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|---------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Location | Wuhan, China |  |
| Site area | 80,596 m ² | |
| Established | January 2003 | |
| Employees | 770 (as of March 2021) | |
| Main products | water cooled centrifugal chillers/heat pumps, water cooled screw chillers/heat pumps, refrigeration units | |
| Certified | ISO 9001 | May 2003 |
| | ISO 14001 | May 2004 |
| | OHSAS 18001 | July 2006 |
| | Green Heart Factory | November 2019 Rank: Silver |

Environment: Reducing Environmental Impacts

■ Energy saving: shot blasting room equipment upgrade (from manual shot blasting room to automatic shot blast room)

Before:

Work required manual operation with staff entering the shot blasting room, and produced an output of 4 units per hour, while the equipment consumed 195 kWh.



After:

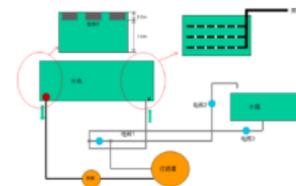
Staff is not required to enter the shot blasting room, as the equipment automatically brings the work into the shot blasting room for treatment, resulting in an output of 60 units per hour, and reducing the electricity usage to 110 kWh. The reduction in electricity is projected at 62,007 kWh per year.

This improvement will also benefit the occupational health of employees.

■ Water saving: Improvement of water circulation for vessel pressure testing (periodically renew the water to recycling using water)

Before:

Pressure tests were conducted by submerging a container in the water tank. Any foreign matter attached to the surface of the container would mix in the water, reducing the cleanliness of the water tank. In order to ensure tank cleanliness, water was continuously overfilled and regularly changed (at least once a month), with average water consumption of 1,792 tons.



After:

A water circulating device has been added to the container pressure test. The test water is cyclically filtered and regularly circulated with a PLC control program to achieve a certain level of cleanliness in the water tank. This reduces the number of water changes (one change every 3 months), and conserves water, which reduces average water use to 496 tons a month. The annual water consumption is expected to be lowered to 15,552 tons.

This improvement also offers a better visual inspection environment for the pressure test.

Environment: Protect Biodiversity

■ Biodiversity

We hired a specialist to perform maintenance of our green space and replenish damaged plants in a timely manner. We also increased the green space by revamping the surrounding area returned from the renter, expanding the green space of the current plant from 8,873 m² to 11,071 m², which also improved the biological habitat at the same time. Animals such as oriental turtle doves, sparrows, and magpies now live in this small forest.



Environment: Environmental Communication

■ Safety & Environment DOJO Training

From November to December 2020, practical training on safety and environment was implemented for all staff according to the Safety & Environment DOJO training plan.



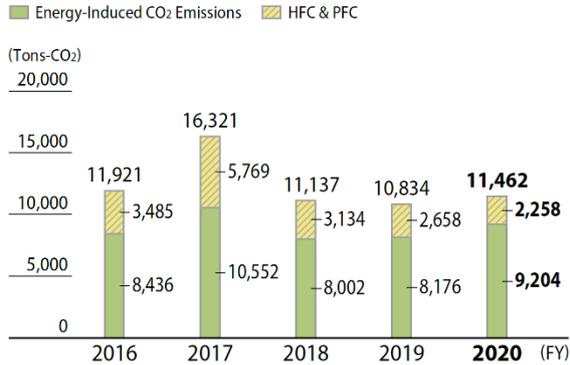
■ EHS Knowledge Contest

We held the EHS Knowledge Contest between July and October 2020. The event aims to popularize EHS knowledge and enhance environmental safety awareness among all staff.

