TCL ELECTRONICS HOLDINGS LIMITED

TCL 電子控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

TCL Electronics ESG Practices

Governance

1 Corporate Governance

- **Board Composition and Background**

  TCL Electronics Holdings Limited (the "Company", "TCL Electronics" or "We") and its subsidiaries (collectively the "Group") have adopted a Board Diversity Policy, which sets out its commitment to achieving and maintaining a diverse board in order to enhance board effectiveness. The Company recognises the benefits of the diversity of board of directors (the "Directors") of the Company (the "Board") and endeavours to ensure that the Board maintains an appropriate balance of skills, experience and perspectives to support the execution of its business strategy. In seeking to achieve Board diversity, the Company considers a range of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and tenure.

  The Board currently comprises members with diverse professional backgrounds, including industry-related expertise, corporate management, marketing, human resources management, accounting, financial management and technology, as well as from different age groups ranging from their forties to their seventies.

- **Risk Management Expertise of Non-executive Directors**

  All members of the Audit Committee are independent non-executive directors. The Audit Committee conducts annual reviews of the effectiveness of the Group's financial control systems, internal audit function, internal controls and risk management systems, as well as related risk management and internal control reports.

  Mr. LAU Siu Ki, an independent non-executive director of the Company, has over 40 years of experience in corporate governance, audit, and financial management. Previously, he worked at Ernst & Young for over 15 years. He acted as an independent non-executive director and a chairman of the audit committee of several listed companies. Having long been engaged in practical financial risk control and internal control oversight, Mr. LAU has sophisticated capabilities in risk assessment and compliance management. Currently, Mr. LAU also serves as a director of several Hong Kong-listed companies in the same or similar business as TCL Electronics, including but not limited to FIH Mobile Limited (02038.HK, primarily engaged in telecommunications equipment/electronic manufacturing services), Yeebo (International Holdings) Limited (00259.HK, primarily engaged in manufacturing and selling electronic products and components such as liquid crystal displays (LCD)), and Expert Systems Holdings Limited (08319.HK, primarily engaged in information

technology infrastructure solutions). He possesses extensive experience in and insights into the industry.

Professor WANG Yijiang, an independent non-executive director of the Company, served as an independent director of several listed companies, and worked in committees highly related to risk control such as audit, compensation, and nomination committees. His extensive experience in policy research and as a consultant of public institutions (including serving as a consultant of World Bank, a senior researcher of Chinese Economy Research Institute in Business Management School of Tsinghua University and vice president of the Chinese Economists Society) has provided him with professional insights into risk identification at the strategic and organizational levels.

Mr. HUI Chi Kin Max, an independent non-executive director of the Company, has extensive experience in investment, fund management, and cross-border mergers and acquisitions. Currently, he also serves as a director and the chairperson of the governance committee of other listed companies in the home appliance industry. Through involvement in capital operations, due diligence, and investment decision-making, he has accumulated rich practical experience in risk identification, assessment, and management. Mr. HUI is a seasoned investment manager with professional risk control knowledge.

The Board brings diverse experience in corporate governance, audit oversight, and investment risk control, providing the Company with a strong professional foundation and sound judgment in risk management system.

- **Share-based Incentive Policies**

The Company has, from time to time, adopted share option schemes and share award schemes, pursuant to which share options and awarded shares may be granted to directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group. Such grants are subject to specified incentive conditions and vesting periods, with the objective of aligning the long-term interests of directors with those of the Company and its shareholders.

In accordance with the Corporate Governance Code of the Hong Kong Listing Rules, issuers generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive directors as this may lead to bias in their decision-making and compromise their objectivity and independence. With this principle in mind, the Group has completed relevant review procedures. To ensure the independence of independent non-executive directors, the Group has ceased granting equity incentives to them since 1 January 2023.

Furthermore, the current independent non-executive directors have not bought or sold the Group's stocks in the market since their appointment, except for the equity incentives granted to them by the Group before 1 January 2023.

- **Clawback Policy for Share-based Incentives**

The Company has implemented a clawback policy that applies to share-based incentive arrangements. If the Board determines that the vesting of any share options or awarded shares is unfair, such as in cases involving material misstatements or omissions in the Group's financial reports, or fraud or serious misconduct by relevant grantees, including employees, senior management, or directors of the Group, the Company may exercise its clawback rights. This policy is administered and enforced by the remuneration committee under the Board.

Specifically, under the clawback policy of the Company, the Board can hold full discretionary authority to recover or withhold all or a portion of the performance-based remuneration of covered individuals, in compliance with applicable laws and listing rules, upon the occurrence of specified circumstances as below:

1. Significant misstatements, omissions in the Group's financial statements, or accounting restatements required due to non-compliance with financial reporting requirements;

2. Material misconducts of covered individuals, such as breach of contract, violation of the Group's statutory or fiduciary duties, gross negligence, or acts of dishonesty, which cause harm to the Group's reputation or business;

3. Covered individuals being convicted of criminal offences involving integrity or honesty, or engaging in conduct that would justify lawful dismissal;

4. Other circumstances under which the Board determines, in good faith and at its sole discretion, that the payment or vesting of the relevant remuneration would be inequitable.

