



Sunny Optical Technology (Group) Company Limited

舜宇光學科技(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2382.HK)



Environmental, Social and Governance Report **2020**

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About This Report

This report is the 2020 environmental, social and governance (“**ESG**”) report issued by Sunny Optical Technology (Group) Company Limited (the “**Company**” or “**Sunny Optical Technology**”), which mainly summarizes the Company and its subsidiaries’ ESG work methods, commitments and strategies.

REPORTING PERIOD

Unless otherwise stated, this report covers the period from 1 January 2020 to 31 December 2020.

TITLE DESCRIPTION

For ease of presentation and reading, in this report, all of “the Group”, “we” or “us” refer to Sunny Optical Technology (Group) Company Limited and all its subsidiaries, and “the Company” refers to Sunny Optical Technology (Group) Company Limited.

ORGANIZATIONAL BOUNDARY

Unless otherwise stated, the scope of this report only covers the Company and its three subsidiaries in Yuyao City, Zhejiang Province, China, namely Zhejiang Sunny Optics Co., Ltd. (“**Sunny Zhejiang Optics**”), Ningbo Sunny Opotech Co., Ltd. (“**Sunny Opotech**”) and Ningbo Sunny Automotive Optech Co., Ltd. (“**Sunny Automotive Optech**”). There are no significant scope adjustments to the report coverage compared to the 2019 ESG report. During the year of 2020, the main operating revenue of three subsidiaries covered in this report accounted for more than 90.0% of the revenue of the Group.

REPORTING STANDARDS

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and complies with its reporting principles:

“Materiality”: During the preparation of this report, important stakeholders have been identified, and important ESG issues have been determined through materiality assessment;

“Quantitative”: This report uses quantitative data to present key performance indicators (“**KPIs**”) in environmental and social areas, with explanations provided to illustrate their purposes and impacts;

“Balance”: Based on the principle of balance, this report objectively presents the current state of the ESG management of the Group;

“Consistency”: Unless otherwise stated, this report uses consistent data statistics methods compared with that in the 2019 Environmental, Social and Governance Report, and no major changes have occurred.

About This Report

DATA EXPLANATION

The data used in this report includes the internal statistical data and relevant public data of the Company and three subsidiaries. The Group provides reasonable assurance that there are no deceptive records, misleading statements or major omissions in the content of this report. Unless otherwise stated, the currency in this report is denominated in Renminbi.

PUBLICATION METHOD

This report is published in an electronic format on the websites of the Company (<http://www.sunnyoptical.com>) and HKEXnews of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). This report is in Chinese and English. If there is any inconsistency, please refer to the Chinese version.

CONTACT METHOD

If you have any queries or suggestions in relation to this report or the ESG management of the Group, please contact us through e-mail (ir@sunnyoptical.com).

Chairman's Statement



Mr. YE Liaoning
Chairman and Executive Director

Dear Stakeholders,

Due to the global outbreak of coronavirus disease 2019 (“**COVID-19**”) pandemic, the overall global economy has declined in 2020. With the sudden changes in the international situation and the Sino-U.S. trade friction, the market environment has undergone tremendous changes. In spite of challenges, while properly preventing and controlling the pandemic and resuming work and production, the Group worked overtime to produce key components for anti-pandemic products, which satisfied the anti-pandemic requirements of the society and actively fulfill our corporate responsibility, receiving wide acclaim from the society. While getting through this difficult period, we also continued to create value for our shareholders. The annual shipment volume of our handset related businesses continued to hit new heights. Moreover, the Group made breakthroughs in business and technology for high-end products, further increasing its global market share and market competitiveness.

Chairman's Statement

With greater achievements, the Group has more responsibilities. In 2020, while providing better products and services to our customers, we continued to improve our ESG-related work and actively assumed the social responsibility as a corporate citizen in economic development, social security, culture and education, and environmental protection. In terms of corporate governance, we continued to improve the establishment of our compliance and internal control systems and the practice of anti-corruption and anti-competitive activities; in terms of employment management, we ensured the rights and interests of our employees through incentive schemes and welfare measures; in terms of environmental protection, we reduced environmental pollution through the use of clean energy, the resource conservation and other means. In the process of product design and production, we prioritized the green and healthy attributes of our products by reviewing the qualifications such as the green product certificates of materials entering the Group and the qualified test reports of third-party testing agencies. In addition to our own sustainable development, we also focused on the sustainable development of the entire supply chain. We proactively identified and managed environmental and social risks in the supply chain, such as conflict minerals, and required our suppliers to comply with relevant regulations and actively conveyed our sustainable philosophy to the upstream suppliers. Lastly, we actively participated in education, charity and other public welfare undertakings, and supported the construction of urban communities, contributing to the economic and social development of our local communities.

Employees are the most important assets of an enterprise. In 2020, the Group invested considerable resources to promote the transformation of human resources and foster the construction of digitalization in human resources while energizing the management cadres and human resources management group. With the implementation of a series of corporate cultural activities, the comprehension and awareness of the corporate culture by all employees were greatly enhanced, thereby ensuring the provision of talents for the continuous and rapid development of the Company. In order to build a large-scale innovative talent team matching with a great enterprise, we recruited talents, strengthened talent cultivation and created an innovative environment, and improved and refined the incentive mechanism to further implement the core value of "Create Together" through internal motivation in three aspects, namely compensation, incentive and organization.

The Group always believes that the promotion of sustainable development is the unshirkable responsibility of an enterprise and its long-term policy of business operation. In 2020, our related work was widely recognized by the external parties as the Group was included in the "Hang Seng Corporate Sustainability Benchmark Index", and at the same time the MSCI ESG rating was raised from "BB" to "BBB".

Looking forward to 2021, the Group will further improve the governance system for sustainable development, actively undertake the corporate social responsibilities, and at the same time, make every effort to develop emerging businesses to deploy a layout for sustainable development in the future, so as to move forward on the path of sustainable development.

Ye Liaoning

Chairman and Executive Director

China

29 June 2021



About Us

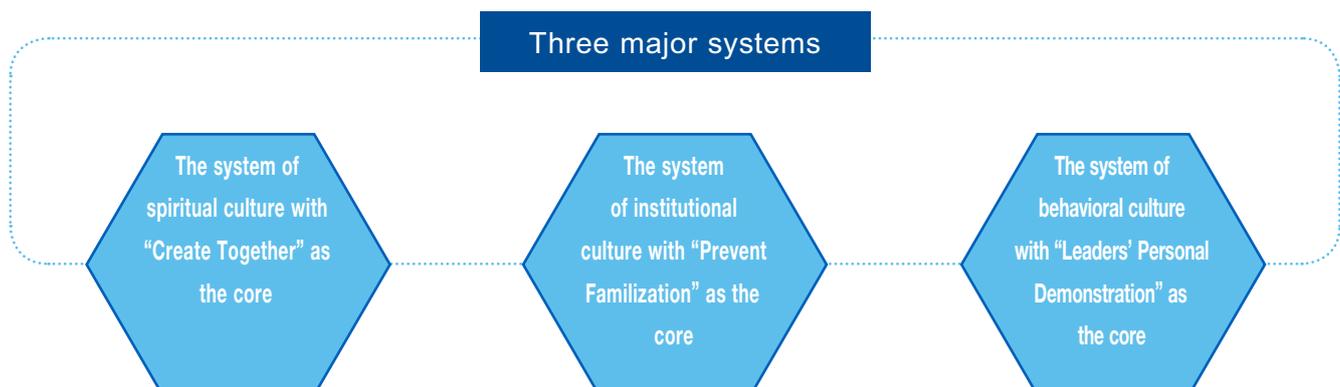
ABOUT THE GROUP

Introduction

Established in 1984, we are a global leading integrated optical components and products manufacturer with more than thirty-five years of history. The Group was listed on the Main Board of the Hong Kong Stock Exchange in June 2007 and was included in the Hong Kong Hang Seng Index constituent stocks in December 2017 and the Hang Seng Corporate Sustainability Benchmark Index in August 2020. The Group is principally engaged in the design, research and development (“**R&D**”), manufacture and sales of optical and optical-related products. Such products include optical components (such as glass spherical and aspherical lenses, plane products, handset lens sets, vehicle lens sets, security surveillance lens sets and other various lens sets), optoelectronic products (such as handset camera modules, three dimensional (the “**3D**”) optoelectronic products, vehicle modules and other optoelectronic modules) and optical instruments (such as microscopes and intelligent equipment for testing). The Group focuses on the application fields of optoelectronic-related products, such as handsets, digital cameras, vehicle imaging and sensing systems, security surveillance systems and virtual reality/ augmented reality, which are combined with optical, electronic, software and mechanical technologies.



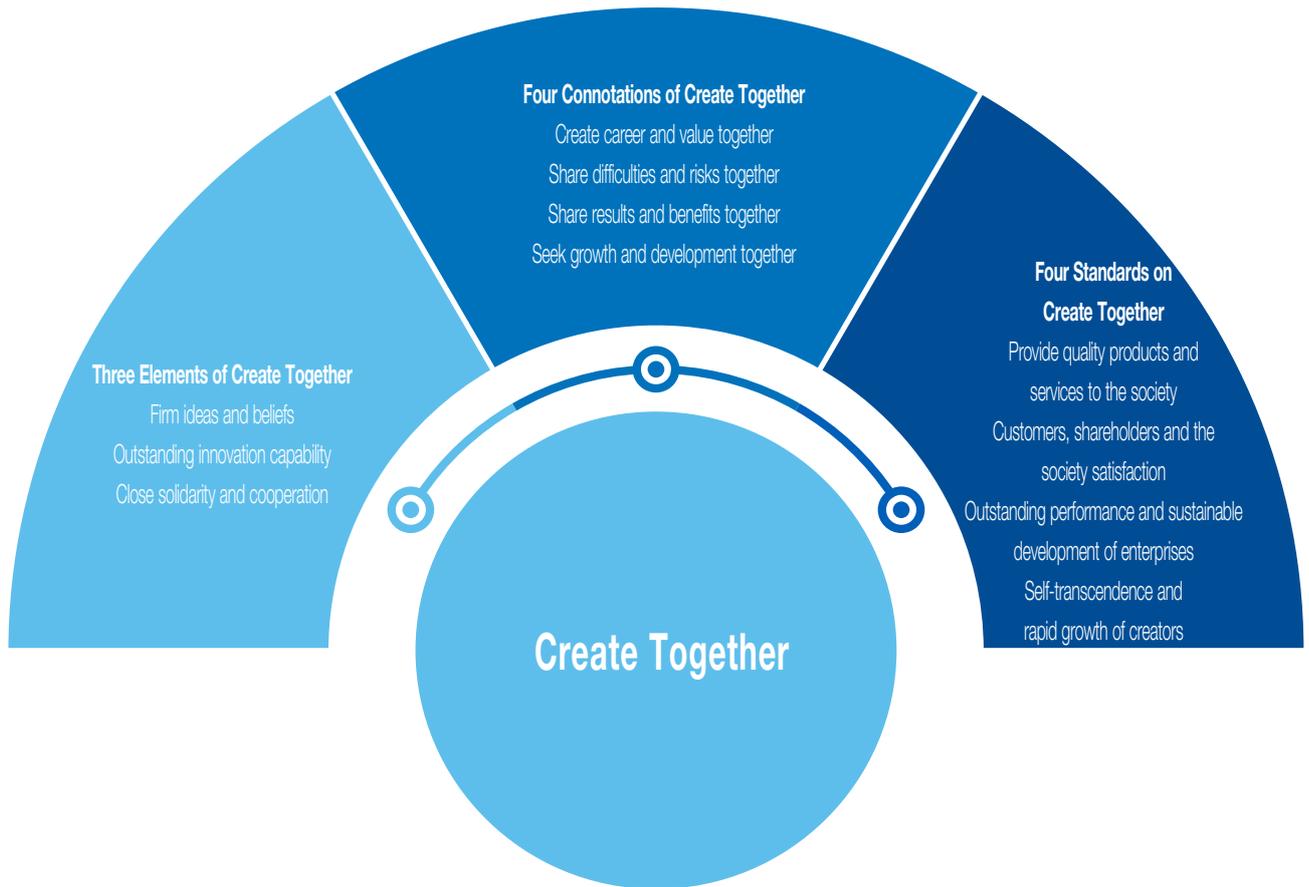
Enterprise Culture



About Us

Core Value

Take the core value of “Create Together” as the spiritual pillar, the basic beliefs, the criteria and the code of conduct.



About Us

The Group's production bases are located in Yuyao of Zhejiang Province, Zhongshan of Guangdong Province, Shanghai and Xinyang of Henan Province in China, respectively. In order to meet the customers' demands in overseas markets, the Group has established new production bases in India and Vietnam respectively. Meanwhile, in order to have timely insight into market trends and cooperate with customers in R&D, the Group set up R&D centres in China, the U.S. and the Republic of Korea.



Brief introductions to three subsidiaries covered in this report are as follows:

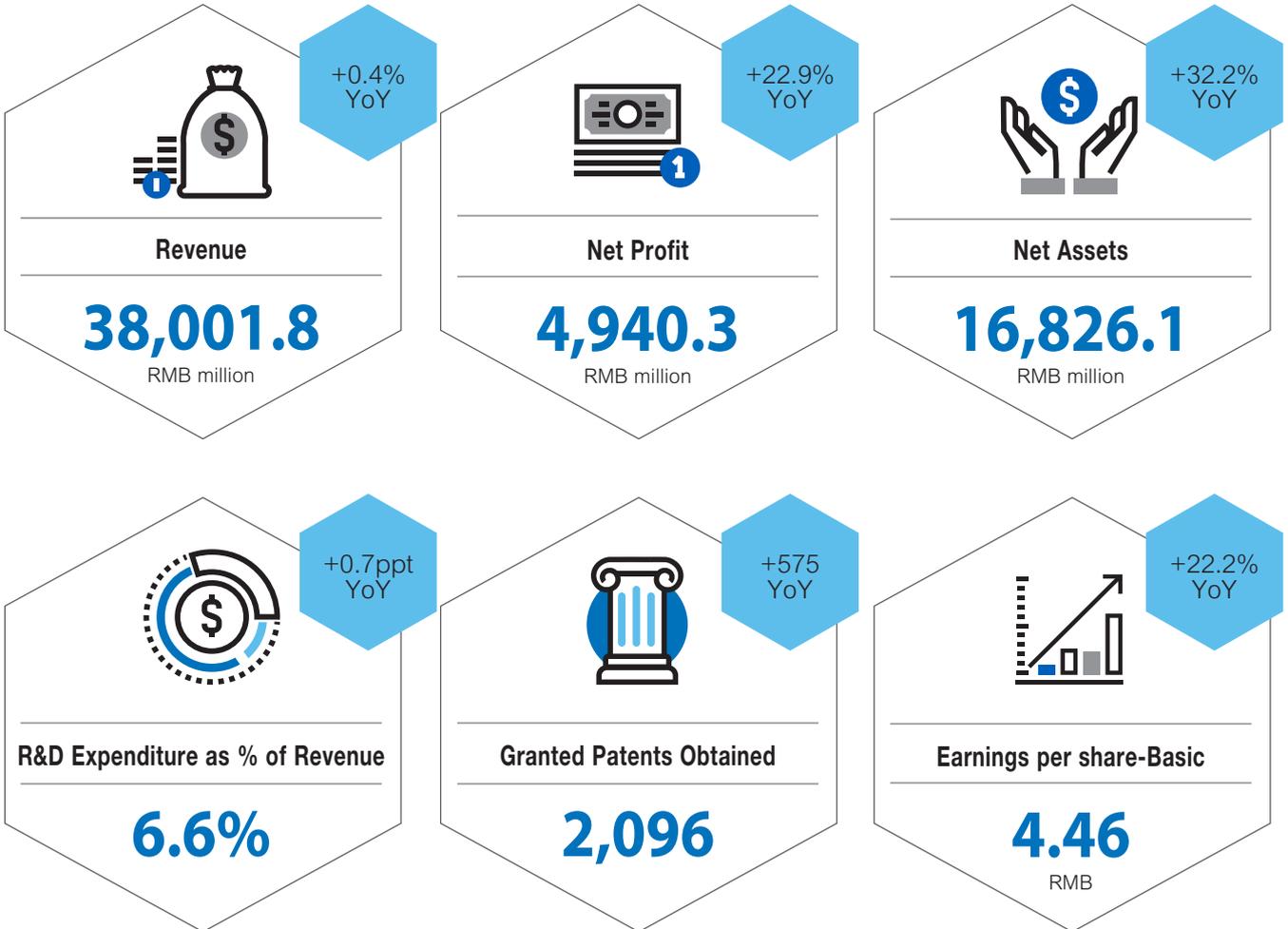
Sunny Zhejiang Optics is primarily engaged in the design, manufacture and sales of handset lens sets as well as 3D interactive lens sets and other optical lenses and lens sets;

Sunny Opotech is primarily engaged in the design, manufacture and sales of optical imaging system products, including handset camera modules, 3D optoelectronic products and other optoelectronic modules;

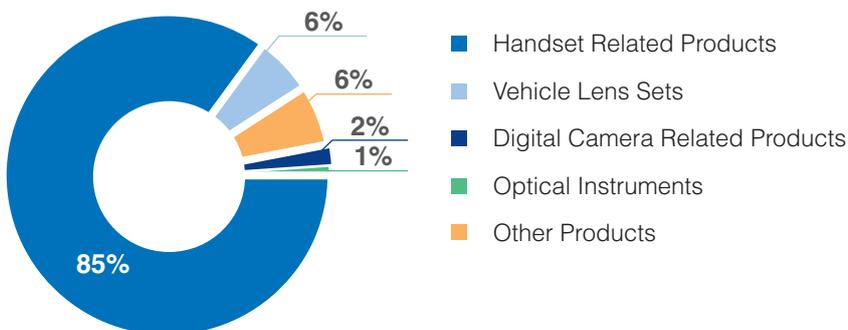
Sunny Automotive Optech is primarily engaged in the design, manufacture and sales of vehicle lens sets and other optical components applied in the automotive industry.

About Us

Core Financial and Operational Figures in 2020



Revenue Breakdown by Product Applications



For the year ended 31 December 2020

About Us

MAIN BUSINESS AREAS

- Handset Area



Handset Lens Sets

A miniature optical lens sets used for the static picture or video shooting on mobile phones, which is mainly composed of multiple plastic aspherical lenses, plastic shells and other materials.



Handset Camera Modules

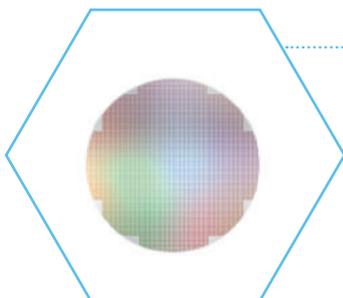
Lens sets, sensors, printed circuit boards and other components are assembled by adopting the chip on board packaging technology for shooting static pictures or videos.

3D Optoelectronic Products

Through the transmitting and receiving modules, the in-depth information of an object is sensed to make the image more layered and to achieve depth detection and 3D imaging.



Diffraction Optical Element ("DOE")



Based on the diffraction theory, a phase only diffractive optical element is formed on the surface of a substrate or a traditional optical device by using computer-aided design technology and micro-nano processing technology, which is one of the core components of the structured light film block.

About Us

- Vehicle Imaging and Sensing Area

Vehicle Lens Sets

They are applied in vehicles to monitor the real-time environment in-cabin and outside of vehicles and provide safety guarantee to the driving of vehicles. They are mainly composed of multiple glass lenses and plastic lenses or multiple glass lenses.



Vehicle Modules

Vehicle lens sets, sensors, printed circuit boards and other components are assembled to be applied in vehicles to monitor the real-time environment in-cabin and outside of vehicles and provide safety guarantee to the driving of vehicles.