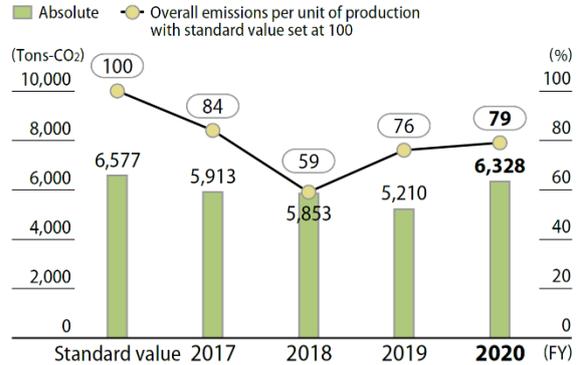


Environment: Environmental Performance Data

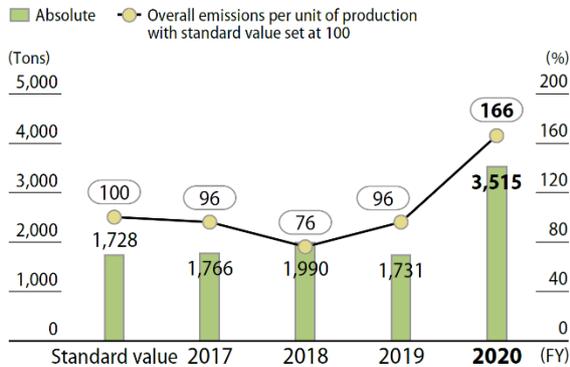
Greenhouse gas emissions



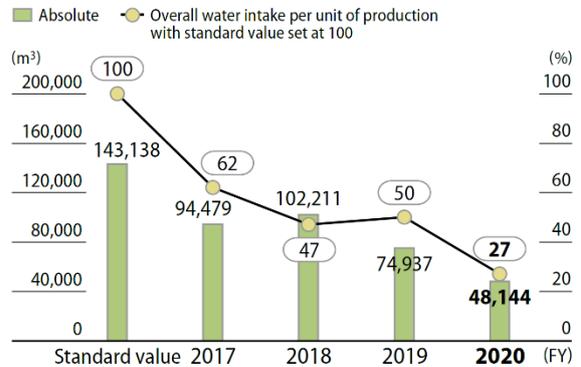
Energy-induced CO₂



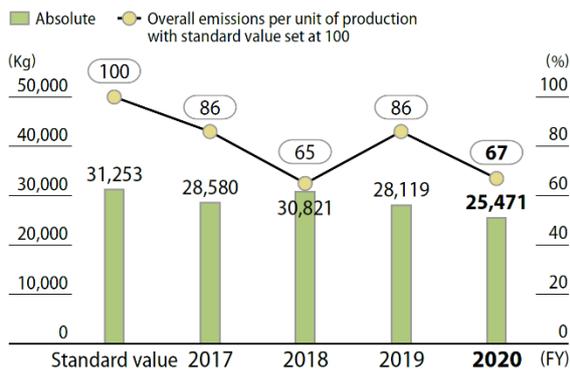
Waste (Including valuable materials)



Water intake



VOC emissions



Customer Satisfaction: Improving Product Quality

■ Switchboard wiring improvement

Before:

1. Many man-hours were spent searching for the address during cable installation (need to look for the target cable among hundreds of cables), which could be easily mistaken.
2. The original terminal cable is irregular and not straightforward to one-time installation on-site.

After:

1. The original number printed in pure numbers is changed to address label printing. The number address reduces search time for 10-15s/main cable installation location, which saves 20-30 minutes per unit of switchboard, which can save 2000 hours per year based on the calculation of 4000 units produced per year. After complete switch over in June 2020, the mistaken installation of switchboard cables has clearly reduced, with wrong cable installation gone down to 1-2 cases/month.
2. The printing component of terminal numbers was adjusted to improve productivity. The original terminal placement followed natural placement order, and as a result, the reattachment was needed, and adjustment was made based on the placement structure. Following the adjustment, the terminal block was attached once only, reducing the double installation process. With an original installation time of 10 to 20 minutes per unit, the time has been reduced to approximately one minute per unit, which largely improves installation efficiency and can save 1,000 hours per year based on the calculation of 4,000 switchboards produced a year.



