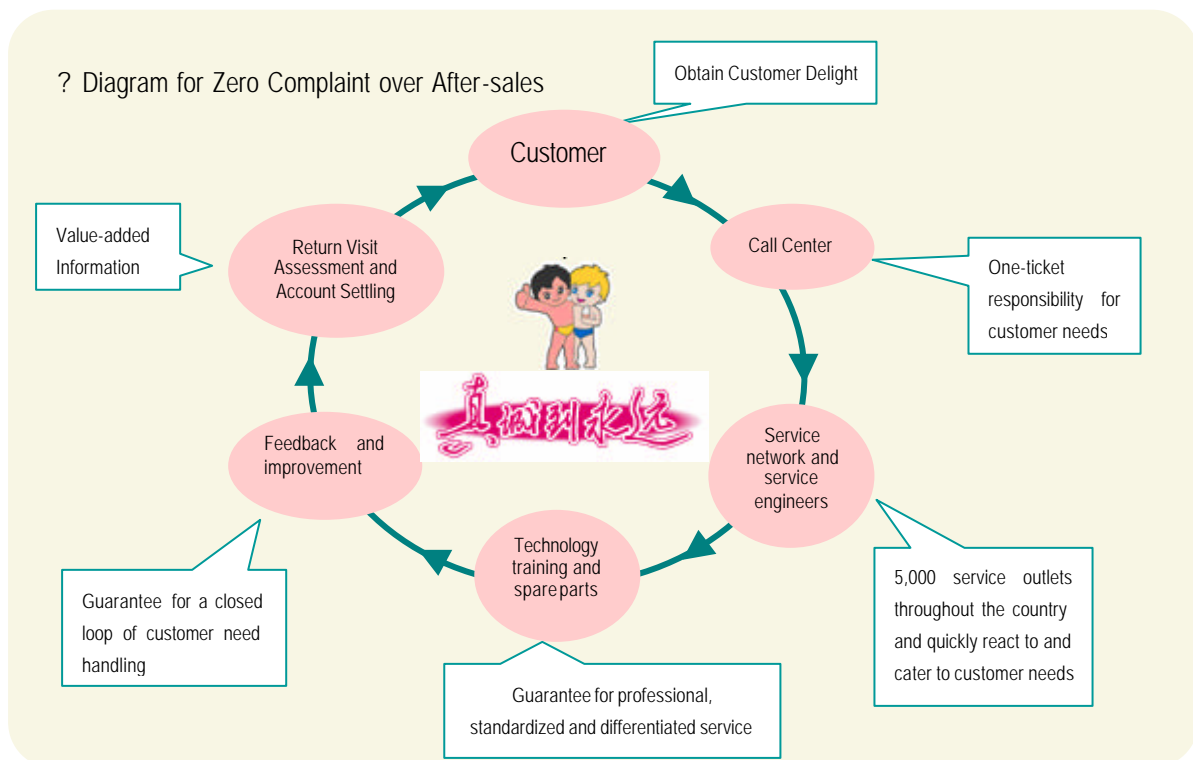
➤ **Customer Delight (Zero Customer Loss)**

- Provide on-site standardized and professional Haier Star Service. And provide other services according to customers' requirements such as maintenance, cleaning, etc..
- Provide customers with service in accordance with their individualized needs or potential need.

➤ **Value-added Information (Create value for customers)**

- Your suggestions and comments are our best present.
- You'll be rewarded if any of your suggestions or comment on product design, function improvement and marketing is adopted.

◆ **Service Mode**





➤ Haier in Harmony with Society: Help the poor, the disaster stricken and the disabled.



Since 1999, Haier Group has invested RMB 3,000,000 in Haier Love Assistance Funds and donated the annual interest thereof, i.e. RMB 80,000.

On January 4<sup>th</sup>, 2005, a donation was promptly called for disaster stricken people living in the earthquake and tsunami affected areas. Haier employees made contributions generously to a sum over RMB 60,000 within a single day.