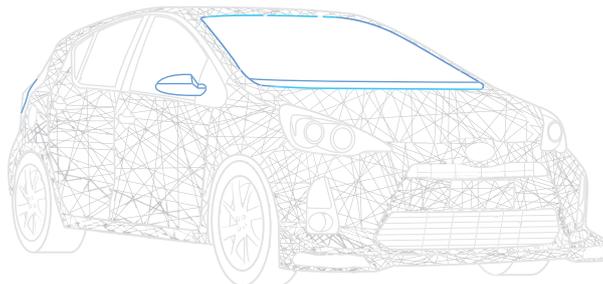
Head Up Display Related Optical Products

Through the principle of optical reflection, important driving information such as speed and navigation are projected on a piece of glass to prevent the driver from distracting and ease eye-strain, providing safety guarantee to the driving of vehicles.



LiDAR Related Optical Products

Detecting objects and roads when driving the vehicle by using the laser beams which have no harm to human eyes, with high detection precision. They are usually combined with vehicle lens sets to further enhance the safety level for the driving of vehicles.



About Us

Visual Image

The Group attaches importance to the construction of brand management. In order to ensure that the design and production of various types of visual identity (“VI”) application projects meet the standards of the VI Manual of Sunny Optical Technology 《舜宇光學科技 VI 手冊》, unify the visual image and enhance the public’s recognition on us, the Group has developed the Regulations on the Administration of VI Application Projects 《VI 應用項目管理規定》. It specifies the management objects and responsibilities, the classification of VI application projects, management requirements and appraisal methods to ensure the standardized implementation of VI application projects.

In 2020, the Group stipulated the docking windows of standard setting, implementation supervision, design and post-production environment of the VI Manual, and clarified the leading and joint responsibilities of various departments. Meanwhile, we implemented annual self-assessment on VI projects and made timely rectifications for non-compliant projects. We also further strengthened our employees’ awareness of brand management through training courses such as brand visual communication application and logo (“Logo”) proposal.

Industrial Associations

In order to fulfill the social responsibilities and achieve common development, cooperation and win-win results with the industry, the Group actively maintains close relationships with industrial associations and community.

Name of association	Participant
Chinese Optical Society	Sunny Optical Technology
China Instrument Manufacturer Association	Sunny Optical Technology
China Electronics Enterprises Association	Sunny Opotech
Zhejiang Federation of Industrial Economics/ Zhejiang Enterprise Confederation/ Zhejiang Entrepreneurs Association	Sunny Optical Technology
Zhejiang Provincial High-Tech Enterprises Association	Sunny Opotech

About Us

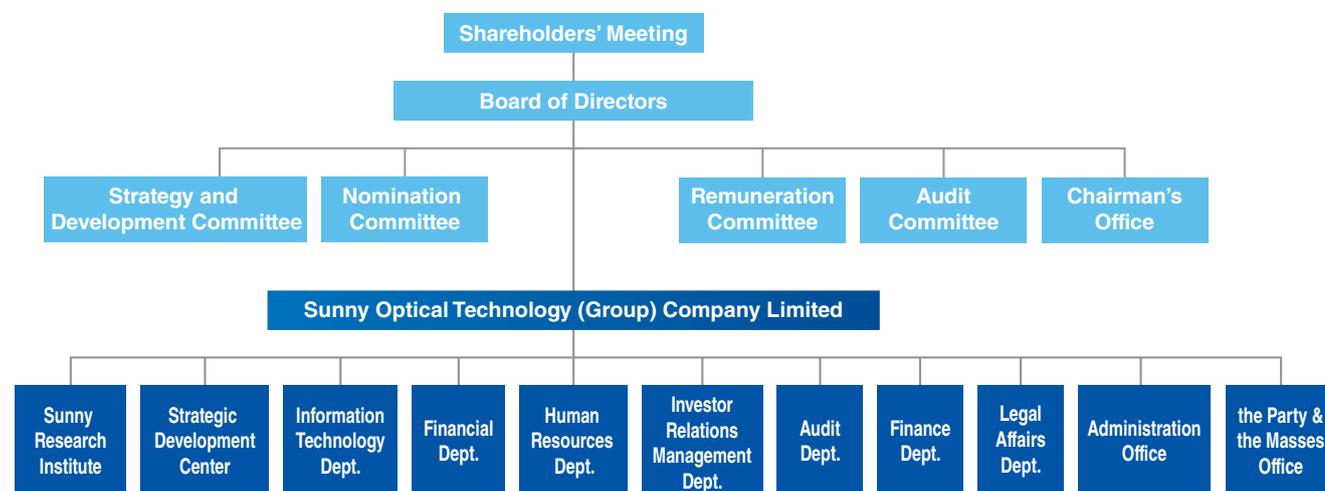
Awards and Recognitions in Main Business Areas

Award and recognition	Awarded by	Awarded to
Corporate Comprehensive Strength		
Ranking 259 th in 2020 China Top 500 List	U.S. Fortune Chinese Version	Sunny Optical Technology
“The Most Remarkable Investor Relations Recognition (Hang Seng Index Category)”	“Quam IR Awards 2019”	Sunny Optical Technology
Best TMT Company	Zhitongcaijing	Sunny Optical Technology
“Best Delivery Award”	Vivo Mobile Communication Co., Ltd.	Sunny Zhejiang Optics
“2020 Strategic Partner Award”	Q Technology Limited	Sunny Zhejiang Optics
“2019 Quality Operation Award”	Huizhou Desay SV Automotive Co., Ltd.	Sunny Automotive Optech
“Best Quality Award” and “Pandemic ‘War’ Delivery Partner Award”	Weifang Goertek Electronics Co., Ltd.	Sunny Zhejiang Optics
“Excellent Supplier Award in the Third Quarter”	OPPO MOBILES INDIA PRIVATE LIMITED	Sunny Opotech
Corporate Social Responsibility		
Included in “Hang Seng China Enterprises Index” and “Hang Seng Corporate Sustainability Benchmark Index”	Hang Seng Indexes Company Limited	Sunny Optical Technology
Labor Management		
2020 Prize for Outstanding Human Resources Management	51Job	Sunny Optical Technology
2020 Most Popular Employer Brand for Graduates	Zhejiang University of Technology	Sunny Optical Technology
2020 Extraordinary Reform Employer in Zhejiang	Liepin	Sunny Optical Technology



About Us

CORPORATE GOVERNANCE



Board and Committees Composition

Being accountable to all shareholders, the Board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) facilitates the further development of the Group’s business by promoting and guiding the business developments and operations in a responsible and effective manner.

As at the date of this report released, the Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The Board has established four specific committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Strategy and Development Committee. Each committee has adequate resources to carry out its functions, and may seek independent professional advice where appropriate. The terms of reference for each committee have been published on the Group’s website (<http://www.sunnyoptical.com>) for stakeholders to review. The external auditor, Deloitte Touche Tohmatsu, acts as the provider of independent auditing service for the Company.

The emoluments of the Directors are decided by the Board as recommended by the Remuneration Committee, having regards to the Group’s operating results, individual performance and comparable market statistics. Among them, the emoluments of executive Directors comprise salaries and other benefits, bonus, retirement benefit scheme contributions and share award; the emoluments of non-executive Directors comprise salaries and other benefits, bonus and share award; and the emoluments of independent non-executive Directors comprise fixed salaries. In accordance with the articles of association of the Company, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years.

About Us

During the year of 2020, the Board convened 4 meetings in total considering the business development and the needs of the Company and the Remuneration Committee convened 2 meetings. It made recommendations to the Board on the Group's remuneration policy and structure of all Directors and senior management. It further assessed the performance of the executive Directors; according to the terms of Directors' service contracts, determined the specific remuneration packages of all executive Directors and senior management and made recommendations to the Board on the remuneration of the non-executive Directors and the independent non-executive Directors. The details of the attendance of meetings of the Board can be referred in the section headed Corporate Governance Report on page 60 in the 2020 Annual Report (the "2020 Annual Report") published by the Company.

Board Diversity

We believe that board diversity can enhance corporate governance standard and decision-making capabilities, and it is an essential element in supporting the achievement of our strategic objectives and sustainable development. Therefore, the Company issued the Board Diversity Policy to fully consider the diversity policy when identifying suitable candidates for Board members. In designing the Board's composition, we consider the Board diversity from a wide range of aspects, including but not limited to skills, knowledge, gender, age, cultural and educational background or professional experience and other factors. In order to provide a range of perspectives, insights and challenges that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategies of the Group, and support succession planning and development of the Board.

The current Board's composition under diversified perspectives is summarized as below:

Name	Ye Liaoning	Sun Yang	Wang Wenjie	Wang Wenjian	Zhang Yuqing	Feng Hua Jun	Shao Yang Dong
Gender	Male	Male	Male	Male	Male	Male	Male
Age	55	48	53	73	73	57	51
Skills/ knowledge/ professional experience							
Financial management	√	√			√		√
Operation management	√	√	√	√	√		√
Capital market	√	√			√		√
Risk management	√	√	√	√	√	√	√
Strategic planning	√	√	√	√	√	√	√
Board committee leadership experience	√			√	√	√	√
Optical industry and other related industries experience	√	√	√	√	√	√	√

About Us

RISK MANAGEMENT

The Company has built an enterprise risk management (“**ERM**”) system with a view to enhance the risk management capability and corporate governance practice, and improve the effectiveness and efficiency of internal control systems across the whole Group. The Chief Executive Officer of the Group acts as the head of the risk management group (“**Risk Management Group**”), responsible for daily risk management of the Group. The risk management teams of the subsidiaries are responsible for risk management of their own. At the same time, the Group has engaged a world-renowned consultant institution as the risk management consultant to assist the Group in building an effective risk management overall framework so as to ensure the adequacy of resources, staff qualifications and experience, training and budget of the Group’s risk management, internal audit and reporting function. For risks related to the Group’s strategy, financing, market, operation and compliance, please refer to pages 74 to 91 of the 2020 Annual Report.

The Audit Committee of the Group reviews the risk management report submitted by the management, ensuring that the management has fulfilled its responsibilities to establish effective risk management and internal control systems and review it annually. We have formulated a series of management systems such as the Risk Management Policy 《風險管理制度》 and the Measures for Overall Risk Management Performance Appraisal 《全面風險管理績效考核辦法》, and have established an overall risk management appraisal group to assess and supervise the overall risk management work, promoting the overall risk management work to all employees.

In 2020, we further optimized the risk management system framework by expanding the risk register, establishing a team of professional talents for risk management and completing self-assessment on risk management. We have organized more than 10 risk management trainings for more than 500 persons to strengthen the risk management capabilities of employees at all levels. The trainings cover high-level, middle-level, and junior management cadres, business personnel and risk management personnel, and discuss topics such as how to turn crises into opportunities under the pandemic, risk control empowerment and efficiency enhancement, and key risk indicators (“**KRIs**”) explanations. In addition, the Group also publicized the relevant knowledge on risk management through the “Sunny Family” WeChat official account and “Sunny Journal” internal journal to all employees. We were also honored to participate in various internal audit activities in Zhejiang Province and shared the experience in risk control construction.

About Us



| Risk Management Training in 2020

About Us

BUSINESS ETHICS

The Group has zero tolerance for any form of bribery, corruption, extortion, embezzlement, fraud and money laundering in all business activities, and formulates the overall anti-malpractice goal of “do not dare to corrupt” in objective behavior, “cannot corrupt” in system and process and “do not attempt to corrupt” in subjective consciousness, and strives to create a clean and compliant business environment to achieve anti-malpractice without forbidden zone, special zone and blind spots.

We abide by the laws and regulations on business ethics in the countries and regions in which we operate, such as the Anti-Unfair Competition Law of the People’s Republic of China 《中華人民共和國反不正當競爭法》 and the Basic Norms on Internal Control of Enterprises 《企業內部控制基本規範》, and establish a sound business ethics management system. We have established a business ethics management team directly led by the chairman of the Board to continuously supervise and evaluate business ethical works. The Audit Department of the Group is responsible for auditing the compliance of connected transactions and the declarations in relation to the related persons in all businesses of previous year, and report the audit results to the Audit Committee annually. We have also appointed an external auditor to review the Group’s continuing connected transactions. The Group’s enterprise cultural group is responsible for building a culture of honesty and integrity, and supervises and evaluates the cadres by formulating a negative list of the value of cadres. In 2020, we set up an inspection division under the Audit Department to be responsible for the management and execution of business ethics.

During the year of 2020, the Group did not experience any case of litigation relating to corruption or fraud, nor did any material non-compliance occur during its audit work.

The Group has adopted the Anti-Malpractice Policy 《反舞弊制度》 to prevent and control various corruption and fraud incidents such as commercial bribery, commercial benefit transmission and financial embezzlement. For connected transactions, the Group has established the Connected Transaction Policy 《關連交易制度》, requiring personnel in relevant positions to make declarations in relation to their associates and/ or related persons. Among them, each personnel with management title of associate department manager and above, and those occupying key sensitive positions have to sign an Anti-Malpractice Guarantee 《反舞弊保證書》. The employee occupying a key sensitive position has also to sign an Integrity Guarantee 《廉潔從業承諾書》 and a system involving regular rotation and integrity reports has been implemented to strengthen the internal control. Suppliers shall also sign an Undertaking for Operating with Integrity 《誠信經營承諾書》 and make declarations in relation to their associates and/ or related persons.

About Us

The Group has set up the following whistleblowing channels, and a dedicated person from the Audit Department is delegated to be in charge of each of the following channel:

- Telephone: 0086-574-62550607
- E-mail: audit@sunnyoptical.com
- Communication address: Audit Department at No. 27-29, Shunke Road, Yuyao, Ningbo, Zhejiang Province, China, Postal code: 315400
- E-mail of Audit Committee: auditcommittee@sunnyoptical.com
- Network platforms: “Integrity Sunny” WeChat official account, “Sunny Family” WeChat official account and “Sunny Group” WeChat official account

The Group has formulated the Whistleblowing Instructions and Rewards and Protection Measures 《舉報須知和獎勵、保護辦法》 to clarify the policies on whistleblowing rewards and whistleblowing protection. We have established strict confidentiality measures and procedures to keep the information of the whistleblowers (especially the information related to personal privacy) as well as the relevant information provided, confidential. We will make every effort to protect the personal and property safety of the whistleblowers, and take various protection measures based on the whistleblowers’ opinions. For any violations of laws, we will assist the whistleblowers to take legal actions for the corresponding liabilities against the corresponding persons.

In 2020, we updated the Management Measures on Sensitive Positions 《敏感崗位管理辦法》 to further expand the coverage of sensitive positions to include departmental-level cadres occupying sensitive positions, positions involving foreign business, technology, etc., and conducted hierarchical management. Business ethics audits are carried out in accordance with the annual policy, covering all subsidiaries. The audit projects include routine audit projects (declarations in relation to connected persons, connected party compliance audits, suppliers’ declarations in relation to their connected persons and procurement business projects) and temporary projects. The completion rate of audit is 100.0%. In 2021, we will further strengthen the investigation of high-risk areas of business ethics.

About Us

The Group provides trainings on the anti-malpractice and anti-corruption to all employees (including executive Directors, full-time employees, contract employees, etc.). Each subsidiary is also required to carry out integrity publicity through the bulletin board, internal journals, WeChat official accounts and other channels, and regulates employee behaviors through integrity lectures, integrity commitments and other activities. In December 2020, we provided business ethics trainings to all management cadres above the section head level and employees occupying sensitive positions. The training contents include the introduction of anti-malpractice and its significance, external enterprise's industry risk analysis, typical cases and analysis, whistleblowing channels and policies, calling on everyone to work together to maintain a clean and self-disciplined working environment. In January 2021, we provided anti-malpractice training to all members of the Board, explaining anti-malpractice knowledge, the Group's implementation status of anti-malpractice work and future plan.



| Business Ethics Training in 2020

ESG Governance

ESG STRATEGIES

The Group adheres to the core value of “Create Together” and firmly fulfills three major responsibilities on sustainable development. By setting a series of specific sustainable development goals, building a sustainable development management system and establishing corresponding assessment indicators, we further deepen the Group’s capacity building for sustainable development.

Social Responsibility

We believe that the harmonious development of the society requires the joint efforts of everyone and every organization. It has been one of our goals pursued to create a civilized and progressive society with friends from all walks of life and make our own contribution to social development. We believe that enterprises are the cells of the society. We grow up thanks to the nurturing of the society and shoulder the responsibility of returning the society.

Environmental Responsibility

We believe that enterprise has responsibility, which is imperative, in promoting the sustainable development of environment. As an enterprise with social responsibility, we fully consider the environmental protection requirements in the operation activities, follow various international environmental protection laws and regulations, and pursue environmental protection and sustainable development through technological innovation and manufacturing reform.

Economic Responsibility

We are willing to actively assume our responsibilities as an enterprise citizen on economic development, social security, cultural education and have been devoted to the progress and sustainable development of the society for the long term.

Major Targets

The Group has set up a series of targets on sustainable development strategies. In addition, each subsidiary has also established management systems on environment, health and safety and product quality and sets up targets and conducts appraisal every year based on the requirements of the management systems.

Environmental Targets

- Reduce the greenhouse gas emission
- Reduce the emission of hazardous wastes
- Save paper
- Save electricity
- Save water

Social Targets

- No significant safety accidents
- Consistently provide trainings and development opportunities to employees
- Provide an equal, healthy and safe working environment

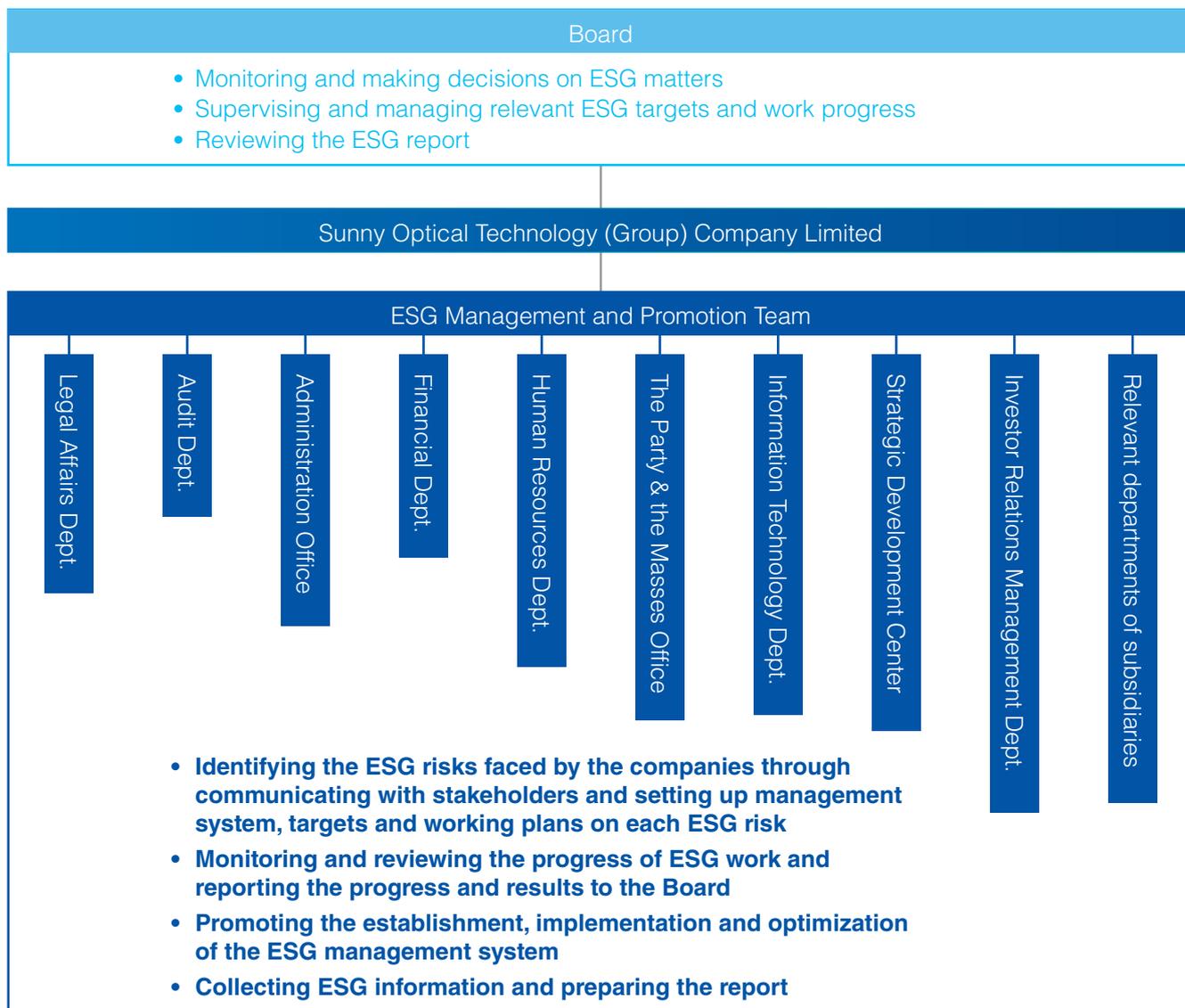
ESG Governance

ESG MANAGEMENT STRUCTURE

The Board takes responsibilities for the ESG management system and information disclosure, supervises and manages relevant ESG targets and work progress. The leaders of relevant departments take management responsibilities, fully understand the risks and opportunities of each ESG factor to business development and implement the specific responsibilities in production and operation activities.