Customer Satisfaction: System to Reflect Customer Needs

■ Improvement of the motor position-adjusting block design for large industrial refrigeration units

The welded motor position-adjusting block design on large industrial refrigeration units poses the risk of interfering and clashing with the moving position when used on-site, which may give customers a negative user experience. In addition to listening closely to customer feedback, we have improved the design by modifying the welded design to an active pin design without compromising its function and strength. This allows the pin to be removed when the motor needs to be relocated, with the pin replaced once the correction and reset are done on the motor.

This improved design works for our customers, as well as lowers the difficulties of installation within a factory, reduces welding time and pollution by smoke, and improves the work environment.

We have delivered a new idea that incorporates both enhanced customer experience and environmental protection in the design element, achieving both a new design and increased customer satisfaction.



Human Resources: Training for Employees

■ Training to enhance the management skills of front-line management team

In December 2020, we organized a training program to enhance the capability of front-line management team. We conducted training on role awareness and daily management among the front-line management team of each department in enhancing their management skills.



■ Pilot plan training

From fiscal 2020, we developed courseware by the factory management team, conducted training for relevant front-line management person, shared management knowledge and experience with the staff, guided their progress, and changed our human resource development philosophy to include management conduct.

This plan has already become normalized and, and it is implemented for both managers and supervisors.



| 序号 | 部门 | 姓名 | 开发课程 |
|----|---------|-----|--------------|
| 1 | 人力资源 | 朱系川 | 有效沟通 |
| 2 | 人力资源 | 朱系川 | 客户接待及商务礼仪 |
| 3 | 人力资源 | 金磊 | 员工心理健康与情绪管理 |
| 4 | 质保部 | 解念为 | 全员质量管理 |
| 5 | 服务部 | 刘晓晖 | 施工现场安全作业地面 |
| 6 | 生产部 | 沈汉斌 | 班组长一日管理 |
| 7 | 市场部 | 魏永建 | 目标管理 |
| 8 | 生产部 | 朱野 | PDCA |
| 9 | 服务部 | 赵光 | 门店客户服务 |
| 10 | 生产部 | 曾海清 | 看板管理 |
| 11 | 资材部 | 周成东 | 采购管理 |
| 12 | 设备设施安全部 | 曹文照 | PDCA二分析问题五步法 |
| 13 | 海外市场部 | 文翀 | 商务英语 |

Human Resources: Promoting Diversity

■ There are 755 employees at McQuay Wuhan as of December 31, 2020

| | | | |
|----------------------------|-----|--------|---------|
| Female | 114 | (ratio | 15.10%) |
| Foreign national employees | 1 | (ratio | 0.13%) |
| minorities | 12 | (ratio | 1.59%) |
| People with disabilities | 1 | (ratio | 0.13%) |

■ Labor protection management system for female and underage employees

We strictly follow laws and clearly state within our internal management documents not to employ underage workers and protect the labor rights of female workers.

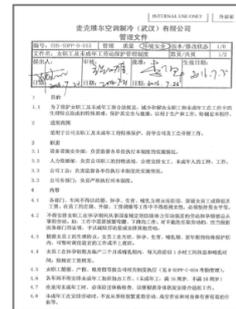
We insist on gender equality and actively hire female employees. These employees are never fired or receive reduced salary for any reasons of marriage, pregnancy, childbirth, or nursing.

Pregnant employees are not allowed to undertake level III intensity physical labor or jobs considered taboo for pregnant women, nor work night shifts.

Female employees are given a one-hour break every day during the first trimester of pregnancy and periods of nursing, and will be paid as determined by regulations.

We promote gender equality in everyday management, while there are currently many female managers and supervisors at the management level.

Regulations on complaints and disciplinary actions on gender discrimination and sexual harassment are defined in the internal disciplinary management document.



■ Internal Discipline Management Document

We ensure each and every employee's human rights are respected free of discrimination based on nationality, race, ethnicity, religion, skin color, age, gender, sexual orientation, disability, and so on.



Human Resources: Occupational Safety and Health

■ Infection control measures

In January 2020, the COVID-19 pandemic began to spread in Wuhan. On March 13, 2020, we received a permit to resume operations. In order to ensure normal production and operations of the plant as well as health and safety of the employees, we established comprehensive infection protective and control measures.