On September 1<sup>st</sup>, 2002, Haier Store Jining rendered a charity program to support Yang Fan, a poor girl who couldn't offer the higher education, by paying for her 4-year study in university.



During the SARS outbreak, Haier's subsidiaries nationwide donated hundreds of Haier health packages to 137 local hospitals treating SARS patients.



Haier donated anti-bacteria front-load washers with drying function to the flood fighting NJPLA soldiers in Huoqiu.

Haier employees actively engaged in community outreach programs such as "Charitable Donation Day" and "Double Drive for Love".





➤ Haier in Harmony with Society: Environment Friendly



✚ Haier R&D Center's Green Appliances Education Base program, a part of Environment Friendly & Green Design Project won 2005 Toyota Environmental Protection Aid Program for China's Youth.

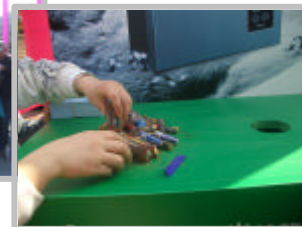


✚ On April 3<sup>rd</sup>, 2004, dozens of young Haier people from Haier Oversea Promotion and Haier Washing Machine took part in the construction of Green Olympics Youth Forest with an aim to "become a volunteer of the Green Olympics and get prepared for the Green Olympics".

✚ On March 12<sup>th</sup>, 2005, the Arbor Day of China, League members of Haier Group participated in the Youth Tree Volunteer Planting organized by the municipal committee.



✚ Haier Water Heater donated 30 containers for used battery collection which were placed in public areas all over the city.



✚ Haier Water Heater sponsored the ceremony "No White Pollution, More Green Consumption" jointly with the municipal Environmental Protection Administration Bureau to give out fabric shopping bags.





➤ Haier in Harmony with Society: Sports



Haier and 2008 Olympics



On August 12, 2005, BOCOG announced in Qingdao Olympic Sailing Base that Haier Group was selected as the white goods sponsor of Beijing 2008 Olympics.

扬帆奥运 海尔启航

In 2002, Haier sponsored Haier Star - Be a Little Host of Olympics to promote Olympics and environmental awareness.

北京2008年奥运会白色家电赞助商签约仪式  
SIGNING CEREMONY OF OFFICIAL SPONSOR OF THE BEIJING 2008 OLYMPIC GAMES



北京2008年奥运会白色家电赞助商签约仪式  
SIGNING CEREMONY OF OFFICIAL SPONSOR OF THE BEIJING 2008 OLYMPIC GAMES



In June 2004, Haier Team of Shandong Hope Primary Schools took part in Inaugural National Games of Hope Primary Schools on behalf of Shandong Province and won the Best Organization award.



On July 13<sup>th</sup>, 2004 Haier Group gave the gymnasts of the national team leaving for Athens Olympics the latest Haier laptop computers as a gift to satisfy the needs for wireless network access and on-line communication on the move.







- The Excellent Teacher Award has formed a virtuous circle, and the Best Organization Award has brought about a favorable environment. In 2004, nearly 100,000 children and teenagers participated in the China Children & Teenagers (Haier) Science & Technology Award program.



- On April 20, 2005, Haier donated 20 televisions and 20 VCD players to Young Laborers' Cultural Center.



- On January 1<sup>st</sup> 2005, CEO Zhang Ruimin of Haier Group was elected the Love of China - Inaugural Most Influential Charity Figures of China.



- On May 30, 2005, Haier donated its Aerospace inverter refrigerators to spacemen preparing for launch of manned spacecrafts Shenzhou-5 and Shenzhou-6.