To establish and improve the ESG management system and promote the sustainable, healthy and steady development of the Group, the Group has established the ESG management and promotion team. The ESG management and promotion team comprises the management personnel of Legal Affairs Department, Audit Department, Administration Office, Financial Department, Human Resources Department, The Party & the Masses Office, Information Technology Department, Strategic Development Center, Investor Relations Management Department and relevant departments of subsidiaries.

The ESG management structure of the Group is as follows:



ESG Governance

COMMUNICATIONS AMONG STAKEHOLDERS

In order to consolidate the relationship between the Group and stakeholders and enhance the ESG management level and seek sustainable development, the Group maintains close communications with shareholders and investors, customers, suppliers, employees and other stakeholders through channels such as e-mail, telephone and WeChat official account to understand and respond to the expectations and requests of all stakeholders in a timely manner in order to promote the common development of the Group and all stakeholders.

Stakeholders	Communication methods	Expectations and requests	Our responses
Shareholders and investors	<ul style="list-style-type: none"> Annual general meeting and extraordinary general meeting Investor presentations Annual reports, interim reports and announcements Investor meetings 	<ul style="list-style-type: none"> Safeguarding shareholders' interests Obtaining investment returns Disclosing important information 	<ul style="list-style-type: none"> Assessing on various indicators Ensuring the healthy development of the Company Holding annual general meetings and extraordinary general meetings Disclosing important information
Customers	<ul style="list-style-type: none"> Customer satisfaction surveys Seminars and symposiums 	<ul style="list-style-type: none"> Product R&D and technological innovation Product safety and quality management Information security and commercial secrets protection 	<ul style="list-style-type: none"> Strictly control over R&D, procurement, production and other aspects Quick response to customers' demands Improving the quality management system Establishing the information security system and authorization setting

ESG Governance

Stakeholders	Communication methods	Expectations and requests	Our responses
Suppliers	<ul style="list-style-type: none"> Annual suppliers meetings Suppliers trainings On-site audit on suppliers 	<ul style="list-style-type: none"> Supply chain management and sustainable development Anti-corruption and anti-fraud 	<ul style="list-style-type: none"> Implementing the suppliers introduction and removal mechanism Conducting suppliers' trainings and audit Signing undertakings for operating with integrity
Employees	<ul style="list-style-type: none"> Employee representatives congress Employee satisfaction survey General manager's mailbox "Sunny Family" WeChat official account "Sunny Journal" internal journal Regular trainings 	<ul style="list-style-type: none"> Employee recruitment and team building Employees development and trainings Employees' interests and safeguarding Occupational health and safety 	<ul style="list-style-type: none"> Following labor principles Improving the occupational development and training mechanism Setting up Trade Union (the "Trade Union") to protect employee rights and interests Providing competitive salaries and welfares Implementing health and safety management system
Government/ community	<ul style="list-style-type: none"> News reports Reporting of regulatory information Forums and communications activities 	<ul style="list-style-type: none"> Abiding by laws and regulations Promoting employment Environmental protection Participating in community welfare activities 	<ul style="list-style-type: none"> Maintaining green operation Organizing voluntary activities Participating in community construction

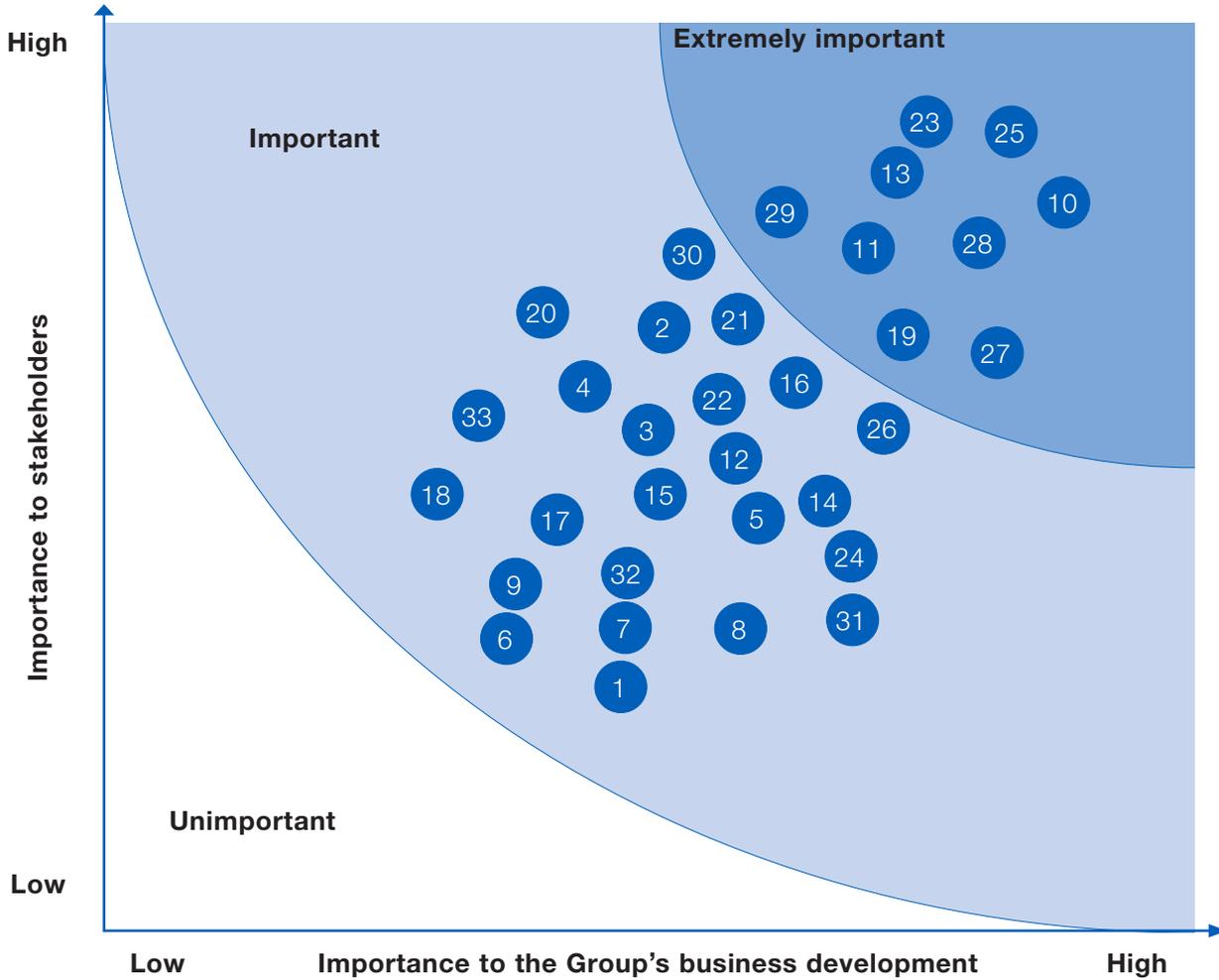
ESG Governance

MATERIALITY ASSESSMENT

In 2020, the Group re-launched a substantive assessment by benchmarking ESG-related standards and inviting internal and external stakeholders to interview and complete the questionnaires, so that key disclosures could be specified in the ESG Report and the expectations and requests of stakeholders could be responded in a targeted manner. Specific steps in the assessment are set out below:

- Step 1 Identifying material issues:** Identifying 33 ESG related issues based on the business development of the Group combined with the ESG management industry trends and the disclosure requirements in the ESG Reporting Guide 《ESG報告指引》;
- Step 2 Assessing materiality:** Inviting internal and external stakeholders including employees, customers and suppliers to participate in interview meetings and online questionnaires to assess the degree of materiality of various issues in two dimensions including their “importance to the Group’s business development” and “importance to stakeholders”. The final materiality assessment matrix is generated by analyzing the results of meeting and 1,132 questionnaire received;
- Step 3 Determination of assessment results:** The management and the ESG management and promotion team review and determine the assessment results.

ESG Governance



- | | | |
|---------------------------------------|--|------------------------------------|
| 1 Environmental protection investment | 12 Basic principles and rights of employees | 23 Product/ service quality |
| 2 Greenhouse gas | 13 Occupational health and safety of employees | 24 Management of conflict minerals |
| 3 Management of water resources | 14 No discrimination | 25 Product safety |
| 4 Waste water disposal | 15 Internal communication mechanism | 26 Customer complaint |
| 5 Energy management | 16 Employee diversity | 27 Customer satisfaction |
| 6 Climate change | 17 Grievance mechanism | 28 Compliant operation |
| 7 Management of waste | 18 Child labor | 29 Corporate governance structure |
| 8 Compliance of environmental laws | 19 Management of green products | 30 Business operational impact |
| 9 Packaging materials | 20 Supply chain management | 31 Community engagement |
| 10 Employee remuneration and welfares | 21 Intellectual property | 32 Anti-malpractice |
| 11 Employee trainings and development | 22 Customer privacy | 33 Public welfare investment |

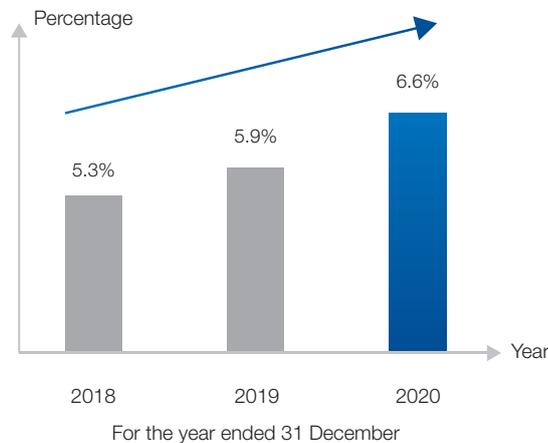
Innovating Product System

R&D AND INNOVATION

Concept and Results

The Group attaches great importance to technological innovation. With R&D investment as a driving force, the Group makes layout in advance, seizes the market opportunities and conducts in-depth cooperation with various companies with core key technologies. For the year ended 31 December 2020, the R&D expenditure of the Group accounted for approximately 6.6% of the Group's revenue, representing an increase of approximately 0.7 percentage point as compared to last year.

Percentage of R&D investment



The Group has established a three-level R&D organizational system with clear positioning to ensure that the high and new technology independently developed or introduced can be quickly applied to products. The Level-I R&D organization is positioned at national enterprise technical centers, national post-doctoral study stations and provincial key enterprise institutes for the research and promotion of cutting-edge technologies in the industry. The Level-II R&D organization is positioned at the R&D department of each subsidiary for the application of new technologies and product development. The Level-III R&D organization is positioned at the technical divisions of the manufacturing department of each subsidiary for the improvement of production craft and manufacturing procedures.

The Group is committed to producing green products that are safe for our employees, customers and the environment. We strictly comply with the relevant international/ domestic standards from the very beginning of product design, and select green and environmentally materials or conduct a series of environmental tests on new materials to ensure that they do not cause any significant environmental impact. We have established the database of environmental materials to ensure that green and environmentally materials that comply with laws and regulations are used in the production process of products.

Innovating Product System

During the year of 2020, the Group successfully developed and mass produced a number of high-specification products:

Optical components

- Completed the R&D of a number of high-specification products, including continuous zoom handset lens sets, high-resolution handset lens sets (8 pieces of plastic lenses), freeform handset lens sets and millimeter-scale ultra-macro shooting handset lens sets;
- The 100-mega pixel large image size handset lens sets and super-small distortion wide-angle (115°) handset lens sets have commenced mass production;
- Actively developed emerging optical markets and engaged in the R&D of lens sets and other optical components applied in VR/ AR, 3D sensing, smart home, drones and motion tracking, etc.;



| Fresnel lens

Innovating Product System

- Completed the R&D of 2-mega pixel hybrid front-view vehicle lens sets;
- The pure glass 8-mega pixel front-view vehicle lens sets with glass aspherical lenses commenced mass production and delivery;
- Completed the R&D of megapixel smart headlight lens sets of vehicle.



| Front-view vehicle lens sets

Innovating Product System

Optoelectronic products

- Completed the R&D of continuous zoom handset camera modules and sensor-shift handset camera modules;
- Gimbal stabilization handset camera modules and handset camera modules with the second-generation of molding on board and second-generation of molding on chip packaging techniques have commenced mass production;
- Optimised the production line process of handset camera modules, and the Optical Reflection System-Active Alignment independently developed has been put into use to provide high-precision assembly solutions;
- Completed the R&D of front-view, side-view and rear-view vehicle modules which are all 8-mega pixel ;
- The face live detection solution based on structured light and time of flight (“**ToF**”) technology is allowed to enter the supply chain of UnionPay system customers;
- The face scan payment solution based on ToF technology is allowed to enter the supply chain of WeChat pay equipment manufacturer customers;
- Completed the R&D of structured light system applied to smart door locks, and conducted strategic cooperation with customers;
- Completed the R&D of the ToF-related algorithm of the sweeping robot and the development of the binocular solution.



| Linear ToF Module

Innovating Product System

Optical Instruments

- Completed the R&D of the first ultra-wide field of view (30mm) high magnification objective (20X and 60X) in China and commenced mass production;
- Completed the R&D of a high-precision and high-speed switchable laser scanning confocal microscope;
- Completed the R&D of immunofluorescence screening equipment for peripheral blood and commenced mass production and sales;
- Developed a digital pathology remote consultation platform, which further improved the medical industry ecosystem and promoted the sales of scanners;
- Continued to develop online inspection equipment for defects in precision components, and commenced mass sales of testing equipment in key market areas.



| Pathological section scanner

Intellectual Property Rights

In accordance with the Patent Law of the People's Republic of China 《中華人民共和國專利法》, the Rules for the Implementation of the Patent Law of the People's Republic of China 《中華人民共和國專利法實施細則》, the Anti-Unfair Competition Law of the People's Republic of China 《中華人民共和國反不正當競爭法》 and other laws and regulations, the Group has formulated and implemented the Patent and Technical Secret Management Policy 《專利及技術秘密管理制度》, the Trademark Management Measures 《商標管理辦法》 and the Management Policy on Software Copyrights 《軟件著作權管理制度》 to reduce the possible infringements of intellectual property rights in the operation of the Group. Sunny Zhejiang Optics has passed the Standards for the Management of Corporate Intellectual Property Rights 《企業知識產權管理規範》 GB/T29490 certification.

Innovating Product System

The Group has established a professional intellectual property rights management team to prevent operational risks effectively in intellectual property rights, and has been proactively formulating overall planning in relation to patent layout. The intellectual property work is directly managed by the Chief Executive Officer of the Company, and the Legal Affairs Department of the Company, as the main responsible department of the Group of intellectual property work. It organizes the intellectual property personnel of each subsidiary to carry out daily management. To enhance the communications among teams on intellectual property rights, the Legal Affairs Department of the Company holds routine meetings on intellectual property rights each quarter and irregular meetings on learning and sharing. We also introduced the intellectual property rights management platform and database to increase the efficiency of approval process, maturity monitoring, data summarizing and maintenance. The Legal Affairs Department collects the list of key R&D projects of each subsidiary at the beginning of each year and arranges personnel to regularly follow up the progress of key R&D projects and infringement analysis of each subsidiary. Meanwhile, the Legal Affairs Department requires paying attention to the infringement of intellectual property rights in different stages before and after the introduction of products, in order to prevent any infringement of the patents/ technical secrets of the Company. Once the infringement of the patents/ technical secrets of the Group by others or suspected infringement of others' patents are spotted, they will be handled by the Legal Affairs Department of the Company in a timely manner. During the year of 2020, the Group did not involve in any cases on the infringement of or infringement of intellectual property rights by others.

The Group has formulated patent/ technical secret incentive measures to encourage R&D and innovation. During the year of 2020, a total of 1,627 person-time of the Group were awarded incentives on patents/ technical secrets, and the Group obtained 575 new granted patents. As at 31 December 2020, the Group held 2,096 granted patents in total.

In order to effectively facilitate the implementation of intellectual property systems and processes, enhance awareness of intellectual property risks and promote the establishment of the intellectual property talent echelon, we completed the development of intellectual property training system in June 2020 and shared its courses to the cyber academy for employees' learning. We have divided our training system into three stages: beginner course, intermediate course, and advanced course, and have developed corresponding courses for patent managers, intellectual property process managers and R&D engineers. In order to support the Group's global strategy and enhance the Group's competitiveness in overseas intellectual property rights, the Legal Affairs Department also launched an online intellectual property question and answer contest and online seminar activities on the theme of "mastering knowledge to know the truth, working pragmatically to look far ahead (馭知明道•篤行致遠)" on the Intellectual Property Rights Day when a total of 275 people have participated in the event. In addition, we specifically invited external professional agencies to give presentations on European intellectual property risks, Indian intellectual property applying systems, intellectual property litigation strategies, etc. We hope that such activities will help us better protect our innovation and prevent potential infringement litigation cases in the future.

Innovating Product System

PRODUCT QUALITY

Product Management System

Quality Principals – Think before We Leap, Strive for Excellence

The Group adopts “Think before We Leap” as the code of conduct, considering the interests of both customers and the Group, strengthening production management with the requirement of “Strive for Excellence”, and continuously improving product quality under the premise of complying with laws and regulations to provide customers with quality products.

The Group strictly abides by the national laws and regulations, such as Tort Law of the People’s Republic of China 《中華人民共和國侵權責任法》 and the Product Quality Law of the People’s Republic of China 《中華人民共和國產品質量法》. The Group has set up a comprehensive quality management system and three subsidiaries have passed the ISO9001 certification on quality management system. In addition, Sunny Automotive Optech passed the IATF16949 certification on the quality management system of the automotive industry and completed the corresponding supervision and review in July 2020. Sunny Opotech passed the certification on electro-static discharge (“**ESD**”) management system. Sunny Zhejiang Optics and Sunny Opotech passed the QC080000 certification on hazardous substance process management (“**HSPM**”) system. The Quality Assurance (“**Quality Assurance**”) Department of each subsidiary is the main responsible department of quality supervision and its functions including the establishment and maintenance of systems, and the hazardous substances free (“**HSF**”) management.

Innovating Product System

Improving Product Quality

The Group has formulated a series of quality management systems, including the Procedures on Production Management and Control 《生產管理控制程序》, the Procedures on Monitoring the Purchase and Delivery of Products and Measurement Control 《進出貨產品監視和測量控制程序》, the Standards on Abnormal Management 《異常管理標準》, the Procedures on Control of Disqualified Products 《不合格品控制程序》 and the Procedures on Product Quality Control 《產品質量控制程序》 to conduct management and control on all links from design of products, components recognition, mass production recognition, materials, manufacturing and shipment in order to guarantee the quality of products. We organize internal audits and management reviews on the quality management system every year to rectify issues identified in a timely manner. Besides, we regularly collect and sort out relevant laws and regulations on quality and update internal standards in time after appraisals on compliance.



We conduct reliability verification of products at different stages and meet customers' demand for diversified products. We have an environment laboratory, a mechanics laboratory, a salt atmosphere laboratory, a chemical laboratory, an ESD laboratory, and cleanliness laboratory, all of which have obtained the approval of China National Accreditation Service for Conformity Assessment (“**CNAS**”) and obtained the certificate of the ISO/IEC17025:2005-5-15 General Requirements on Detection and Calibration on Laboratory Capabilities 《檢測和校準實驗室能力的通用要求》. In order to ensure the accuracy of the experimental results, product properties are tested by using professional testing and analysis equipment and products which cannot be tested in the company's laboratory under special requirements will be tested by cooperating with third-party laboratories.