1. Stocking of infection control supplies:

Masks, disinfecting products, thermometers, and other infection control supplies are prepared in large quantities.

2. Access control:

Employees are required to wear a mask and take their body temperature upon entering the workplace.

3. Disinfection:

The commuter bus, office, meeting rooms, and cafeteria are disinfected daily.

4. Visitor control:

Visitors are required to wear a mask, show their green health code, and take their body temperature upon entering the company.

5. Secure space for work and dining:

A partition board is installed to separate the office table and cafeteria table. This is to establish a temporary space for quarantine in order to place people with suspected fever.

6. Infection control promotion training:

Infection control information is posted on the bulletin board and infection control knowledge training is provided to all employees.

7. Infection control inspection:

Infection prevention inspection is conducted on-site on a daily basis.

The above measures are functioning effectively, with no one infected since the restart of operations.



■ **Equipment safety modification: improvement of area sensor on the bender on the production floor (automatic laser detection on equipment, preventing accidental pinching)**



Before:

The space between two molds that move towards each other on the bender equipment was dangerous. If the operator did not remove their hand in a timely manner when operating the uncoiler and stayed under the upper mold, their hands could be pressed between the two molds.

After:

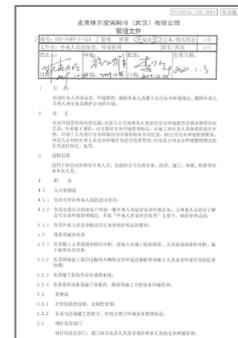
An area sensor was added to the equipment. If the laser detects the operator's hand within the danger area, the upper mold will immediately stop pressing downward to protect the operator.

The equipment has been operating effectively since the modification.

■ **Safety management: visitor management**

The company has modified the visitors management document, with the requirement as follows:

1. Prior to entering the company, all visitors must read and understand the Visitor Safety Notice, anyone will get the authorized access to the factory only when the agreement for safety notice is signed. They also undergo environmental safety training held by the hosting department.
2. Customers are required to receive training held by the hosting department and wear work safety protective suits as requested to enter the production site under the host staff's guidance.
3. Visiting trades external construction team should sign both Visiting Worker Construction Environment Safety Management Agreement and Construction Technology Agreement, apply for authorization from the hosting department and enter the company upon approval. Prior to start of construction work, the EHS person in charge will verify worker qualifications and provide safety instructions. The same EHS person will supervise the construction work on-site and clean up the site post construction. The person in charge of the EHS Group will conduct environmental safety approval based on the provisions of the agreement.



Communities: Environmental Protection

■ Environmental conservation activities

On June 14th, 2020, employees conducted a river cleanup activity along the shore of the Yangtze River under the Yangtze River Bridge.



Communities: Support for Education

■ Work experience

On July 1st, 2020, students major in the welding, assembly and repair program from Hunan Industrial Technicians College visited the company for training.



■ Work experience

In September 2020, students major in architectural environment and energy application from Huazhong University of Science and Technology visited the company.



■ Work experience

In December 2020, students major in Electromechanical Technology and molding from Wuhan Technician College visited the company. The school's employment office and department instructors also visited to inspect the learning process.



Communities: Other Local Activities

■ Garbage cleanup

On September 19th, 2020, as a co-sponsor of World Clean Day at Wuhan Station, a total of 700 people, including employees and their family members, representing each industry and world region formed 12 volunteer teams at the sports center in Wuhan Economic & Technological Development Zone. The teams participated in garbage cleanup activities by waste type around the soccer field as part of our contribution to World Clean Day.



External Evaluation: Awards

■ Product award

On May 12th, 2020, we received a certificate of Green Building Energy Saving Product Recommendation from the China Engineering Construction Standardization Association for our water-cooled magnetic bearing turbo products.



■ Company award

In August 2020, our water cooled magnetic centrifugal chiller with R1233zd(E) refrigerant was awarded the title of "innovative product of China refrigeration exhibition."



■ Company award

In September 2020, we received an accreditation from a government agency as a company that honors contracts and keeps promises.