## Employee education and training

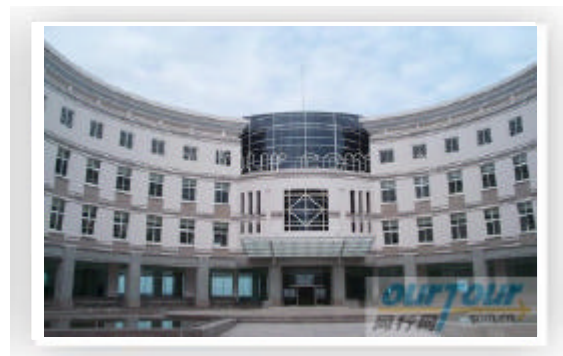
Haier is the first in the world to acquire ISO10015 certification and carries out its training programs strictly in conformity with ISO10015 systems in 2002. The training procedures include study on training needs, training planning, training implementation and evaluation of training outcome.

Located in Haier Hi-tech Industrial Park, Haier University focuses on short-term trainings that last 3 days or less. As the first in the world to acquire ISO10015 certification, Haier University follows training principles of "identify benchmarker to learn from, objectives to achieve and gap to bridge; get what we need and what we don't have; give prior attention to what's urgent and produce an immediate effect."



A new market minded innovation pattern featuring hands-on practice, case study, real-time interaction has been introduced based on Haier's strategy for training of problem management, innovation capability and development capability, etc. Prestigious colleges from home and abroad, such as Harvard University, IMD, Wharton School, Oxford University and Tsinghua University, have been involved in writing Haier cases. By now, 6 Haier cases have been included in MBA case bank in the above mentioned business schools and are used throughout the world and more than 20 cases are used by domestic and overseas colleges.

Haier International Training Center is located in the national tourism resort Yangkou, Laoshan District. The Center provides 3+ day trainings for the management of Haier and holds international academic exchange activities. Haier International Training Center is established fully complying with modern teaching standards and is cooperating with many globally recognized education management authorities. It is competent for various trainings on comprehensive abilities and for international academic exchange as well. Meanwhile it's open to the public. It makes contributions to the improvement of the whole society and has become a training base for internationalized talents.





## Comments by employees

## Ding Laiguo, director of Market Support, Washing Machine Division

People who are in charge of operation have to inspire themselves with their own ideas.

There are limitless markets and abundant resources. The cause for a poor performance in market is not inadequacy in market resources but poor utilization of market resources and human resources. If we can not fully take advantage of the current resources, how can we fully draw on the newly-created resources?

Our goal is to make people adjust to washing clothes with Haier detergent-free WM in daily life.



## Nie Ning, sales representative of color TV in Dazhong Electronics Beijing Central Television Tower Branch

Sincerely serve customers

---To obtain trust from customers

Sell products

---To achieve customer satisfaction

Satisfy customers

---To secure orders from customers



The task of a sales representatives is to sell products. But what's more important is we should always think about customer needs in order to build customer loyalty.

## Dai Yi, quality inspector of Air Conditioner Sub-division

To do everything innovatively is the exact meaning of Individual-goal Combination. As an ordinary operator, the goal for me is the task of my position. Those who finish their work innovatively have achieved Individual-goal Combination.

"I have to assume the responsibility of my job as long as I work as a quality inspector. We are now boosting the pattern of Individual-goal Combination, and I think, for me, my goal is to inspect products. If I manage to realize my goal, then I achieve Individual-goal Combination," said Dai Yi.



## Dong Shuwang, chief of Foaming Inspection of Refrigerator Zhongyi Division



"I have changed a lot in these two years. I'm glad to work here because my potential can be fully brought out."



### Environmental concerns of employees



Wang Anxi (Vice CPC Secretary of Haier Group): Haier is the sea. Haier benefits much from nature. In the current internationalized trend, Haier will continue its efforts for environment friendly production and operation activities and make contributions to mankind and nature by virtue of its premium products and fine environment.

Lu Peishi (Director of Washing Machine R&D): The earth is our shared home and human should be in harmony with nature. All the causes and activities of Haier aim at environment protection. We shall assume our responsibilities as an enterprise to protect our environment and persistently make efforts towards better global environment.



Shi Chunjie (Director of Order Promotion): We develop our products on the principles of high energy efficiency, low consumption and low pollution. Therefore, I feel proud to recommend to my family, my neighbors and friends the environment friendly products of Haier. As the white goods sponsor of 2008 Beijing Olympics, we should create a better environment and product more premium products.