The Group conducts full-process management on product labeling and traceability. The R&D Department confirms the provisions on labeling and traceability of products and arranges designated employees to check information during the processes of procurement, storage, production, packaging for storage and delivery to ensure that products are not confused or lost during the turnover and storage. Meanwhile, it can reduce quality risks through traceability.

Innovating Product System

During the year of 2020, we continuously optimized process flow. Sunny Zhejiang Optics formulated the Procedures on Approval Control of Lens Products (《鏡頭產品立項控制程序》) to standardize the approval procedures of new products, ensure that new products developed by the company can meet the requirements of customers, markets, laws and regulations (including HSF) and avoid operational risks on the company as a result of mistakes or failure in the development of products.

We also carried out quality trainings on all departments with different training contents and teaching methods, including explanation of basic knowledge, case analysis and practical exercise. In October 2020, Sunny Zhejiang Optics organized reviews and trainings on the ISO9001:2015 internal quality management system and explained the audit work on self-inspections of departments, internal reviews, audits and rectifications of issues.



| Quality Training of Sunny Zhejiang Optics in 2020

Innovating Product System

Management of Hazardous Substances

The Group has complied with the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (the “**RoHS**”) of the European Union, the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (the “**REACH**”) of the European Union and other international norms. In addition, Sunny Automotive Optech has complied with the agreement on the End-of-Life Vehicles (the “**ELV**”) and the requirements of Global Automotive Declarable Substance List (the “**GADSL**”) as required by customers. Sunny Opotech has complied with the Waste Electrical and Electronic Equipment (the “**WEEE**”).

In compliance with laws and regulations, we publicly disclosed the relevant content of chemicals’ management on the Company’s website and established complete systems on the management and control of hazardous substances. 100.0% of chemicals used by the Group have been identified during the year of 2020:

- Sunny Opotech set up the HSF management targets for 2020, including 100.0% of primary products and finished products passing HSF sample inspection and 0% HSF complaint from customers, and formulated the Substance Standards on Environmental Management of Products 《產品環境管理物質標準》 to conduct effective management on environmental management of products. Sunny Opotech classifies environmental management of products into four levels: Level 1 (substances prohibited/restricted under RoHS 2.0 and halogen-free substances under management and control, namely Br and Cl), Level 2 (other substances prohibited/restricted applicable to the Company), Level 3 (① Prohibited and restricted substances not applicable or temporarily not applicable to the Company; ② Substances which are not controlled temporarily but could be updated to Level 2 if they are judged as alternative components/ materials and technologies which can be introduced; ③ Substances required to be reported when using or exceeding limits) and Level 4 (waived). Sunny Opotech inspects the environmental labeling of raw materials, semi-finished products and finished products (RoHS and halogen-free), distributes the Substance Standards on Environmental Management of Products to suppliers and requires them to sign and returning the Declaration of Non-use of Restricted Substances 《不使用禁用物質聲明》. Sunny Opotech also conducts XRF testing on materials and final products based on the Standards on Testing of Hazardous Substances 《有害物質檢測標準》 to prevent the unexpected use, transfer and flowing out of disqualified products from the company. Meanwhile, Sunny Opotech has a product recall system. When HSF disqualified products are shipped, the relevant departments trigger the recall mechanism in accordance with the Procedures for Recall and Control of HSF Products 《HSF 產品召回控制程序》, identify and determine if they shall be recalled. After they are confirmed to be recalled, the Quality Assurance Department shall submit the Notice for Products Recall 《產品召回通知單》, release the recall notice and conduct recall and isolation treatment. Meanwhile, it analyzes the reasons and sets up improvement and prevention measures.
- Sunny Zhejiang Optics formulated the HSF Management Manual 《HSF管理手冊》 based on the requirements of the QC080000 hazardous substances process management system and established a HSF organizational structure led by the general manager. Following the HSF management policy of “meeting customers” requirements and making continuous improvement to ensure that products meet the requirements of laws and regulations on the restricted use of hazardous substances”, it has set up the management targets of “100.0% of products meet HSF requirements raised by customers with zero non-compliance with HSF”. Based on the Technical Standards on Environmental Management of Products 《環境管理物質技術標準》, Sunny Zhejiang Optics classifies environmental management of products of all products and conducts full-process management on them. During the design of products, the R&D Center marks HSF, halogen-free and REACH labels on the drawings based on the HSF management and control requirements of customers; and the Quality Assurance Department confirms the compliance of products and seeks other alternative materials in case of non-compliance. During the procurement process, the procurement undertaker confirms the precise analysis report on hazardous substances (RoHS, halogen and REACH) and Material Safety Data Sheet (the “**MSDS**”) and requires suppliers to sign the corresponding HSF products warranty certificates.

Innovating Product System

- All materials of Sunny Automotive Optech meet RoHS and REACH requirements. Sunny Automotive Optech has specified substances to be forbidden immediately, in stages and inappropriate substances recommended among all materials under the Regulations on the Administration of Green Substance and Technology 《綠色物質技術管理規定》 in order to reduce the environmental shock of relevant activities with products. Upon the introduction of new materials, Sunny Automotive Optech discloses information on ingredients of materials based on the MSDS sheet, conducts RoHS testing and completes RoHS reports and signs the Declaration of Non-use of Environmental Substances 《不使用環境物質聲明》 with suppliers. Meanwhile, we require suppliers to provide third-party test reports and conduct sampling inspections on materials with XRF equipment every year. In 2020, Sunny Automotive Optech newly formulated the Guideline on HSF Risk Appraisal 《HSF風險評估指南》 to analyze and appraise the risks of suppliers on the materials, size, HSF performance, relevant HSF information and systems of suppliers. For the waiver on copper materials to expire in 2021, it has initiated looking for and verifying alternative materials internally.

We provide customers with the list of chemical components through products labeling, customers' platforms, the International Material Data System (the "IMDS") and other third-party platforms. Meanwhile, our professional team is responsible for the monitoring on laws and regulations, standards and other requirements, regularly reviewing the compliance with regulations on chemicals, confirming and updating current materials based on the updates to regulations in a timely manner and conveying relevant laws and regulations and other requirements to employees at all levels through trainings, meetings, announcements, blackboard newspapers, in-house network and other forms.

During the year of 2020, no recall for the Group's all sold or delivered products occurred for reasons of safety and health.

Information Security Management

The Group places importance on protection of the employees' privacy and the commercial secrets ("commercial secrets") and strictly abides by the Anti-Unfair Competition Law of the People's Republic of China 《中華人民共和國反不正當競爭法》, the Administrative Measures for the Security Protection of Computer Information Networks Linked to the Internet 《計算機信息網絡國際聯網安全保護管理辦法》, the Cybersecurity Law of the People's Republic of China 《中華人民共和國網絡安全法》 and other laws and regulations. The Company and Sunny Optech have passed the ISO27001 certification on the management system of information security and gradually expanded the information security work to all subsidiaries. The Group has also formulated the Information Technology Management Policy 《信息技術管理制度》 and the Manual of Employees' Information Security 《員工信息安全手冊》 to restrict and guide the behaviors with leakage risks in the daily work and enhance the confidential awareness of employees. Meanwhile, the Group has formulated the Administrative Procedures on the Disposal of Information Security Incidents 《信息安全事件處置管理程序》 and the Emergency Plan on Emergencies (Information Security Incidents) 《突發事件應急預案(信息安全事件)》 to reduce the negative impact due to the improper handling of information security incident. Customers can raise complaints on information security through telephone, e-mail and other means.

Innovating Product System

The Group has completed the establishment of the commercial secret system and formulated the Commercial Secrets Management Policy 《商業秘密管理制度》. It made provisions on the management of secret-related information, secret-related subjects, office areas as well as systems and networks and set out punishment and incentive measures. We have established the Commercial Secrets Management Committee led by the Chief Executive Officer of the Company. It is responsible for reviewing policies and strategies of the Group on commercial secrets management, the annual planning on commercial secrets, and reviewing the management systems and regulatory documents. 100.0% of secret-related employees of the Group have signed the Non-Competition Agreement 《競業禁止協議書》.

During the year of 2020, the Group's work focused on the planning on the construction of the hierarchical management and control of commercial secrets, the commercial secrets protection training system and the audit system on commercial secrets protection. For the year ended 31 December 2020, we have completed the planning on the three-level (corporate, department and position levels) training system with 19 certified lecturers on commercial secrets trainings. We have initiated self-inspections on check lists, on-site inspections and special audit on hierarchical management and control of employees based on the audit plans on commercial secrets protection. During the year of 2020, Sunny Opotech organized various trainings on the Information Safety Management System-ISO27001 《信息安全管理體系－ISO27001》 and publicized the background, importance, prevention measures and award and punishment measures on information safety towards employees. Meanwhile, Sunny Opotech publicized knowledge on information safety in meeting rooms, standards on the transfer of confidential products and network safety knowledge through preparing publicity materials on information safety.



| Trainings on Information Safety Management Systems of Sunny Opotech in 2020

Innovating Product System

IMPROVING CUSTOMER EXPERIENCE

The Group adheres to the customer-oriented management concept. Through the Procedures on Control of Customer Complaints (《顧客抱怨控制程序》), the Procedures on Handling of Customer Complaints and Feedbacks (《顧客投訴及反饋處理程序》) and the Operational Procedures for Handling of Customer Complaints (《客訴處理作業程序》) and other procedural documents, we standardize the process for handling customer complaints, promptly discover problems in the management system and improve our service awareness. Customers can express their comments or make complaints and feedbacks through e-mail, telephone, letters and other means. Subsidiaries of the Group have set up relevant departments to follow and handle them. Sunny Zhejiang Optics has formulated the Customer Complaint Management Standards (《顧客投訴管理標準》), which divides into serious complaints and general complaints according to the seriousness. Sunny Zhejiang Optics has established the “2485 Principle”, of which a temporary solution should be provided within 24.0 hours, a formal solution should be provided within 48.0 hours and the improvement result should be provided within 5 days. In terms of the serious complaints, and the Quality Assurance Department will take emergency measures on the same day. A report will be submitted within three working days after the investigation.

In order to better understand customers’ demands and achieve the matching of products with customers’ demands, the Group has put in place the Operational Regulations on Customer Satisfaction Surveys (《客戶滿意度調查作業規範》), providing that the customer satisfaction survey shall be organized at least once a year, survey results shall be analyzed and solutions and improvement plans shall be formulated. We also make customer visit plans based on the locations and the extent of importance of customers every year to obtain information on customers’ demands, improve customer stickiness and satisfaction and promote long-term stable cooperation.

During the year of 2020, customer complaints of three subsidiaries and the survey on satisfaction are as below:

Name of company	Number of customer complaints	Rate of customer complaints handled	Customer satisfaction [Note 1]
Sunny Zhejiang Optics	136	100.0%	85.6/100.0
Sunny Opotech	2,888	100.0%	90.5/100.0
Sunny Automotive Optech	56	100.0%	92.7/100.0

Notes:

1. During the year of 2019, the survey results on customer satisfaction of Sunny Zhejiang Optics, Sunny Opotech and Sunny Automotive Optech are 79.7, 88.7 and 84.7, respectively.

CUSTOMER INFORMATION PROTECTION

The Group takes privacy issues very seriously and protects the privacy of its customers, business partners and employees to the utmost. The Group complied with relevant laws and regulations in relation to customer information protection.

Promoting Development through Cooperation

SUPPLY CHAIN MANAGEMENT SYSTEM

The Group is committed to building a sustainable supply chain. In addition to requiring suppliers to comply with relevant laws and regulations, we also require suppliers to comply with the Group's Code of Conduct for Corporate Social Responsibilities ("CSR"), and convey our sustainable development concept to upstream suppliers. The Group adheres to fair and just principle with no bias when the Group selects the suppliers. The Group has established a strict introduction flow and formulated systems such as the Procedures for Management and Control of Suppliers 《供應商管理控制程序》, the Code of Managing Suppliers 《供應商管理規範》 and the Control Procedures on Development and Appraisal of Suppliers 《供應商開發和評價控制程序》 etc., based on the QC080000 system standard and customers' requirements to manage the supply chain. Among them, the Procedures for Management and Control of Suppliers mainly includes specifications and regulations on the classification of suppliers, evaluation, audit and introduction of the qualified suppliers, information of suppliers and data management, etc.; and the Code of Managing Suppliers mainly includes specifications and regulations on the processes of exception management for suppliers, processes of quarterly/ annual performance management for suppliers, controlling processes of production changes of suppliers, managing processes of the annual audit, tier-two suppliers management, risk management for material supply interruption and suppliers information management.

All subsidiaries have established their organizational structures responsible for resources development, appraisal on suppliers' performance, assessment on the sustainable development capability of suppliers and qualification approval on suppliers and specified their functions. All subsidiaries classified suppliers into different levels based on the importance of materials or the extent of risks. They have prepared comprehensive management systems on suppliers based on different levels, such as procedures on the control of development and appraisal of suppliers and procedures on routine management and control of suppliers.

The procedures for the management of suppliers of the Group are as follows:



Meanwhile, the Group has established a supplier removal mechanism. Suppliers will be removed if they have serious problems on product quality, or the materials used fail to meet the latest environmental and green requirements with no effective improvement measures.

Promoting Development through Cooperation

CORPORATE SOCIAL RESPONSIBILITIES MANAGEMENT

In order to achieve healthy, stable and long-term development with suppliers, the Group also pays attention to the management of social responsibilities and environmental protection of suppliers. We have publicly disclosed the code of conduct of suppliers on the Company's website, requiring suppliers to safeguard the human rights of employees in accordance with the standards generally recognized in the international community and prohibit the use of child labor, forced labor, discrimination against employees and other behaviors.

During the introduction of suppliers, the Group inspects the environmental and social risks and green environmental management system of suppliers and carries out CSR publicity on suppliers. Suppliers are required to sign various letters of undertaking to ensure that they follow relevant CSR requirements of the Group. For example, the Agreement on Social Responsibilities (《社會責任協議書》) raises requirements on suppliers on the aspects of labors' interests, environmental protection, occupational health and safety, business ethics and other aspects. The Environmental Safety Requirement Notification (《環境安全要求告知書》) requires suppliers to meet the requirements of relevant laws and regulations on environment/occupational health and safety and ensure that the emissions, wastes and noises involved in the production, activities and transportation process meet relevant standards. The Undertaking for Operating with Integrity (《誠信經營承諾書》) forbids commercial bribery and other improper behaviors to safeguard the legitimate interests of both parties.

In addition, the Group conducts risk assessments on suppliers every year, mainly including: the places where the suppliers are located, the types of products and services provided, the risks on green and environmental products, CSR and business ethics, etc. In order to achieve environmental procurement, the Group also encourages suppliers to use environmental products or services. For example, Sunny Zhejiang Optics requires its suppliers to reduce fillers in packaging materials to reduce wastes and requires the suppliers to carry out the treatment on chemical effluent during the production processes.

In 2020, we specified and refined the disclosure scope of key performance indicators of suppliers and conducted detailed disclosure of the compliance of Class I suppliers (excluding administration, construction and other non-production suppliers).

Promoting Development through Cooperation

As at 31 December 2020, the Group has 665 Class I suppliers, 626 of which are located in China, and the remaining 39 suppliers are located outside China. Their key performance indicators are as follows:

Category	Sunny Zhejiang Optics	Sunny Opotech	Sunny Automotive Optech	Total
Number of new suppliers during the year	26	47	16	89
Accumulative number of suppliers signed the CSR Undertaking (《CSR 承諾書》)	61	228	61	350
Number of suppliers conducted CSR audits during the year	26	23	34	83
Number of suppliers conducted on-site CSR audits during the year	12	11	6	29
Accumulative number of suppliers signed the Environmental Undertaking on Hazardous Substances (《有害物質環保承諾書》)	99	236	61	396
Number of suppliers conducted on-site audits on hazardous substances during the year	12	6	6	24
Number of suppliers recognized as having negative environmental and social effects during the year	0	0	1	1
Number of suppliers recognized as having negative environmental and social effects and agreed to improve after assessment	0	0	1	1
Accumulative number of suppliers using environmental products and services and achieving management on environmental procurement	110	491	52	653

Promoting Development through Cooperation

CONFLICT MINERALS MANAGEMENT

The Group attaches great importance to the issue of conflict minerals, and has publicly disclosed the relevant content of conflict minerals management on the Company's website and undertakes not to support or use conflict metals from conflict mines. We also require all suppliers to abide by regulations on non-conflict metals and conduct investigations on suppliers with conflict metals in their products, ensuring that such metals are from qualified smelters.

All subsidiaries of the Group have formulated the Regulations on the Administration of Green Substance and Technology 《綠色物質技術管理規定》, the Technical Standards on Environmental Management of Products 《環境管理物質技術標準》, the Substance Standards on Environmental Management of Products 《產品環境管理物質標準》, the Administrative Measures on the Control of Conflict Minerals 《衝突礦產控制管理辦法》 and other systems, specifying that it shall not use tantalum, stannum, gold and tungsten from Congo or its surrounding countries. In 2020, Sunny Automotive Optech and Sunny Zhejiang Optics had no suppliers involved in conflict minerals. For Sunny Opotech involved in the use of metal components in its production and manufacturing processes, it has conveyed relevant requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act to suppliers and required them to sign and to return the Declaration of Non-use of Restricted Substances. According to the Responsible Minerals Initiative (“**RMI**”), the Conflict Minerals Reporting Template 《衝突礦產報告》 (“**CMRT**”) formulated on the basis of Sunny Opotech conducted conflict minerals and cobalt investigations on Class I suppliers and confirmed that the smelters involved are on the lists of certification of RMI and other third parties.

As at 31 December 2020, the audit on conflict minerals of Class I suppliers of Sunny Opotech is as follows:

Category	Number
Accumulative number of suppliers involved in conflict minerals	144
Accumulative number of suppliers filled in the conflict minerals reporting template	113
Accumulative number of suppliers conducted audits on conflict minerals	113

Promoting Development through Cooperation

COMMUNICATIONS WITH SUPPLIERS

The Group establishes and maintains long-term partnership with suppliers and provides full support to suppliers on technology and management to advance two-way communications and knowledge sharing and promote cooperation and win-win results. We maintain regular and routine communications with suppliers through telephone, e-mail, meetings and on-site communications. Meanwhile, we hold annual conference with suppliers every year to review the cooperation of previous year and reward outstanding suppliers, and propose targets and expectations on cooperation for the following year. In 2020, we organized trainings on supplier relationship management (“SRM”) to introduce relevant knowledge and operation instructions on SRM to 284 supplier partners.



Meetings for Communications with Suppliers of Sunny Automotive Optech in 2020



Meetings for Communications with Suppliers of Sunny Zhejiang Optics in 2020



SRM Trainings on Suppliers of Sunny Opotech in 2020

Building a Harmonious Workplace*

12345 TALENT DEVELOPMENT MECHANISM

We practice the “12345 Talent Development Mechanism” with our characteristics proposed by the founder Mr. Wang Wenjian to attract outstanding talents and build strong and stable human capital.

One enhancing	Enhancing the awareness on talent work: Human resources are the primary resources of enterprises and the general manager is the first person responsible for the human resources work		
Two ensurings	Ensuring that enterprises have “sufficient and appropriate talents” at each development stage	Ensuring that management members at each level have a convincing planning on talents fostering and team building	
Three smoothenings	Smoothening communication channels	Smoothening introduction channels	Smoothening capability enhancing channels
Four relationships	Properly handling the relationship between the fostering and use of current talents and the future development demands	Properly handling the relationship between the remunerations of newly-introduced talents and the current talents	
	Properly handling the relationship between the “ownership” and “presence” of professional technical talents	Properly handling the relationship between the education and cultivating of the subordinates and the improvement of own quality	
Five mechanisms	Cultivating and development mechanism		Appraisal and discovery mechanism
	Promotion and appointment mechanism	Flow and allocation mechanism	Incentive and guarantee mechanism

* This section covers all employees of the Group.