Under any of the above circumstances, the Board may adopt relevant measures, including requiring the reimbursement of remuneration, cancelling or adjusting unvested awards, or modifying future compensation arrangements. The specific actions will be determined based on factors such as the severity of the impact, extent of responsibility, cost-effectiveness considerations, and legal and regulatory requirements.

- **Linking Sustainability Performance to Remuneration**

The Company has linked ESG-related performance to senior management's incentive-based compensation. Quantitative and qualitative performance targets relating to

environmental, social and governance (ESG) matters have been incorporated into remuneration assessments. The assessment areas include but not limited to compliance and governance, risk management, organization and talent development, occupational health and safety management, environmental protection, and business ethics management.

2 Business Ethics and Anti-corruption

- **Our Commitment**
  The Company is committed to conducting its business with integrity and maintains a zero-tolerance approach to corruption, bribery and all forms of improper conduct. We are dedicated to fostering a transparent, ethical and integrity-driven business culture.

- **Governance and Oversight**

The Board is the highest governing body responsible for business ethics, overseeing the implementation of the *TCL Electronics Anti-corruption Policy* and the *TCL Industries Code of Business Conduct.* The audit function and the compliance and legal departments are responsible for business ethics management, including the development and enhancement of relevant policies, the receipt and handling of whistleblowing reports, coordination and supervision of implementation, and the conduct of business ethics audits.

- **Targets and Strategy**
  Target: To uphold a clean and ethical business environment and achieve zero concluded corruption-related litigation cases.

  Strategy: To strengthen anti-corruption systems and oversight mechanisms, maintain accessible whistleblowing channels with protection for whistleblowers, and continuously provide business ethics and anti-corruption training to all employees.

    - **Whistleblowing Channel：tmtjubao@tcl.com**

The Company adheres to the *TCL Industries Code of Business Conduct* and has established an open grievance and whistleblowing channel covering its supply chain. Employees and supply chain partners may report suspected violations of the code through tmtjubao@tcl.com, either anonymously or by real name. All reports are received, registered and investigated by an independent department through formal investigation procedures to ensure timely and impartial handling. The Company is committed to strict confidentiality of whistleblowers' information and expressly prohibits any form of retaliation, with the aim of encouraging internal and external oversight and fostering an environment where concerns can be raised without fear.

- **Training and Communication**

  The Company regularly provides anti-corruption and business ethics training to all employees (including part-time employees) and contractors. Training is delivered through a combination of online learning, in-person briefings, case studies and thematic discussions, covering core requirements of anti-bribery and anti-corruption policies, the code of business conduct, and applicable laws and regulations. These initiatives aim to enhance awareness and understanding of Company policies and compliance requirements, and to strengthen the ability to identify and prevent corruption risks in daily operations.

- **Business Ethics Audits**

  The Company has established a regular audit mechanism for anti-corruption and business ethics-related policies to ensure their effectiveness. A comprehensive business ethics audit is conducted once every three years, covering all business units, operating locations and subsidiaries, with a focus on anti-corruption, anti-bribery, integrity and ethical conduct. The audits systematically assess the implementation and potential risks associated with policies including the *TCL Electronics Anti-corruption Policy* and the *TCL Industries Code of Business Conduct*. Audit plans and scope are developed and updated based on policy requirements and applicable laws and regulations, with clearly defined audit objectives, methodologies, timelines and responsibilities. Audit procedures include document reviews, interviews, investigations and risk control testing. Based on audit results, audit reports and improvement recommendations are issued, corrective actions are implemented with defined accountability and timelines, and follow-up assessments are conducted to support continuous improvement. In 2025, the Company established a comprehensive anti-bribery management system covering the research and development, procurement, sales, and finance functions of LCD televisions, mobile communication devices and accessories, smart wearable devices, and router products, and obtained certification under ISO 37001:2016 Anti-Bribery Management Systems.

- **Key Achievements (2024)**
    - Conducted annual business ethics training sessions, covering all employees (including part-time employees) and contractors.
    - No concluded corruption-related litigation cases during the year.
    - Delivered anti-corruption thematic communications at the administrative suppliers' conference, clarifying cooperation standards.

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3 Innovation-driven Development and Technology Ethics

- **Our Commitment**

  The Company regards innovation as a core driver of business development and is committed to the responsible development and application of new technologies, ensuring that technological innovation serves society, adheres to ethical standards and promotes social progress.

- **Targets and Strategy**

  Target: To continuously increase investment in research and development, maintain technological leadership, and establish a sound technology ethics governance framework.

- **Key Achievements (2024)**
    - R&D investment reached RMB 2.13 billion, with a cumulative total of 8,289 licensed patents.
    - No incidents involving breaches of technology ethics occurred during the year.