Management personnel of Environment Protection: Environment protection is the core of an enterprise. We realize that by boosting our management concerning environment protection so as to build the international presence of Haier and attain harmonious development between activities of Haier and the environment.



A newly-graduated college student: Human beings will swallow their bitter pill because of what they have done to nature. Haier is the first in the home appliance industry to acquire ISO14001 certification to further improves its image concerning environment protection. I'm proud to work in the company and would like to make contributions to environment protection together with Haier.



### Support from state leaders

State leaders show their care about the development of Haier. Hu Jintao, President and General Secretary of the CPC, Wu Bangguo, Chairman of the NPC Standing Committee, Wen Jiabao, Premier of the State Council, Jia Qinglin, Chairman of CPPCC and Vice President Zeng Qinghong inspected Haier, acclaimed the achievements Haier had made and expressed their hope on the future development of Haier.



President Hu's inspection of Haier Central Research Institute



Chairman of the NPC Standing Committee Wu Bangguo's inspection of Haier Group.

"Haier Central Research Institute is first-class and its laboratories are also top-rank", said President Hu at his visit of Haier Central Research Institute."



Premier Wen Jiabao's inspection of Haier Group.



Chairman of CPPCC Jia Qinglin's inspection of Haier Group.



Vice President Zeng Qinghong's inspection of Haier Group.



### Haier and the community

#### ◆ Students from Department of Economics of Hefei University visit Haier Industrial Park.

Sophomores from Department of Economics of Hefei University took a tour of Haier Industrial Park and visited models, showrooms of color TV series and their workshops and learned in great details the procedures of air conditioner production on October 17, 2003. These students were deeply impressed by innovation and entrepreneurship of Haier people.



#### ◆ Ye Lan, one of China's ten outstanding young volunteers

Ye Lan has been devoted to the promotion of environment protection by means of giving speeches at schools, advocacy at railway stations and the website for years and brings about remarkable influence on the promotion of environment protection.

Ye Lan visited Haier Group on March 29, 2006. To obtain a portable computer for writing is his long-cherished dream. Knowing that, CEO Zhang Ruimin offered him one portable computer and presented it to Ye Lan by himself.

"Thank you, green Haier! Thank you, beautiful Haier! I will bear in mind your kindness and spread green concept to farther places in the future," said Ye Lan when he extended his gratitude to Haier.



#### I appreciate the sincere service of Haier

商丘晚报

2004年11月18日 星期三 第10000号 商丘市 商丘市 商丘市 商丘市

商丘新闻/市区 3

The third page of Jingjiu Evening Newspaper dated on November 18, 2004 published a letter from Mr. Jiang: I'm a new comer in Shangqiu. On the November 13, I bought a Haier Double Drive washing machine from Haier Store and the service man from Haier installed it for me from six o'clock until half past seven in the evening. In return, I invited him for dinner at home but I was declined. Then I put a pack of Dihao cigarettes into his tool box when he was busy collecting the materials. Twenty minutes later, the service man of Haier came back and returned to me the cigarettes. He told me that he was grateful I chose the product of Haier and there was no need for me to repay him. And I was greatly moved by his cordial remarks.

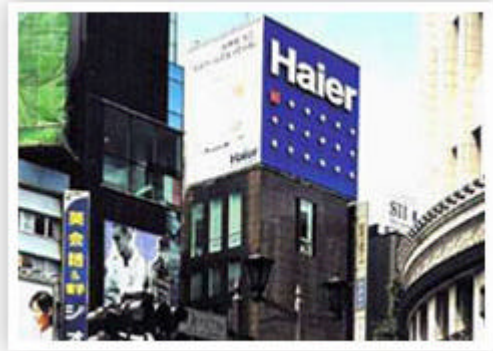






### Haier and its peers

In 2000, Chairman of Sanyo Co., Ltd Mr. Satoshi Iue commented on Haier like this: I was surprised to find that the products of Haier were available everywhere in Dubai, the free trade center of the world. And Haier begins to export to the US and competes with Sanyo. I feel that Haier is quite competitive and pay particular attention to its actions. I visited the plant of Haier Molding and what surprised me was that the most sophisticated machines made by world leading manufacturers were operated there. Haier people are not only capable of mastering the information of production machines but also outstanding in management. And I'm also astonished by the design and quick delivery of Haier.