Building a Harmonious Workplace

EMPLOYEES' INTERESTS

We always consider the employee as an indispensable element to the sustainable development of the enterprise. We strictly abide by the Labor Law of the People's Republic of China 《中華人民共和國勞動法》, the Labor Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, the Social Insurance Law of the People's Republic of China 《中華人民共和國社會保險法》 and other relevant laws and regulations and are devoted to safeguarding the legitimate interests of all employees, building an open and equal communication platform and actively creating an optimistic, harmonious, healthy and aspirant working atmosphere.

RECRUITMENT AND DISMISSAL

To regulate and enhance recruitment and dismissal management, we have formulated the Recruitment and Employment Implementation Measures 《招聘錄用實施辦法》, the Administrative Measures on Internal Recruitment 《內部招聘管理辦法》, the Regulations on the Management of Employee Work Resumption 《員工復職管理規定》, the Policy on Tracking Management during the Probation Period 《試用期跟蹤管理制度》, the Policy on Introduction and Recommendation of External Talents 《外部人才引薦制度》, the Administrative Measures on Employment and Resignation of Employees 《員工入離職管理辦法》 and other systems to manage talents in a timely, reasonable and effective way, expand recruitment channels and optimize the talent structure.

As at 31 December 2020, the Group had a total of 24,374 full-time employees, including formal employees, interns and temporary staff, and no part-time employees.

Building a Harmonious Workplace

As at 31 December 2020			
Category	Employee structure	Number	Proportion
Gender	Male	15,042	61.7%
	Female	9,332	38.3%
Age group	≤30	15,250	62.6%
	31-40	7,537	30.9%
	41-50	1,313	5.4%
	> 50	274	1.1%
Type of employees	Formal employees	22,409	91.9%
	Others	1,965	8.1%
Position	Senior management members [*]	510	2.1%
	Middle management members [!]	2,885	11.8%
	Grass-roots employees [@]	20,979	86.1%
Region	Mainland China	23,961	98.3%
	Other regions	413	1.7%

^{*} Senior management members include personnel with management title of associate department manager and above or with professional technical title of senior engineer and above; approximately 17.7% of senior management members are female.

[!] Middle management members include personnel with the management title of division manager and assistant of department manager or with professional technical title of engineer.

[@] Grass-roots employees include all personnel other than senior management members or middle management members.

Building a Harmonious Workplace

The Group regulates dismissal procedures in accordance with relevant laws, regulations and labor contracts. In 2020, the turnover rate of all full-time employees of the Group is indicated in the table below:

		2020
Category	Employee structure	Turnover rate of employees*
Gender	Male	3.0%
	Female	3.2%
Age group	≤30	3.1%
	31-40	3.2%
	41-50	1.4%
	> 50	2.4%
Region	Mainland China	3.1%
	Other regions	4.7%

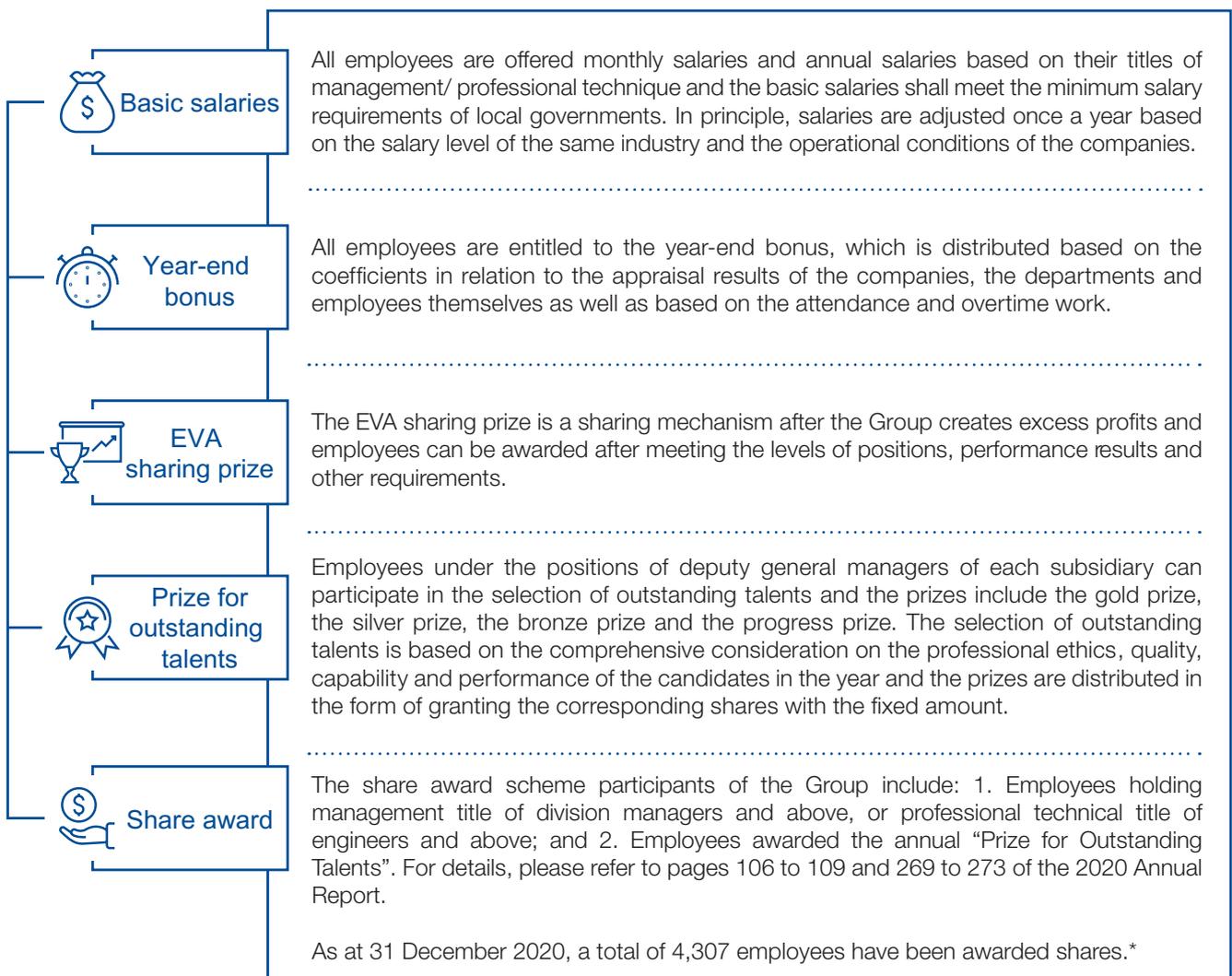
* The turnover rate of all categories of employees is the annual average of the turnover rate of all categories of employees for each month. Turnover rate of all categories of employees = Number of employees of all categories resigned voluntarily or dismissed, retired or died for each month/Total number of employees of all categories for each month

Building a Harmonious Workplace

REMUNERATION AND INCENTIVES

Following the principle of “adapting to market environment, experiencing the value of talents and playing an incentive role”, we set up a remuneration system based on performance and formulated the Remuneration Management Policy 《薪酬管理制度》, the Administrative Measures on Economic Value Added (EVA) Sharing Prize 《EVA 分享獎管理辦法》, the Restricted Share Award Scheme 《限制性股份獎勵計劃》, the Selection and Incentive Measures on Outstanding Talents 《優秀人才評選與激勵辦法》 and other incentive systems to achieve the targets of “consistence in responsibilities and interests, abilities and values, risks and returns, performance and earnings” and promote the sustainable, stable and healthy development of the Group.

The Group has formulated the Performance Management Policy 《績效管理制度》 and regularly conducts performance appraisal. For different positions, we adopt annual work reports, performance appraisals, appraisals on the achievement of annual targets and other diversified performance appraisal methods. We also consistently improve and innovate appraisal methods in routine work and strive to create a fair and impartial working atmosphere.



* This data included the number of all employees who are involved in the share award scheme.

Building a Harmonious Workplace

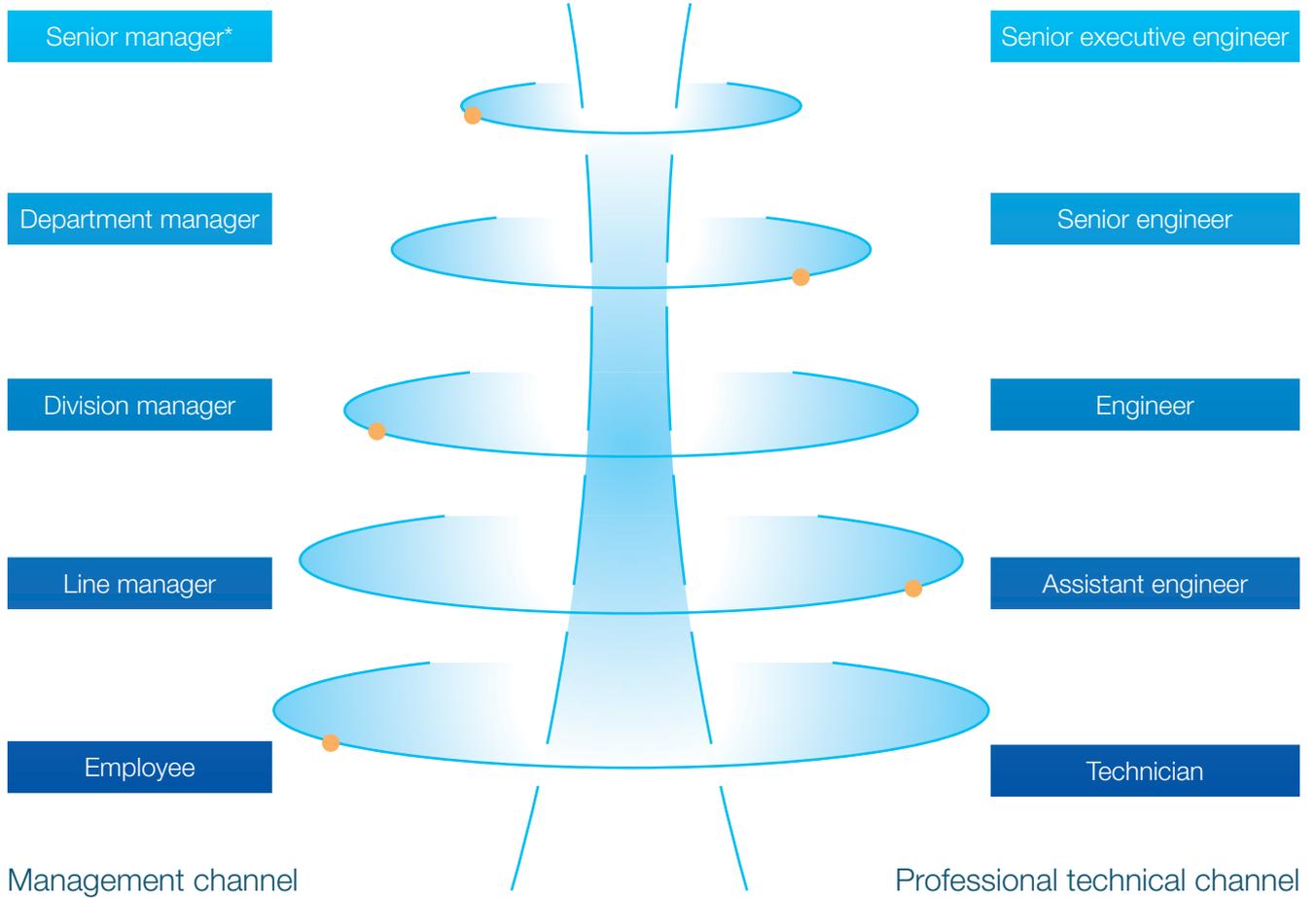
CAREER DEVELOPMENT CHANNELS

To meet different career demands, improve the competence for their positions and promote the establishment of the talent echelon, the Group continuously improves career development channels. We have set up two career development channels, namely the management channel and the professional technical channel. The Group has formulated the Rules of Cadre Management (《幹部管理辦法》), the Professional Position Qualification Certification and Appointment Management Measures (《專業崗位任職資格認定與聘任管理辦法》), the Administrative Measures on the Organizations of Professional Position Qualification (《專業崗位任職資格組織機構管理辦法》) and other policies, specifying the procedures for the selection, appraisal, appointment and promotion through different career development channels.

- **Management channel:** The Group conducts overall evaluation on the educational degrees, training experience, management experience, performance, leadership and values of employees. Qualified employees can be promoted after the appraisal by the Human Resources Operation Committee, the enterprise culture group and the Human Resources Departments of subsidiaries.
- **Professional technical channel:** The Group classifies all positions into different professionals after comprehensively considering the nature of the positions of each subsidiary and the similarity of the required knowledge and skills, and has established the Professional Committee (the “**Professional Committee**”). Employees can be promoted after meeting the requirements on the educational degree, seniority, performance, knowledge and skills, quality capability and the code of behavior and passing the review by the Professional Committee.

Building a Harmonious Workplace

Dual-channel for promotion and development:



* Senior manager means management title of deputy general manager and above.

Building a Harmonious Workplace

EQUALITY AND DIVERSITY

The Group encourages and advocates equal opportunities, diversity, anti-discrimination and publishes the Labor Policy 《勞工政策》 on the Company's website. It solemnly promises to treat each employee equally and does not treat employees unfairly in employment, remuneration or promotion on the basis of their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status. We advocate equal communications, respect employees' personalities, listen to their comments and adopt their reasonable suggestions and forbid the taking of punitive measures, management means and behaviours in the forms of abuse, corporal punishment, violence, spiritual oppression, sexual harassment or sexual abuse for any reason.

WORKING HOURS AND HOLIDAYS

The Group implements a working system with a two-day day off every week and a working time of no more than 8.0 hours per day. We have formulated the Rules of Attendance Management 《考勤管理辦法》 to ensure that employees can enjoy local statutory holidays and leaves. Employees work overtime on a willing basis. When employees work overtime, they shall make applications in advance and fill in the forms for confirmation and approval by the superior leaders. Employees with monthly salaries will be distributed overtime pays based on the actual overtime work. Employees with annual salaries shall apply for overtime leaves. If the employees fail to arrange overtime leaves or fail to make applications for overtime leaves, the income on overtime working will be included in the year-end bonus.

LABOR STANDARDS

The Group strictly abides by the Labor Law of the People's Republic of China 《中華人民共和國勞動法》, the Provisions on the Prohibition of Using Child Labor 《禁止使用童工規定》 and other relevant laws and regulations and forbids the forcing of employees to work in a certain post and to compel employees to work, and all forms of compulsory work.

We indicate that applicants must be over 16 years old in the recruitment materials and conduct strict inspections of applicants' ID cards to avoid hiring child labor by mistake. In case of hiring child labor by mistake, we will immediately rescind the employment contract, arrange the child labors to return to their original residence and send them to their parents or other statutory guardians to protect the child labors. We regularly arrange trainings for the management on avoiding the recruitment of forced labor and child labor. Meanwhile, we have also raised the labor management requirements on suppliers as well, including prohibiting forced labor and child labor and safeguarding the basic salary and social insurance of their employees. During the year of 2020, the Group recorded no employment of child labor by mistake.

Building a Harmonious Workplace

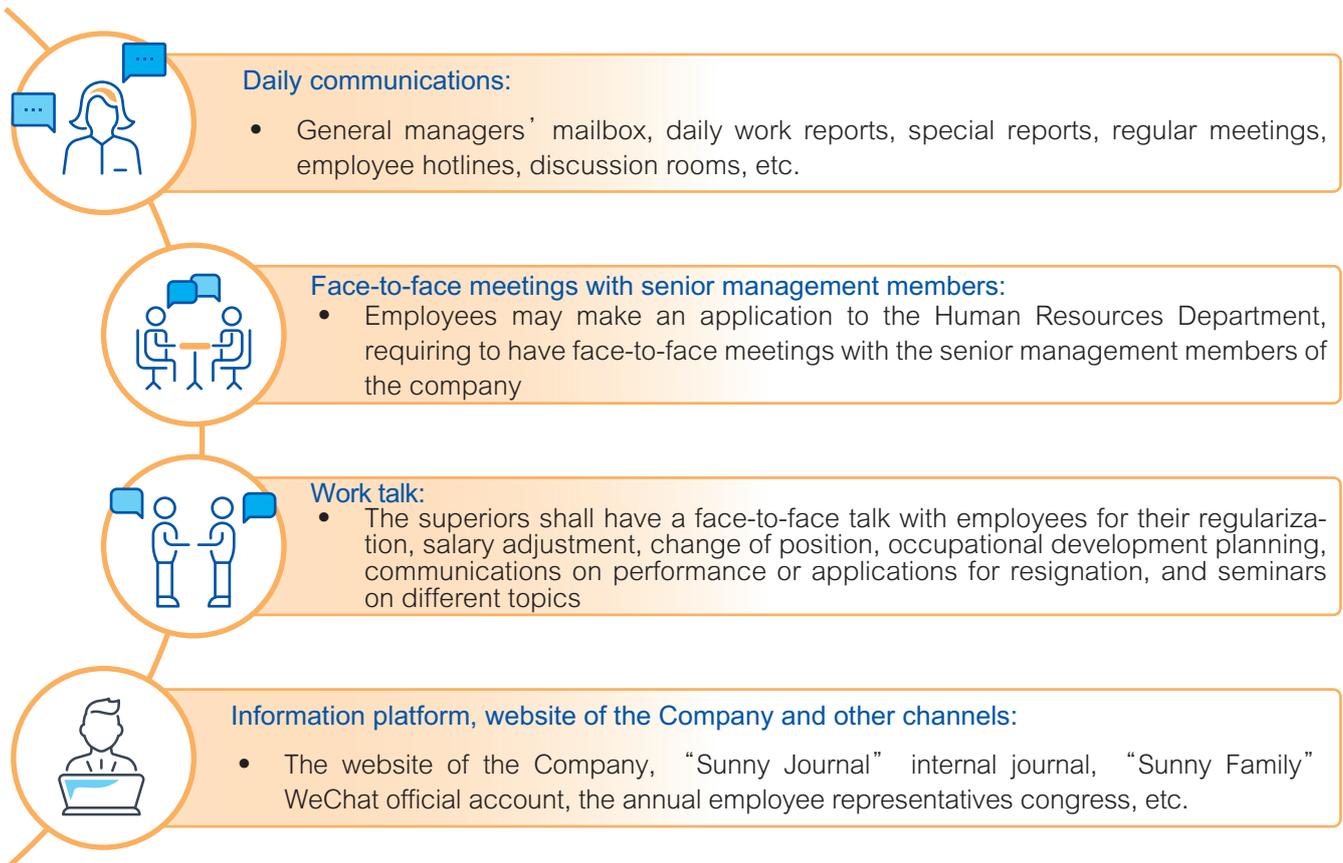
EMPLOYEE COMMUNICATIONS

The Group prioritizes listening to employees' voices, understanding employees' demands and solving employees' difficulties in the daily operation and work and keeps close communications and negotiation with the Trade Union on the matters involving the self-interests of employees in order to earnestly protect the legitimate interests of employees. In strict accordance with the Trade Union Law of the People's Republic of China 《中華人民共和國工會法》 and to safeguard the legitimate interests and democratic rights of employees, the Group has established the Trade Union with 100.0% of employees participation. It has signed collective agreements with all employees.

We strictly follow the requirements of national laws and regulations, such as the Labor Law of the People's Republic of China 《中華人民共和國勞動法》, the Labor Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, and the Labor Dispute Mediation and Arbitration Law of the People's Republic of China 《中華人民共和國勞動爭議調解仲裁法》, and handle labor disputes in accordance with the principles of legality, fairness, timeliness and mediation to protect the legitimate rights and interests of both employees and the Company, and promote harmonious and stable labor relations. The Group has formulated the Emergency Management of Labor Relations and Emergency Response Plan for Sudden Events 《勞動關係應急管理和突發性事件應急處置預案》 to cope with the sudden situation of strikes or reduction of production capacity caused by employees' dissatisfaction with their work status. In the event of labor dispute, the Group first negotiates or mediates with employees. If both parties are unwilling to negotiate or mediate, either party can file a lawsuit with the People's Court. During the year of 2020, the Group has not experienced any of such incidents.