东京海尔广告

### Haier and the media

One bulletin board of Haier was set up on the Ginza district of Tokyo - one of the fourth golden areas in the world - on August 20, 2003. This marked a full-fledged entry of Haier into the Japanese market.

Media all over the world focused on Haier and made comments:

*Appliance, US:* It is reported by Dow Jones Newswires that if the new poster and cooperation with Sanyo succeed in enhancing the image of Haier, these will facilitate Haier to become another giant in Japanese home appliance industry.

*Nikkei BP, Japan:* In the past, when Japanese enterprises such as SONY set up their posters at the Times Square in New York City, Americans were all astonished that Japanese had come in. And now, the entry into Japanese market of the Chinese enterprise Haier as an international brand will bring about the same influence as that and Japanese enterprises are confronted with a competitive rival.

*People's Daily, China:* The Ginza district of Tokyo and Beijing Wangfujing Street are both fashion centers of the downtown and all brands want to advertise their products there. The famous Wako, Mitsukoshi, Sony Building, Nissan Gallery are all located at the Ginza. Nowadays, the advertisements of Haier can be seen everywhere together with those of world famous brands such as Panasonic and LG, etc.



### Haier's environmental efforts and the public

Zhang Lijun, Vice Minister of State Environmental Protection Administration and his team inspected Shandong Province in July, 2005 and took a tour of Haier Group. He highly acclaimed the achievements of Haier in environment protection and the development of Recycling Economy. Vice Minister Zhang noted that Haier had made remarkable achievement in environment protection especially in the development of Recycling Economy. The active implementation of waste home appliance disposal program well met the requirements of the concept of scientific development, transition of economy growth modes and a harmonious community.



In 2005, the Delegation on The Construction of Ecological Shandong from Shandong Provincial People's Congress: Haier is a real bellwether of home appliance industry in China. Haier fully carries out its promotion in environment protection in both its production and implement of waste home appliance disposal program. This marks its further step in environment protection and development of Recycling Economy in the new age.

A postgraduate from Research Laboratory for Environment and Recycling Economy of Qingdao Technological University: The internationalization of Haier is exhibited not only in its quality and sales volume but also in its management concerning ecological environment. We are greatly impressed by Haier's ecological designs, environment-friendly products, strict environmental management, new energy sources and disposal of waste home appliances. We sincerely hope that all the enterprises in Chinese home appliance industry could shoulder the responsibility of environmental protection and develop into modern and internationalized enterprises like Haier.



A teacher from Boshan Primary School: Haier boosts its complete systems and regulations, scientific management and strict rules. All tasks, from production of products to the recycling of waste and maintenance of environment tidiness are assigned to certain employees, which is difficult for ordinary enterprises. Therefore, Haier can perform excellently in not only its production but also all of its other tasks.

Liu Peichao, attendant of a training course for CPC branch secretaries: The factory area stretches as far as the eye can see when I take a look from the top floor. There is no garbage in the area at all and employees in uniforms as well as the vehicles on which "Haier Logistics" is printed shuttle back and forth in apple-pie order. Colorful flowers along the green belts and roads look like foam of breaking waves. Haier, as an international enterprise that surprises the whole world, is in order instead of in a bustle.