Building a Harmonious Workplace

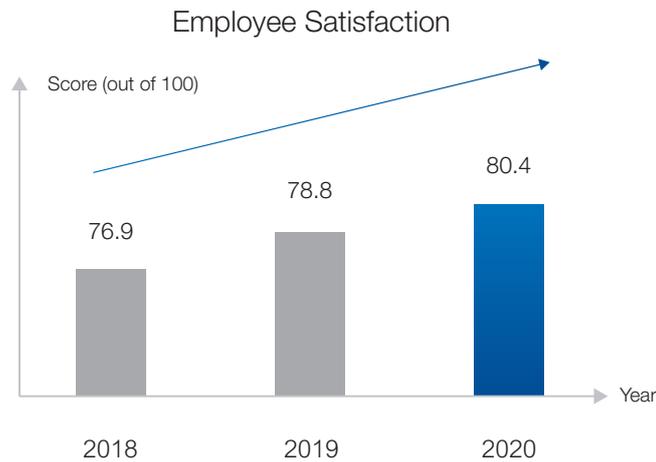
We encourage employees to actively participate in relevant decision-making of the Group and motivate all employees to make contributions to seeking solutions to the hotspots, difficulties and focus points in the process of development of the Group. We provide employees with diversified communication channels and create an open and transparent environment for communications, including:



During the year of 2020, the employee complaint platform of the "Sunny Family" WeChat official account collected 2,304 cases of effective complaints with a response rate of 100.0% and all of the complaints have been duly solved.

Building a Harmonious Workplace

To practically learn about and meet various demands of employees, the Group invites professional third-party agencies to conduct employee satisfaction surveys once a year to consistently improve the human resources management of the Group. The results of employee satisfaction surveys of the Group in the past three years are as below:



EMPLOYEE WELFARE

The Group established a welfare system consisting of statutory welfare and complementary welfare to reduce the worries of employees. We have set up plentiful activity areas and relevant facilities in office areas and set up infant rooms for female employees. In addition, we have formulated the Administrative Measures for Preferential Business Partners 《特惠合作商家管理辦法》 to further improve the quality of welfare for employees. During the year of 2020, we obtained preferential welfare of over RMB6,000,000.0 for employees through the cooperation with 79 outstanding partners, including welfare for the purchase of over 120 apartments and 300 vehicles, benefiting over 60,000 person-time.

The statutory welfare of the Group includes:

Statutory Welfare

Social Insurance

The Group contributes to social insurance in accordance with national laws and regulations and relevant rules of local governments. All employees participate in the basic social insurance, including pension, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance.

Housing Provident Fund

The Group contributes to the housing provident fund for employees with professional technical title of assistant engineers and above, with full-time bachelor's degrees and above and with management title of line managers and above at a certain proportion in accordance with national and local regulations and policies.

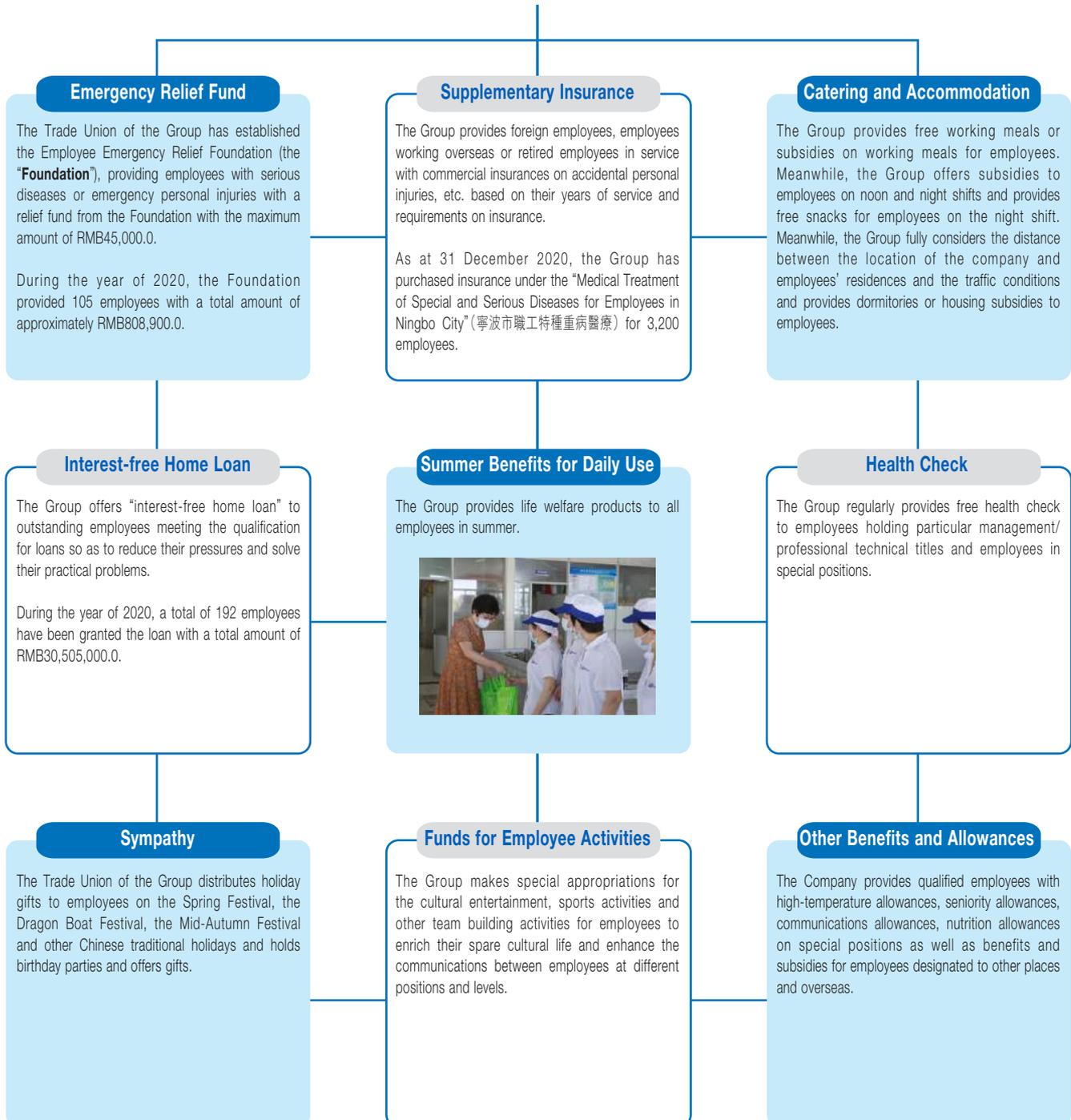
Employee Holidays

The Group provides all employees with statutory holidays (including the Spring Festival, International Labor Day), marital leaves, funeral leaves, maternity leaves, work-related injury leaves, medical leaves, paid annual leaves and sick leaves.

Building a Harmonious Workplace

We also provide employees with the following complementary welfare:

Complementary Welfare



Building a Harmonious Workplace

EMPLOYEE ACTIVITIES

In order to enrich employee activities and create a harmonious working atmosphere, the Group carried out various activities during the year of 2020, including socializing events for single youths, online group shopping, “Voice” of Singing Contest and birthday parties.



| Group Birthday Activity in 2020



| 2020 Fifth “Voice” of Sunny Singing Contest

Socializing Events for Single Youths

In 2020, the Group organized 6 socializing events for single youths and established WeChat groups for them. Meanwhile, we developed a brand program “You Are the One” on Tik Tok account and WeChat official account of Sunny Family to conduct online marriage-seeking for employees. A total of 20 pairs were successfully matched during the year.



| 2020 Socializing Events for Single Youths

Building a Harmonious Workplace

Online Group Shopping

We could not carry out offline group shopping activities for employees as a result of the pandemic. As a result, the Group organized three online live group shopping activities in July and August 2020, which recorded over 10,000 views in total and obtained welfare of approximately RMB20,000.0 for employees.



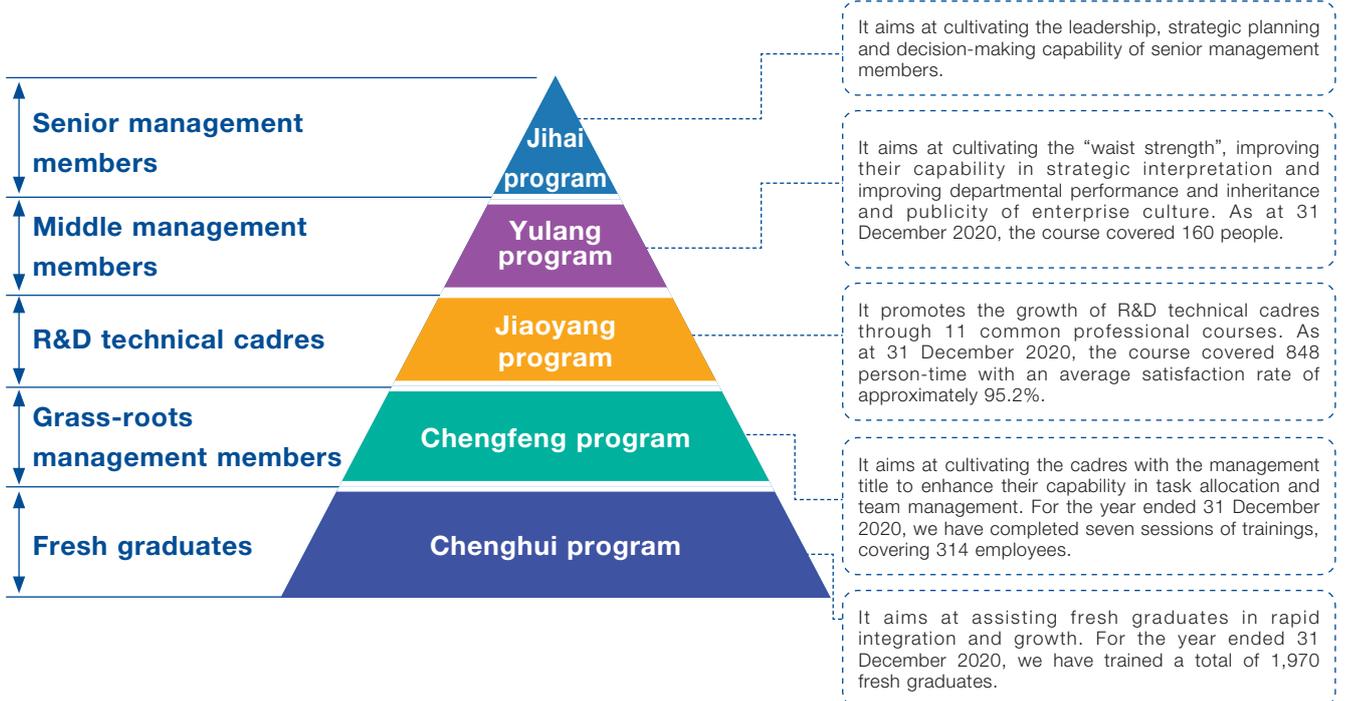
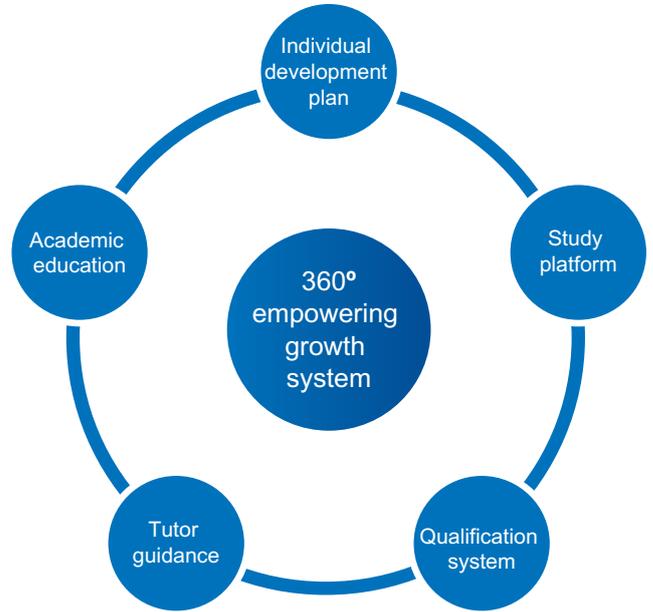
| Online Live Group Shopping Activities in 2020

Building a Harmonious Workplace

EMPLOYEE TRAINING

We carry out planned trainings for employees to provide equal opportunities and broad platforms to every employee. While providing cornerstones for business development, employees with management potentials will have the opportunity to become managers, and those devote to research on skills will have the opportunity to become technical experts to fully display their skills.

We practice the concept of “People-Oriented” with the focus on the development demands of employees. We have formulated the Management Policy on Training 《培訓管理制度》, the Whitepaper on Talent Study and Development 《人才學習發展白皮書》, the Skilled Worker Education and Training Policy 《技能工教育培訓制度》, the Policy on Qualifications for Positions 《崗位任職資格制度》 and other documents and provide employees with various studies and improvement methods such as occupational development plans, tutors’ guidance, special trainings and academic education. Based on different levels and development demands, we have established a cultivation and development system with new employees development section, professional and technical personnel development section and leadership development section as the center and covering all employees to consistently guide employees to conduct continuous learning.



Building a Harmonious Workplace



| Chenghui program



| Yulang program



| Development plans for current cadres



| Chengfeng program

Building a Harmonious Workplace

During the outbreak of the COVID-19 pandemic in 2020, the Group diversified the contents and forms for learning on the basis of the original online learning platform and carried out various online training programs based on the training and development system and employees' development demands. For example:

Online learning platforms

To create an atmosphere for learning at any time and place, we vigorously promoted online learning platforms, which have 2,800 general courses in 11 areas. Meanwhile, to fully motivate the learning enthusiasm of employees and improve the practicability of contents for learning, we also developed internal micro courses in addition to regular updating and replacing courses. As at 31 December 2020, the Group had a total of 1,051 internal courses with a satisfaction rate of 94.0%.

Live streaming of online salons

We carried out live streaming of online salon once or twice a week to open new modes for those could not conduct offline trainings currently, facilitating learning by employees during the outbreak of the pandemic.

In 2020, we carried out 21 live streaming of online salons with the contents on the design of optical lens, on-site management and general management. Over 1,000 employees benefited and over 50 hours of lectures were provided.

To promote the accumulation, sharing and transmission of internal knowledge, we have built an outstanding internal lecturer team and formulated the Internal Lecturer Management Policy 《內部講師管理制度》, the Tutor Management Measures 《導師管理辦法》 and other policies to stimulate experienced managers and experts to become internal lecturers. As at 31 December 2020, the Group had a total of 1,181 internal lecturers, sharing targeted professional experiences to employees at different positions.

The Group requires that monthly average learning hours of grass-roots employees shall be no less than 2.0 hours. During 2020, the training participation rate of the Group's working employees reached 100.0%, with an annual average of approximately 66.2 hours/ person.

All employee's participation in trainings of the Group in 2020 is as below:

Category	Annual average number of learning hours per person (Hours/person)	Percentage of trained employees*
By employee category		
Senior management members	29.7	2.1%
Middle management members	35.0	11.8%
Grass-roots employees	71.4	86.1%
By gender		
Male employees	66.2	61.7%
Female employees	66.2	38.3%

* Percentage of trained employees = Number of employees of each category trained/ Total number of employees trained

Prioritizing Safety and Health*

HEALTH AND SAFETY MANAGEMENT SYSTEMS

The Group strictly abides by relevant laws and regulations such as Fire Protection Law of the People's Republic of China 《中華人民共和國消防法》, Work Safety Law of the People's Republic of China 《中華人民共和國安全生產法》 and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》. As at 31 December 2020, three subsidiaries of the Group have passed the ISO45001 and OHSAS18001 certification on occupational health and safety management system. Meanwhile, the three subsidiaries have established seiri, seiton, seiso, seiketsu, shitsuke, and security (“6S”) management regulations, requiring dividing smoking areas, cutting off the unnecessary power for equipment after leaving, keeping the escape routes clear and equipping with fire prevention instruments in terms of safety.

Occupational safety and health policy

- Engage in work with the goal of being disaster-free and accident-free to ensure the safety of employees and factories.
- Ensure the safety of raw materials, work in progress and finished products, and prevent damage to human health in all aspects of manufacturing, distribution and use.
- Strengthen the training of occupational safety and health knowledge to employees, continuously eliminate the sources of danger and improve the standard of safety management.

During the year of 2020, the Group had a total of approximately 1,450.7 working days lost due to work-related injuries. The number of work-related death in the past three years is as below:

	2020	2019	2018
Number of work-related death	2 (Note 1)	1	0
Death rate due to work-related injuries (Note 2)	0.008%	0.005%	0

Notes:

1. In the second half of 2020, the Group recorded the death of two employees. The reasons for their death are the sudden disease during work and the traffic accident on the way home after work.
2. Death rate due to work-related injuries = Number of work-related death/Total number of employees* 100.0%.

SAFE PRODUCTION

The Group strictly implements the safe production responsibility system, abides by relevant laws and regulations such as Fire Protection Law of the People's Republic of China, Work Safety Law of the People's Republic of China and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and gives priority to the safety of employees. We continuously optimize safe production management, deeply carry out supervision and inspection, promote the safe production culture and strive to establish a safe operation environment to guarantee the safety of employees.

* This section covers all employees of the Group.

Prioritizing Safety and Health

SAFETY MANAGEMENT STRUCTURE

The Group has set up a safety management organizational structure:



The Chief Executive Officer of the Company is responsible for the establishment of rules on safe production management and convening regular meetings of the safety leading group. The Safe Production Management Division (the “**Safety Division**”) is responsible for the inspection and appraisal on the safety work of subsidiaries and reporting to the management. The general manager of each subsidiary is responsible for the establishment of relevant rules and policies to urge the implementation of safe production work within the subsidiary. The safety manager of each subsidiary is responsible for fully managing the safe production work and reporting production safety accidents within the subsidiary.

IMPLEMENTATION OF APPRAISAL AND INSPECTION

To enhance the responsibilities of entities on safe production and earnestly improve the safety management level of each subsidiary, the Group follows the following principles and policies:

- **Principle:** Supervisors assuming responsibilities
- **Safe production policy:** Prioritizing safety, focusing on prevention with comprehensive treatment
- **Fire prevention policy:** Focusing on prevention and combining prevention and fire-fighting

The Group implements relevant laws and regulations as well as relevant rules of governmental authorities on enhancing safe production work. The Company and each subsidiary have established the Appraisal Measures on Safe Production (《安全生產責任考核辦法》) and signed the Targets and Responsibilities on Safe Production (《安全生產目標責任書》). They also set safe production targets and conduct assessments. The assessment results are linked with the performance coefficient and the year-end bonus. In case of safety accidents, besides economic punishments, corresponding administrative punishments (such as criticism, warnings, disciplinary actions and the termination of the employment contracts) will be given based on the levels of seriousness of the accidents and the responsibilities of relevant responsible persons.

* Safety manager: The personnel authorized by the general manager of each subsidiary to manage the safety work of the company.

Prioritizing Safety and Health

Safe Production Targets in 2020	Completion of the Targets
No major accident on safe production during the year	Completed with no major accident on safe production during the year
100.0% of special operation personnel holding the corresponding certificates	Completed
100.0% of responsible persons, safety managers and other employees required to hold certificates for positions in accordance with laws holding the corresponding certificates	
100.0% of new employees accepting three-level safety education	Completed
100.0% of employees accepting re-education on safety	
100.0% of safety training plans completed	

The Safety Division of the Company and safety personnel of each subsidiary conduct two wide-range safety inspections on all subsidiaries each year and also conduct monthly inspections, inspections before the holidays and various special inspections. The inspections cover fire safety, hazardous chemical safety, safety protection, equipment safety and electric safety. Inspectors give feedbacks on the inspection results to relevant employees of each subsidiary and propose rectification requirements and deadlines. The inspection results will be included in performance assessment. During the year of 2020, the Group identified a total of 1,194 hidden hazards and has proposed targeted rectification plans and urged their rectification.