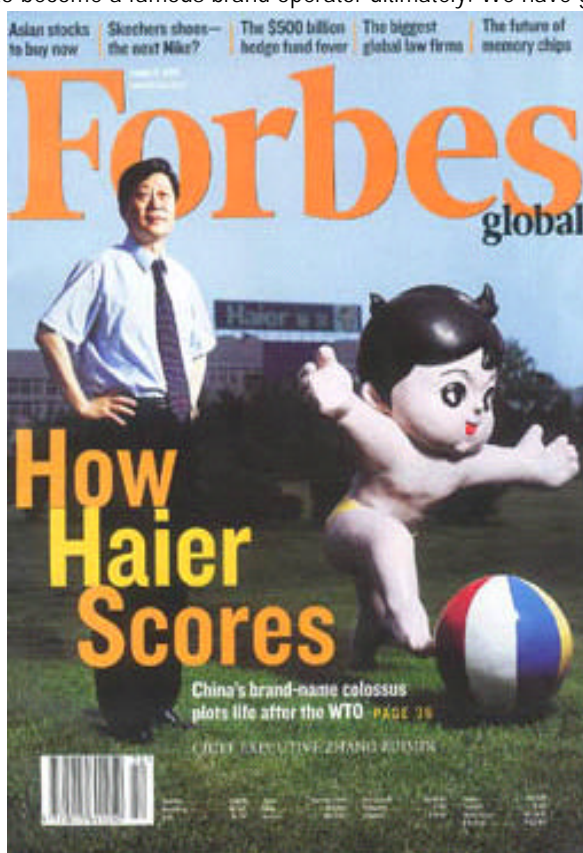
Haier Group is a young but relatively mature enterprise. It was only a small factory with only 600 workers and a liability of RMB1.47million in 1984. Now, Haier has global presence with an annual turnover of RMB 103.375 billion created by its 50,000 employees. Thanks to the joint efforts by the top management and grass-roots workers, and the core philosophy of innovation, all these unbelievable results have been achieved by Haier people.

CEO Zhang Ruimin once said, "Two operations should be managed well by Haier in the future: one is the operation of capital, and the other is the operation of brand building." In terms of operation of capital, we should collect more funds from the capital market through a bettering fame of Haier. China is opening wider its financing sector, and we shall step further into this sector and get bigger and stronger with better products. Talking about brand building, it means we have to become a famous brand operator ultimately. We have got well-established networks for product development and marketing. Capital is the "ship" while brand is the "sail". With more capital, a bigger "ship" can be built and the "sail" of brand will help the "ship" voyage swifter and longer.

Haier's objectives for the new year include brand diversification, product specialization and process unification. Based on this development goal, Haier shall strive for No.1-ism, order-ism and resultism. In this new century, Haier will build up three global frameworks: firstly, global framework of localized manufacturing facilities; secondly, global framework of three centers, namely, center of designing, center of marketing, and center of manufacturing (All these are aimed at consolidation of global resources); thirdly, accelerated reengineering of corporate process in light of challenges from the new economy.

While pushing ahead technological innovation, Haier also attaches great importance to environmental concerns by reducing environmental load and seeking harmony with the environment. Haier, with its concerns for "global warming", "chemical substances management" and "effective utilization of resources", is implementing green operations in all the products and techniques. Haier aims to take the lead in building a resources-saving and environment-friendly society.

Haier is worthy of the title of The Most Influential Brand of China as announced by World Brand Lab. However, Haier never make a pause in its unremitting growth in the past, present and future. Haier, so accustomed to denying itself, shall not be self complacent. Haier people believe that they still have a long way to go. This is the nature of Haier people and the Haier brand.



## Response Form for Readers of 2005 Environmental Report of Haier

Your opinions and suggestions are very important to Haier and constant improvement of this Report. We do appreciate your taking time to fill out our response form below.

Please answer the following questions and send the form to us at  
(086) 532 – 88939901 via fax.

Or, you may submit your response form through <http://www.haier.com>.

I. Do you find the information you are looking for? If not, please tell us what you are looking for.

II. What is the part you're most interested in?

Please give us your personal information if you don't mind.

Name: \_\_\_\_\_

Organization: \_\_\_\_\_

Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Occupation: \_\_\_\_\_

Address: \_\_\_\_\_

E-mail: \_\_\_\_\_

Fax: \_\_\_\_\_



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