STRICT PANDEMIC PREVENTION AND CONTROL

Since the outbreak of the COVID-19 in China in January 2020, various emergency public health measures and actions have been imposed by multiple provinces and municipalities in China to curb the spread of the pandemic. On 23 January 2020, the Group activated the first-level emergency plan, which was executed under the leadership of the Chairman of the Board, Mr. Ye Liaoning and the Chief Executive Officer, Mr. Sun Yang, formulated the Working Plan of Emergency Response Organizations and Management Groups for Pandemic Prevention 《防疫應急響應組織及各管理小組的工作方案》, and established 11 working teams covering overall coordination, temperature measurement, sterilization, quarantine, canteen, dormitory, procurement, human resources, finance, monitoring and outreach publicity in order to make deliberate arrangement and deployment for the pandemic prevention. It adopted the “Three Colors Classified Management Method and Grid Management Method for the Staff (員工三色化分類管控和全員網格化管理)” and strictly implemented various prevention and control measures in various departments of the Group. Meanwhile, the working teams quickly drafted the Letter to All Employees on the Prevention of COVID-19 《關於預防新型肺炎告全體員工書》 and the Notice on Awards and Punishments on the Prevention of the Pandemic 《關於實行防疫工作獎懲辦法的通知》 and publicized them through the WeChat official account, posters and other public media to continuously enhance the employees’ awareness, motivate their enthusiasm and standardize their behaviors on the prevention of the pandemic. The Group has specially appointed two famous medical doctors as its health consultants to provide professional medical guidance on the pandemic prevention to effectively protect the health and safety of employees. Meanwhile, the Group provided all employees with masks, gloves, ethyl alcohol and other protective equipment and carried out temperature checking and monitoring every day. With the joint efforts of all employees, we successfully achieved “zero infections” in the prevention of the pandemic. While ensuring the health of all employees, the Group maintained “recruitment, pay rise and bonus as scheduled”. It continued the expansion of the supply chain and the establishment of talent teams, assisted in solving the employment issue of university graduates and vigorously performed the social responsibilities of an enterprise.

Prioritizing Safety and Health

FIRE SAFETY MANAGEMENT

The Group recognizes that fire is the biggest safety hazard in the operation process. Therefore, the Group has made relevant rules for fire hazard:

1. New employees would be subject to a three-level safety training, and fire evacuation drills and fire extinguisher operation exercises are conducted annually;
2. Carry out monthly safety inspections on production areas and spot inspections on employee safety knowledge;
3. Fire extinguishers are checked monthly to ensure that the equipment could be used normally; and
4. A mini fire station is set up and designated personnel is on 24-hour duty every day.

In addition, the Group routinely conducts the fire prevention month activities and encourages all subsidiaries to enhance the safety awareness of employees and reduce safety hazards through relevant publicity and alarming activities.

Fire Prevention Month

In 2020, we conducted the 8th fire prevention month activities. With the theme of “focusing on fire prevention and life first”, the Group carried out activities such as the publicities and trainings on fire prevention knowledge, contests on fire prevention knowledge and skills, emergency drills on fire prevention and operation with fire prevention devices and hidden danger investigations.

We actively carried out publicity activities with diversified contents and forms relevant to the themes. We deeply publicized fire prevention knowledge by leveraging on pre-shift meetings, the bulletin board, banners, the “Sunny Family” community and WeChat official account. We also recognized trainings and drills on basic knowledge and skills on fire prevention and escape with the participation of all employees and created a working atmosphere with the focus on fire prevention safety to practically enhance the fire prevention safety management of the Group.



| Escape Experience and Fire Drill of Functional Departments of the Group

Prioritizing Safety and Health

HAZARDOUS CHEMICAL MANAGEMENT AND CONTROL

The Group controls and manages the hazardous substances included in the national catalogue of hazardous substances or in accordance with national standards and methods on the identification of hazardous substances. The three subsidiaries have formulated the Procedures on the Control of Hazardous Chemicals (《危險化學品控制程序》), the Procedures on the Management of Hazardous Chemicals (《危險化學品管理程序》) and other regulations. They also irregularly update the requirements pursuant to relevant laws and regulations based on the actual business operation and specified specific responsibilities of all links and departments to standardize the procurement, transportation, storage, use and disposal of chemicals and prevent the harmful influence of chemicals on persons and the environment.

- For all chemicals, suppliers shall provide technical specifications. Relevant departments shall fill in the Application for Approval on Introduction of Chemicals (《化學品引入放行申請單》) or the Assessment Report on Introduction of Chemicals (《化學品導入評估報告單》) and conduct procurement and uses after issuing safety information and proposing safety measures;
- Different categories of chemicals shall be piled separately. Chemicals or hazardous chemicals of different natures or conflicting features shall be maintained with a distance and not be stored in the same warehouse when necessary;
- The storage places or cabinets for hazardous chemicals shall be posted with labels, meet the requirements on fire and explosion prevention and shall be managed by professional technicians; and
- The reception slips shall be displayed when drawing out chemicals. Employees shall be trained on relevant knowledge, including but not limited to the safety labels and instruction books of chemicals as well as necessary emergency measures, and protective equipment shall be worn during operation. Chemicals shall be sealed in containers after use.

In addition, we have also issued the Procedures on Emergency Preparation, Response and Control (《應急準備和響應控制程序》) and the Emergency Plan on Chemical Leakage (《化學品洩漏應急預案》), which are mainly used for emergency in response to leakage of oil and hazardous chemicals of the companies to reduce economic losses and human injuries.

Prioritizing Safety and Health

SAFE PRODUCTION ACTIVITIES

To respond to the advocates of the Group and achieve the annual targets on safe production, three subsidiaries have formulated relevant regulations and carried out activities based on their own conditions during the year of 2020:

1. Sunny Zhejiang Optics has formulated the Procedures on the Management and Control of Behaviors of Related Parties 《相關方行為管理控制程序》 to conduct environmental and occupational health and safety management on stakeholders. Sunny Zhejiang Optics has implemented environmental/occupational safety examinations on construction personnel of third-parties in the company, requiring relevant personnel holding the corresponding certificates. During the year of 2020, Sunny Zhejiang Optics revised the Policy on the Management of Organizational Structure on Safety 《安全組織架構管理制度》, newly established a safe production committee, arranged safety protection courses and specified responsible persons at all levels and their functions to standardize safe production management and ensure that safe production work meets the requirements of laws and regulations. Meanwhile, Sunny Zhejiang Optics has formulated the Policy on Investigations and Rectification of Hidden Hazards on Safe Production 《安全生產事故隱患排查治理制度》, arranged all departments to identify the sources of dangers, prepare the list of unacceptable risks and their control plans to the identified risks, classify the levels of risks and rectify them. All of them have been completed;
2. To implement production work safety, Sunny Opotech continuously improved the safe production responsibility system, perfected the safety management network at all levels, formulated emergency plans and strived to build an environmental, healthy and safe integrated management system. Sunny Opotech has established a safe production management committee and its management agencies, specified that the committee is generally responsible for the production work safety of the company and issued the three-year overall targets on safe production, raising specific requirements on the safe production management of the company. Besides, Sunny Opotech also required third-parties on the relevant operation to sign the Safety Management Agreement 《安全管理協議》 and has formulated the Policy on Safe Production Trainings 《安全生產培訓制度》 to enhance the internal and external personnel awareness on safety; and
3. Sunny Automotive Optech has formulated the Regulation on the Administration of Routine Safety Meetings 《安全例會管理規定》, the Regulation on the Administration of Appraisal, Awards and Punishments on Safe Production 《安全生產考核獎懲管理規定》, the Regulation on the Administration of Trainings on Safe Production 《安全生產培訓管理規定》, the Responsibility System on Safe Production 《安全生產責任制》, the Regulation on the Administration of Labor Protection Items 《勞動保護用品管理規定》 and other systems on production safety. It has fully implemented production work safety on management models, incentive measures, knowledge trainings and labor protection.

Prioritizing Safety and Health

Safe Production Month

The Group has set June as the safety month every year to further enhance the safety awareness and skills of employees and promote the construction of the safety culture. In 2020, we carried out the publicity of safety knowledge, safety trainings and education, contests on safety knowledge, drills on emergency plans, investigations on safety hazards and other activities with the theme of “eliminating accidents and hazards and consolidating safety defense”.

We conducted the publicity of safety knowledge through the bulletin board, blackboard newspapers, banners, community platforms, WeChat official account, multi-media TV and other diversified channels. To boost the participation of employees, we actively carried out safety activities with diversified contents, various forms and obvious effects based on our actual conditions, including but not limited to:

- Conducting reviews on accident cases and arranging employees to watch videos on safety education;
- Organizing contest on soliciting articles on the theme of safe production;
- Arranging responsible persons and safety managers of each subsidiary to attend qualification trainings on employment with certificates; and
- Organizing safety knowledge quiz on the WeChat platform.



| Fire Evacuation Drill of Sunny Zhejiang Optics

Reactions after Accident

On 1 June 2020, Xinyang Sunny Optics Co., Ltd., a subsidiary of the Group, recorded a fire accident, resulting in three injuries and a direct economic loss of over RMB10 million. The Group established a special accident investigation team to investigate the reasons of the accident. To learn from the accident and achieve the purpose of education and alarming on all employees, the Group reported the accident throughout the companies. In addition, we required all subsidiaries to learn from the accident, enhance trainings on employees, improve the emergency capabilities, deepen the investigation management on hazards and ensure the “five implementations” of responsibilities, measures, periods, capitals and emergency plans. It conducted closed-loop management of all safety hazards to ensure safe production.

Prioritizing Safety and Health

PREVENTION OF OCCUPATIONAL DISEASES

The Group committed to:

- Providing a healthy and safe work environment for employees and distributing labor protection appliances and supplies, such as dust masks and protective gloves, as per requirements.
- Performing annual occupational health examinations for those employees who work at positions that are exposed to occupational disease hazards according to the requirements of relevant national laws on the prevention and control of occupational diseases.

In strict compliance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》, the Group has set up the list of health checkup results of employees exposed to toxic and hazardous operation and health archives of employees on occupational diseases and appointed third-party agencies to conduct regular inspections and assessment on the working places of three subsidiaries on hazardous factors of occupational diseases. Meanwhile, it has urged employees at all positions to adopt corresponding protective measures. Noise and chemicals are major hazardous factors of occupational diseases involved in the working places of the Group after on-site inspections and identifications. Noise intensity and chemicals concentration exposed to the occupational disease hazards have met the requirements during the year of 2020.

To guarantee the physical health and safety of employees, provide a safe working environment and standardize the occupational health monitoring of the companies, we revised the Policy on the Management of Occupational Health Monitoring 《職業健康監護管理制度》 during the year of 2020, which specifies the occupational health management of the companies from diagnosis and management of occupational diseases, reporting of occupational diseases to alarming and notification of hazards of occupational disease to prevent occupational diseases to the largest extent and the hazards of occupational diseases on employees. We have adopted series of measures to prevent occupational diseases on employees in our routine work, including but not limited to:

- Issuing notification on occupational diseases on positions and conducting safety trainings on occupational diseases to enhance the awareness of employees on prevention;
- Adjusting the sites in areas exposed to occupational diseases by adjusting workplace layout, implementing appropriate ventilation and isolation measures and adding prompts and signs on occupational diseases at striking places;
- Maintaining the operation of the prevention equipment of occupational diseases and enhancing routine supervision and inspections; and
- Making technological modifications on certain original processes involving toxic and harmful raw materials to get rid of or replace such materials.

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ENVIRONMENTAL PRINCIPLES

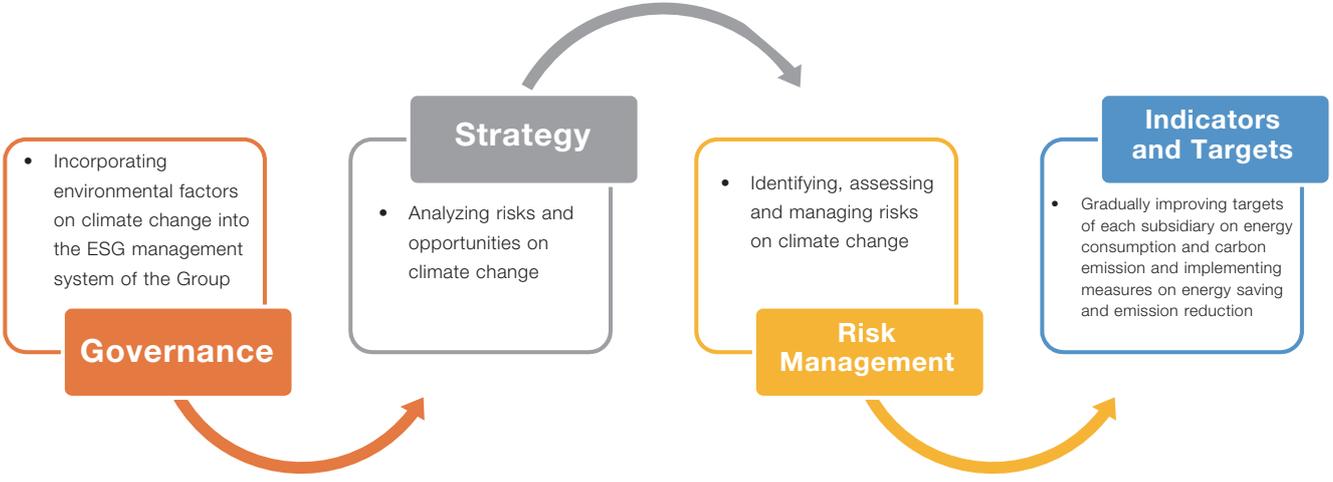
- Strengthen the management of pollution sources and take effective precaution measures to reduce or avoid the impact of waste water, waste gas and solid waste on the environment.
- Continuously improve production technology, strictly control the process, improve product yield rates and save resources and energy as much as possible.
- Strive to seek substitutes for hazardous and noxious substances to make the Group’s products meet the requirements of customers as well as the laws and regulations of importing countries, and the materials entering the companies must have green products warranty certificates and testing qualified reports issued by third-party testing agencies which are recognised by the Group.
- Encourage the employees to raise environmental protection awareness and master knowledge and skills in environmental protection.

The Group deeply knows the importance of resources saving and environmental protection to the sustainable development of the companies and strictly abides by the Environmental Protection Law of the People’s Republic of China 《中華人民共和國環境保護法》, the Energy Conservation Law of the People’s Republic of China 《中華人民共和國節約能源法》 and other relevant laws and regulations on environmental protection. As the Group has no substantial impact on the environment and natural resources in the operation, all key construction projects have been granted the necessary approvals on environmental impact assessment based on requirements. All offices, operation and factory areas are not located in natural reserves, tourist attractions and other environmentally sensitive areas.

RESOURCE SAVING

CLIMATE CHANGE AND ENERGY MANAGEMENT

To respond to the risks of climate change on the business and operation of the Company, we have released relevant information on four core categories, namely “Governance”, “Strategy”, “Risk Management” and “Indicators and Targets”, with reference to the suggestions of the Task Force on Climate-related Financial Disclosures (“TCFD”) established by the Financial Stability Board.



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The Group has formulated the Procedures on Emergency Preparation, Response and Control (《應急準備和響應控制程序》) to ensure accurate, rapid and timely responses to emergencies (including but not limited to fire, chemicals leakage, explosion, typhoon, electric shock, lightning stroke and infectious diseases) to minimize the losses to the equipment and facilities of the Group, the impacts on the business and the dangers to the life of employees. As the Group operates in the geographical location subject to concentrated rainfalls and local flood seasons, we consider floods as one of the significant risks on climate change which may be exposed to in the production and operation. We have established isolation belts and drainage systems in the factory areas and formulated the Working Handbook on Preventing Flood and Typhoon (《防汛防颱工作手冊》) to specify the Group's work on prevention of flood and typhoon:

Routine management:	Alarming management:	Emergency management:	Subsequent management:
<ul style="list-style-type: none"> Weather information monitoring, drainage pipeline maintenance, emergency supply management, etc.; 	<ul style="list-style-type: none"> Releasing alarming information, preparation of disaster relief materials, inspections on hidden dangers, etc.; 	<ul style="list-style-type: none"> Establishing the emergency task force to conduct relevant emergency work; and 	<ul style="list-style-type: none"> Post-disaster assessment, post-disaster summary, equipment inspection and maintenance, etc.

In order to further implement measures on energy saving and consumption reduction, the Group has formulated the 6S Management Regulations (《6S管理規定》) and the Regulations on the Use of Air-Conditioners (《空調使用管理規定》) to standardize the management of daily behaviors, such as the use of air-conditioners, use of electricity in the office areas and the use of paper. In addition, the Group has formulated the Regulation on the Administration of Energy and Resources (《能源資源管理規定》), which singly makes refinements on the consumption of raw materials, ancillary materials, water, electricity and paper and specifies the duties and responsibilities of the Production Management Department and the Procurement Department. Meanwhile, we continuously improves the value traceability system in terms of the energy measurement management to achieve all-around management and control on the procurement, use and recycling of resources and energy.

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During the year of 2020, the energy-saving and consumption reduction projects carried out by the Group include:

Name of company	Energy-saving and consumption reduction projects	Measures or results
Sunny Zhejiang Optics	Using high-pressure centrifugal air compressors	Saving electricity by approximately 10.1%
	Using high-pressure centrifugal central air-conditioning	Saving electricity by approximately 8.1%
	Recycling of waste heat of equipment	Recycling of waste heat of ice engines and air-conditioning compressors for the use in heating in office areas and heating of water for washing in dormitories
	Optimizing technological process	Optimizing inter-departmental water washing integration processes through reasonable planning on sites and standard operation to achieve the purpose of saving resources and improving the efficiency
Sunny Opotech	Transforming vacuum machines	The consumption of electricity reduced by approximately 4,500,000.0 kWh/year
	Installing air solar water heater in dormitories	Covering 180,000.0 m ² , including 60,000.0 m ² put into use
	Recycling of waste heat of equipment	Recycling of waste heat of air-conditioning compressors for the use in heating of water for washing in dormitories

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WATER RESOURCES MANAGEMENT

The Group mainly sources water from municipal water supply and has guarantees on obtaining sufficient water resources. The Group continuously iterates production processes and procedures, explores new models for water recycling and maintains innovative management in operation to improve the utilization efficiency of water resources, reduce the consumption of water resources in operation and achieve the target of developing green circular economy.

During the year of 2020, the Group carried out the following water-saving programs:

Name of company	Water-saving program	Results
Sunny Zhejiang Optics	Reclaimed water recycling system	Reducing the water consumption by approximately 30.0 tonnes every day; Having established the target on water consumption of no more than 1,100,000.0 tonnes in 2021
Sunny Opotech	Reclaimed water recycling system	A total of 104,000.0 tonnes of water were recycled and used in recycling of raw water in the pure water system and as water filled in the cooling tower of air-conditioning compressors, spraying water in the atomization cooling system, washroom water and other clean water

PACKAGING MATERIAL MANAGEMENT

Due to the various and complicated categories of products manufactured and assembled, the Group uses various packaging materials, including packaging boxes, blister boxes, corrugated paper and vacuum bags. Following the environmental and saving principle, the Group implements the concept of reducing resources consumption and pollutant emissions from the source. We start from the packaging design of products, adopt environmental materials and optimize the use of packaging materials to minimize excessive and useless packages. The Group recycles hard blister boxes and light packaging materials with large capacity and cooperates with recycled resources companies in recycling packaging materials to reduce the use of packaging materials to the largest extent and promote their recycling.

PAPER MANAGEMENT

To achieve the target of reducing paper consumption by 5.0% as set out at the beginning of the year, Sunny Opotech continuously promotes the use of the image management system, requiring using e-documents for internal and external communications, using electronic seals to affix on contracts, showing employees' working cards to print documents and advocating paperless office. Sunny Zhejiang Optics also restricts the number of paper used every week. Sunny Automotive Optech specifies requirements on the use of paper. For the printing or photocopying of informal records, reports and materials in routine work, paper with the opposite side used shall be adopted. For waste documents with the opposite side can be used, they shall be handed over to the general personnel office. Meanwhile, it shall reduce the use of tissues and paper cups, etc.

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In 2020, the Group's key performance indicators on use of resources are as below:

Category	Unit	2020	2019	2018
Total direct energy (Note 1)	MWh	5,675.0	7,016.0	3,701.5
Natural Gas (Note 2)	MWh	4,348.4	3,151.8	2,754.7
Liquefied petroleum gas (Note 2)	MWh	726.0	2,041.7	/
Diesel	MWh	/	952.1	/
Gasoline (Note 2)	MWh	600.6	870.4	946.8
Total indirect energy (Note 3)	MWh	462,944.8	416,995.8	266,703.1
Electricity	MWh	462,944.8	416,995.8	266,703.1
Total energy consumption	MWh	468,619.8	424,011.8	270,404.6
Energy consumption density	MWh/ RMB million output value	12.7	11.2	10.2
Packaging materials used (Note 4)	tonnes	2,500.1	1,604.2	352.0
Packaging materials density	kg/ RMB million output value	67.7	42.3	13.3
Water consumption (Note 3)	tonnes	2,127,012.6	1,512,331.4	1,251,673.0
Water consumption density	tonnes/ RMB million output value	57.6	39.9	47.4

Notes:

- As the natural gas pipeline was accessed in the canteens at the Yuyao Chengxi production base of the Group in 2020, the use of liquefied petroleum gas as alternative energy was significantly reduced from 2019. As no generators were leased by the Group in 2020, there was no data on the use of diesel.
- The reference for the average low calorific value coefficients of the natural gas, the liquefied petroleum gas and the gasoline used by the Group was changed from the China Energy Statistical Yearbook 《中國能源統計年鑑》 to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions — Electronic Equipment Production Enterprise 《電子設備製造企業溫室氣體排放核算方法與報告指南》 released by the National Development and Reform Commission in 2015.
- In 2020, the indirect energy consumption and water consumption increased as a result of the expansion of the capacity and production and office areas of the Group. The indirect energy consumption increased by approximately 11.0% from 2019 while the water consumption increased by approximately 40.6% from 2019.
- In 2020, packaging materials increased by approximately 55.8% year-on-year as the Group improved the scope of packaging materials with wrapping films, vacuum bags and other materials were added.

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EMISSIONS COMPLIANCE

The Group strictly complies with laws, regulations and policies such as Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, Law of the People's Republic of China on Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》 and Administrative Measures for Contact List on the Transfer of Hazardous Waste 《危險廢物轉移聯絡單管理辦法》 and reviews the compliance of the Group's operational activities with environmental laws and regulations regularly. During the year of 2020, the Group was not involved in significant violation of environmental regulations or punishment.

EMISSIONS MANAGEMENT

In order to reduce environmental risks, the Group has established an environmental management system in accordance with the ISO14001 standard. To identify and reduce the environmental impact of production and operational activities and continuously improve environmental management measures, the Group has formulated systems such as the Environmental Factor Identification and Evaluation Control Procedure 《環境因素識別和評價控制程序》, Administrative Measures on Waste Gas, Effluent, Noise and Solid Waste 《廢氣、廢液、噪聲及固體廢棄物管理規定》, Environmental Operation Control Procedure 《環境運行控制程序》, Environmental Management Standards 《環境管理標準》, Environmental Performance Testing and Measurement Control Procedures 《環境績效檢測與測量控制程序》 to respond to major environmental events. For the year ended 31 December 2020, the Company and three subsidiaries have obtained the ISO14001 certification. Meanwhile, the Group appoints third-party inspection agencies to test the waste water, waste gas and noise of the Group every year. During the year of 2020, the emissions of the Group fulfilled the standards.

Our emissions of greenhouse gases are mainly from the consumption of electricity in office and factory areas (scope two: indirect emissions of greenhouse gases) as well as natural gas and liquefied petroleum gas used in canteens, gasoline for vehicles and air conditioning refrigerants (scope one: direct emissions of greenhouse gases). We are devoted to reducing the emissions of greenhouse gases by improving the energy efficiency. Sunny Opotech has formulated the Administrative Systems on Greenhouse Gases 《溫室氣體管理制度》 to determine the responsible departments, specific requirements, implementation steps and procedures on the quantization of emissions of greenhouse gases.

The Group irregularly publicizes the objectives and requirements of environmental management to all employees through the bulletin board, WeChat official account and trainings to improve employees' environmental awareness. It makes employees understand the impact of their work on the environment and the risks and consequences of not complying with laws, regulations and the relevant systems. In addition, the Group maintains good communication with environmental regulatory authorities, actively cooperates with the inspections of regulatory authorities, and proactively reports major environmental issues.

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WASTE WATER AND WASTE GAS

The Group controls the discharge of waste water and the emission of waste gas in strict compliance with national standards.

The waste water generated by the Group mainly includes waste water generated from our daily life and the production and operational activities. We have established the sewage treatment system in the factory areas and obtained the permit for the discharge of urban waste water into the municipal sewage drainage network to ensure the discharge of waste water in compliance with regulations. In addition, the Group strictly implements rainwater and waste water diversion in the factory areas, and diverts rainwater into the pipeline to nearby rivers.

During the daily operations, nitrogen oxides, sulfur dioxides and particles are the main air pollutants produced by the Group, which are mainly generated from vehicles exhaust emission and combustion of natural gas and liquefied petroleum gas. To reduce the emission of waste gas, the Group has formulated and implemented plans on reasonable travelling by corporate cars.

WASTE MANAGEMENT

The Group has established the Administrative Measures on Waste Gas, Effluent, Noise and Solid Waste (《廢氣、廢液、噪聲及固體廢棄物管理規定》) to clarify the methods for classification, collection, storage and disposal of various types of waste. The Logistics Department is responsible for the storage, transportation, recycling and other management activities of the wastes and is devoted to achieving reduction, harmlessness and resource disposal of various types of waste.

Our wastes mainly include non-hazardous waste and hazardous waste from the R&D and production processes of all departments.

- **Non-hazardous waste:** If it could be recyclable, it will be sold or sub-processed while those, which cannot be recycled, will be sent to the sanitation unit regularly for processing;
- **Hazardous waste:** It establishes areas for the storage of hazardous waste, classifies and stores waste based on corresponding requirements and finally delivers it to qualified third-party agencies for processing.

To prevent various accidents when hazardous wastes are produced, stored, transported and disposed of, the Group has introduced the Hazardous Waste Accident Emergency Plan (《危險廢棄物事故應急預案》) (the “**Plan**”), which specifies the names, sources, characteristics and hazards and treatment measures of various hazardous wastes, the organisations and structures responding to the accidents and their duties and the precautionary measures against the accidents.

During the year of 2020, Sunny Automotive Optech formulated the Regulations on the Development and Management of New Materials and New Processes (《新材料、新工藝開發管理規定》), which encouraged green technological innovation, advocates the use of green materials and continuously improved and optimized materials used in production processes to reduce the generation of various wastes from the sources. Meanwhile, Sunny Automotive Optech inspected and updated the list of wastes of all departments and provided trainings to employees on garbage classification in terms of the generation of garbage, the handling methods, the reasons for and guidelines on classification. A total of 4,684 person-time was covered. It also carried out sample inspections on the effectiveness on a monthly basis.

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For the year ended 31 December 2020, the Group's key performance indicators on emissions are as below:

Category	Unit	2020	2019	2018
Greenhouse gases scope one	tCO ₂ e	3,463.8	3,345.6	2,454.8
Natural gas (Note 1)	tCO ₂ e	869.4	630.2	550.8
Air conditioning refrigerants (Note 2)	tCO ₂ e	2,286.0	1,776.0	1,674.9
Liquefied petroleum gas (Note 1)	tCO ₂ e	161.5	480.2	/
Diesel	tCO ₂ e	/	248.5	/
Gasoline (Note 3)	tCO ₂ e	146.9	210.7	229.1
Greenhouse gases scope two	tCO ₂ e	325,681.7	293,356.6	187,625.6
Electricity (Note 4)	tCO ₂ e	325,681.7	293,356.6	187,625.6
Total greenhouse gases (Note 5)	tCO ₂ e	329,145.5	296,702.2	190,080.4
Greenhouse gas emissions density	tCO ₂ e/ RMB million output value	8.9	7.8	7.2
Sulfur dioxide (Notes 6, 7, 8, 9)	kg	1.3	446.6	14.0
Nitrogen oxides (Notes 6, 9, 10)	kg	1,022.8	1,902.3	950.0
Particles (Notes 6, 8, 9)	kg	92.4	143.8	75.9
Hazardous waste (Note 11)	tonnes	17.5	9.6	4.4
Hazardous waste density	kg/ RMB million output value	0.5	0.3	0.2
Total non-hazardous waste	tonnes	10,301.3	13,085.0	5,470.0
General non-hazardous waste	tonnes	5,090.0	6,200.0	5,470.0
Recyclable waste (Note 12)	tonnes	3,953.2	6,885.0	/
Kitchen waste (Note 13)	tonnes	1,258.1	/	/
Non-hazardous waste density	kg/ RMB million output value	279.1	345.2	207.3

Notes:

- The reference for the carbon dioxide emissions coefficients of natural gas and liquefied petroleum gas used by the Group was changed from the Provincial Guidance on the Compilation of Greenhouse Gas Inventories 《省級溫室氣體清單編製指南》 (the National Development and Reform Commission of Climate Change [2011] No. 1041) to Appendix II to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions — Electronic Equipment Production Enterprise 《電子設備製造企業溫室氣體排放核算方法與報告指南》 released by the National Development and Reform Commission in 2015;
- The global warming potential coefficient of air conditioning refrigerant used by the Group was reference to the 2014 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories 《2014年聯合國政府間氣候變化專門委員會(IPCC)國家溫室氣體清單指南》;
- The reference for the carbon dioxide emissions coefficients of gasoline used by the Group was changed from the 2014 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories 《2014年聯合國政府間氣候變化專門委員會(IPCC)國家溫室氣體清單指南》 to Appendix II to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions — Electronic Equipment Production Enterprise 《電子設備製造企業溫室氣體排放核算方法與報告指南》 released by the National Development and Reform Commission in 2015;

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4. The carbon dioxide emission factor of the purchased electricity used by the Group was reference to the carbon dioxide emission factor of grid in Eastern China in the 2012 China Regional Grid Average Carbon Dioxide Emission Factor 《2012年中國區域電網平均二氧化碳排放因子》;
5. In 2020, total greenhouse gas emissions increased by approximately 10.9% year-on-year as a result of the capacity expansion of the Group;
6. As the natural gas pipeline was accessed in the canteens at the Yuyao Chengxi production base of the Group in 2020, the use of liquefied petroleum gas as alternative energy was significantly reduced as compared with that of 2019. As a result, the emission of sulfur dioxides and nitrogen oxides was reduced significantly. As no generators were leased and no diesel was used by the Group in 2020, there was no emission of sulfur dioxides, nitrogen oxides or particles from diesel;
7. The reference for the sulfur dioxide emissions coefficient from the natural gas of the Group was changed from the Notice of the Beijing Municipal Environmental Protection Bureau on Sulfur Dioxide Emissions Coefficient from Gas Facilities (Municipal Pipelined Natural Gas for Burning Purposes) 《北京市環境保護局關於燃氣設施(燃用市政管道天然氣)二氧化硫排污系數的通知》 to the Handbook on Sources Life Waste Discharge in the Second National Survey on Pollution Sources (For Trial Implementation) 《第二次全國污染源普查生活污染源產排污系數手冊(試用版)》;
8. The reference for the sulfur dioxide emissions coefficient from the liquefied petroleum gas and the particles emissions coefficient from the natural gas and the liquefied petroleum gas of the Group was changed from the Handbook on Sources Urban Life Waste Discharge in the First National Survey on Pollution Sources 《第一次全國污染源普查城鎮生活源產排污系數手冊》 to the Handbook on Sources Life Waste Discharge in the Second National Survey on Pollution Sources (For Trial Implementation) 《第二次全國污染源普查生活污染源產排污系數手冊(試用版)》;
9. The emissions coefficients of sulfur dioxide, nitrogen oxides and particles from light vehicles weight of no more than 2.5 tonnes of gasoline used by the Group were reference to the Vehicle Emission Factor Model Calculation of Hong Kong Environmental Protection Department 《香港環境保護署汽車排放計算模型》;
10. The nitrogen oxide emissions coefficients from the natural gas and liquefied petroleum gas of the Group were changed from the Manual on Data Used on Environmental Protection 《環境保護實用數據手冊》 to the Handbook on Sources Life Waste Discharge in the Second National Survey on Pollution Sources (For Trial Implementation) 《第二次全國污染源普查生活污染源產排污系數手冊(試用版)》;
11. As the Group improved the statistical scope of hazardous waste in 2020, the volume of hazardous waste increased by approximately 82.3% as compared with that of 2019;
12. In 2020, as the recycled volume of scrap equipment from Sunny Opotech decreased significantly as compared with that of 2019, the volume of recyclable waste decreased significantly;
13. The Group improved the statistical scope of non-hazardous waste in 2020 and the volume of kitchen waste was added.

Sincerely Returning the Society

An enterprise can be likened to a cell of society that can only achieve growth under the auspices of its mother – namely our society – and that we should therefore shoulder the responsibility of giving back to society. We have been actively devoted to the public welfares such as education, poverty alleviation, environmental protection and social charity, encouraging its employees to give back to society with actions. During the year of 2020, the Group participated in public welfare activities as follows:



BREAKDOWN OF DONATIONS OF THE GROUP IN 2020:

Type of donation	Project	Amount (RMB)
For education	Yuyao Charity Federation	474,000.0
	Optoelectronic Design Contest of National University Students in Zhejiang University	100,000.0
	Education foundation of Changchun University of Science and Technology	100,000.0
	Education foundation of Zhejiang University of Technology	50,000.0
	Donations to China Jiliang University	50,000.0
For poverty alleviation	Accounting work station in Zhashan Village, Pingqiao District, Xinyang City	20,000.0
	Total	794,000.0

Sincerely Returning the Society

SUPPORTING EDUCATION

We have been adhering to the development philosophy of “support for education is synonymous with support for the enterprise itself”, paying continuous attention to the development of education and talent cultivation and actively undertaking responsibilities of the enterprise in the education system. We have established long-term partnership with various universities, carried out cooperation in scientific researches and technical communications and jointly constructed employment bases. While assisting talents at colleges, we also deepened mutual cooperation between both parties.

- We have established the “Sunny Development Fund under the Education Foundation of Zhejiang University” and set up scholarship in the College of Optical Science and Engineering of Zhejiang University. As at 31 December 2020, nearly 1,520 person-time benefited from the scholarship. Besides, we have conducted continuous manufacturer-college cooperation and joint cultivation of top talents with Zhejiang University.
- To cultivate the innovation awareness of youngsters and better create an atmosphere of “publicizing scientific knowledge and advancing scientific spirit”, we conducted the volunteer activities of introducing technology to campus in 2020. Volunteers introduced technology knowledge and the Company’s culture to students through popularization and interpretation of science, on-site assembling contests and other activities.



| Sunny Automotive Optech Introduces
Technology to Campus

Sincerely Returning the Society

POVERTY ALLEVIATION

The Group cares about communities and consistently conducts public welfare activities on poverty alleviation to help the disadvantaged groups out of poverty. The Group organized visits and donations to the elderly living alone to bring spiritual comfort to them and carry forward the traditional virtues of respecting and loving the elderly of the Chinese nation.

BLOOD DONATION

As one of the first enterprises initiated group blood donation without compensation in Yuyao City, we called for employees to make contributions to the society with actions since 2000 to rescue lives, guarantee the blood supply for clinical purposes and show the Group's selfless contribution and willingness in helping others.

In July 2020, we held the 10th blood donation without compensation. A total of 445 employees participated in and donated a total of nearly 140,000.0 milliliters of blood. During the same year, the Group was awarded a "Love Unit for Blood Donation without Compensation for 2019 in Ningbo City".



| The 10th Blood Donation Without Compensation

Sincerely Returning the Society

GREEN PUBLIC WELFARE

Besides the environmental protection and control within the enterprise, the Group deeply knows the importance of protecting the community environment. During the year of 2020, we carried out garbage collection activities with the theme of “building a beautiful homeland”, volunteer service activities with the theme of “lucid waters and lush mountains are invaluable assets”, volunteer environmental cleaning activities with the theme of “building a beautiful homeland together” as well as other public welfare activities on environmental protection. Employees publicized concepts on environmental protection with practical actions, protected the environment with sincerity and joined all sectors in the society in building a green homeland jointly.



| Garbage Collection Activities of volunteers from Sunny Zhejiang Optics

Appendix I: ESG Reporting Guide Comparison Table

Aspect	Description	Chapter
A1 General disclosure	Emissions Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	Green Creates Bright Future
A1.1	The types of emissions and respective emissions data.	Green Creates Bright Future
A1.2	Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Creates Bright Future
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Creates Bright Future
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Creates Bright Future
A1.5	Description of the emission targets set and the steps taken to achieve them.	Green Creates Bright Future
A1.6	Description of how hazardous and non-hazardous wastes are handled, the established reduction targets set and the steps taken to achieve them.	Green Creates Bright Future
A2 General disclosure	Use of Resources Policies on the efficient use of resources, including energy, water and other raw materials.	Green Creates Bright Future
A2.1	Direct and/ or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Creates Bright Future
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Creates Bright Future
A2.3	Description of the energy efficiency targets set and the steps taken to achieve them.	Green Creates Bright Future
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and the water efficiency targets set and the steps taken to achieve them.	Green Creates Bright Future
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Green Creates Bright Future
A3 General disclosure	The Environment and Natural Resources Policies on minimising the issuer's significant impact on the environment and natural resources.	Green Creates Bright Future
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Creates Bright Future
A4 General disclosure	Climate Change Policies on identification and mitigation the significant climate-related issues which have impacted, and those which may impact, the issuer.	Green Creates Bright Future
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Creates Bright Future

Appendix I: ESG Reporting Guide Comparison Table

Aspect	Description	Chapter
B1 General disclosure	Employment Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Building a Harmonious Workplace
B1.1	Total number of employees by gender, employment type (e.g. full-time or part-time), age group, and geographical region.	Building a Harmonious Workplace
B1.2	Employee turnover rate by gender, age group and geographical regions.	Building a Harmonious Workplace
B2 General disclosure	Health and Safety Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Prioritizing Safety and Health
B2.1	Number and rate of work-related fatalities in each of the past three years (including the reporting year).	Prioritizing Safety and Health
B2.2	Lost days due to work injury.	Prioritizing Safety and Health
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Prioritizing Safety and Health
B3 General disclosure	Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Building a Harmonious Workplace
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Building a Harmonious Workplace
B3.2	The average training hours completed per employee by gender and employee category.	Building a Harmonious Workplace
B4 General disclosure	Labor Standards Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Building a Harmonious Workplace
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Building a Harmonious Workplace
B4.2	Description of steps taken to eliminate such practices when discovered.	Building a Harmonious Workplace

Appendix I: ESG Reporting Guide Comparison Table

Aspect	Description	Chapter
B5 General disclosure	Supply Chain Management Policies on managing environmental and social risks of the supply chain.	Promoting Development through Cooperation
B5.1	Number of suppliers by geographical regions.	Promoting Development through Cooperation
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Promoting Development through Cooperation
B5.3	Description of practices relating to identifying environmental and social risks at each link of the supply chain, and how they are implemented and monitored.	Promoting Development through Cooperation
B5.4	Description of practices relating to promoting the use of environmentally friendly products and services when selecting suppliers, and how they are implemented and monitored.	Promoting Development through Cooperation
B6 General disclosure	Product Responsibility Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Innovating Product System
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Innovating Product System
B6.2	Number of products and service related complaints received and how they are dealt with.	Innovating Product System
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Innovating Product System
B6.4	Description of quality assurance process and recall procedures.	Innovating Product System
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Innovating Product System
B7 General disclosure	Anti-corruption Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	About Us
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	About Us
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	About Us
B7.3	Description of anti-corruption trainings provided to directors and staff.	About Us
B8 General disclosure	Community Investment Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Sincerely Returning the Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Sincerely Returning the Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	Sincerely Returning the Society

