



# **Sunny Optical Technology (Group) Company Limited**

## **Sustainability-Linked Financing Framework**

December 2022

# Table of Contents

- 1. Introduction..... 2**
  - 1.1 Business Overview ..... 2
  - 1.2 Key Strategies for Sustainable Growth and Management Structure..... 2
  - 1.3 Stakeholder Engagement and Materiality Assessment ..... 4
  - 1.4 Climate Change and Environmental Management ..... 5
  - 1.5 Safe and Flourishing Workplace ..... 6
  - 1.6 Product Quality and Safety ..... 7
- 2. Sunny Optical Sustainability-Linked Financing Framework..... 8**
  - 2.1 Selection of Key Performance Indicator (“KPI”) ..... 9
  - 2.2 Calibration of Sustainability Performance Target (SPT)..... 10
  - 2.3 Financing Characteristics ..... 12
  - 2.4 Reporting ..... 12
  - 2.5 Verification ..... 13
- 3. Amendments to the Framework ..... 14**

# 1. Introduction

## 1.1 Business Overview

Founded in 1984, Sunny Optical Technology (Group) Company Limited, together with its subsidiaries, (“Sunny Optical” or the “Group”) is a leading manufacturer of integrated optical components and products manufacturer in the world and is the first domestic optical enterprise listed in Hong Kong. Over the past 30 years, Sunny Optical has grown at a rate of more than 10 times every decade. Sunny Optical was listed on the main board of the Hong Kong Stock Exchange in 2007 and was included in the Hong Kong Hang Seng Index constituent stocks in 2017. In 2022, the Group was included in ‘Fortune China Top 500 list’ for the eighth consecutive years<sup>1</sup>.

The Group is principally engaged in the design, research and development, manufacture, and sales of optical and optical-related products, including optical components, optoelectronic products and optical instruments. At present, the Group has formed eight business sectors: mobile phone business, automobile business, security business, microscopes business, robot business, augmented reality (AR) and virtual reality (VR) business, industrial detection business and medical detection business.

Sunny Optical upholds the vision of “be stronger, bigger and go further to become a ‘Hundred-Year-Old Brand’ in the optoelectronic industry” and is committed to building a world-renowned optoelectronic enterprise. The Group attaches great importance to the principle of ‘customer-centered’ and establishes a close and stable strategic cooperative relationship with global customers in relevant business sectors. With the efforts, the Group continues to consolidate the global No.1 position in vehicle lens sets, handset lens, and handset camera modules in 2021<sup>2</sup>.

Development Strategy	Mission	Vision
Unswervingly implement the ‘Mingpeijiao’ strategy to build a world-renowned optoelectronic enterprise	To explore the prosperous road for the development of China's optoelectronic industry	Be stronger, bigger and go further to become a ‘Hundred-Year-Old Brand’ in the optoelectronic industry

The Group has been recognized for the sustainability performance and ESG disclosure. In 2021, Sunny Optical was successively selected as constitutes of the FTSE4Good Index Series, Hang Seng ESG 50 Index, Hang Seng Corporate Sustainability Index, Hang Seng Index ESG Screened Index and Hang Seng Index Low Carbon Index, reflecting the recognition of the market for works in sustainable development. In addition, Sunny Optical received an ESG rating of ‘A’ from MSCI.

## 1.2 Key Strategies for Sustainable Growth and Management Structure

<sup>1</sup> Fortune China Top 500 list: [https://www.fortunechina.com/fortune500/c/2022-07/12/content\\_413677.htm](https://www.fortunechina.com/fortune500/c/2022-07/12/content_413677.htm)

<sup>2</sup> Sunny Optical’s 2021 Annual Report: <https://www.sunnyoptical.com/webfile/temps/202204381344433.pdf>

The Group adheres to the core value of ‘create together’ in sustainable development and firmly fulfills the social, environmental and economic responsibilities:

- **Social responsibility:** Sunny Optical promotes joint efforts for the harmonious development of the society and aims to create a civilized and progressive society with friends from all walks of life.
- **Environmental responsibility:** Sunny Optical shoulders the responsibility in promoting environmental sustainable development. The Group fully considers the environmental protection requirements in the operation activities, follows various international environmental protection laws and regulations, and pursues environmental protection and sustainable development through technological innovation and manufacturing reform.
- **Economic responsibility:** Sunny Optical, as an enterprise citizen, strives to promote economic development, social security, cultural education and has been devoted to the progress and sustainable development of the society for the long term.

The Group has set specific sustainable development goals, built a sustainable development management system and established corresponding assessment indicators, in order to further deepen the capacity building for sustainable development. In light of this, Sunny Optical focuses on the following environmental and social aspects:

Environmental Goals	Social Goals
<ul style="list-style-type: none"> <li>• Reduce the emission of greenhouse gas</li> <li>• Reduce the emission of hazardous wastes</li> <li>• Save paper</li> <li>• Save electricity</li> <li>• Save water</li> </ul>	<ul style="list-style-type: none"> <li>• No significant safety liability accidents</li> <li>• Consistently provide trainings and development opportunities to employees</li> <li>• Provide an equal, healthy and safe working environment</li> </ul>

The Group has established a three-level ESG management structure composed of the Board, the Audit Committee, and the ESG management and promotion team to conduct the top-down supervision of ESG matters and ensure the smooth development of the Group’s ESG work.

- **The Board** takes overall responsibility for the ESG management system and information disclosure, ensures appropriate and effective ESG risk management and internal control system, and supervises and manages ESG related targets and work progress.
- **The Audit Committee** is responsible for duties such as, managing the ESG strategies and policies, managing ESG disclosure matters, checking the effectiveness of the Audit Committee in the discharge of it duties of overseeing the ESG-related matters and reporting ESG matters to the Board.
- **The Group’s ESG management and promotion team** composes the management personnel of from various departments. It is responsible for communicating with stakeholders, identifying ESG risks the Group is facing, formulating ESG management system, targets and working plan, promoting the establishment and optimization of the ESG management system, collecting ESG information, preparing the annual ESG report and disclosing the ESG-related information through multiple channels.



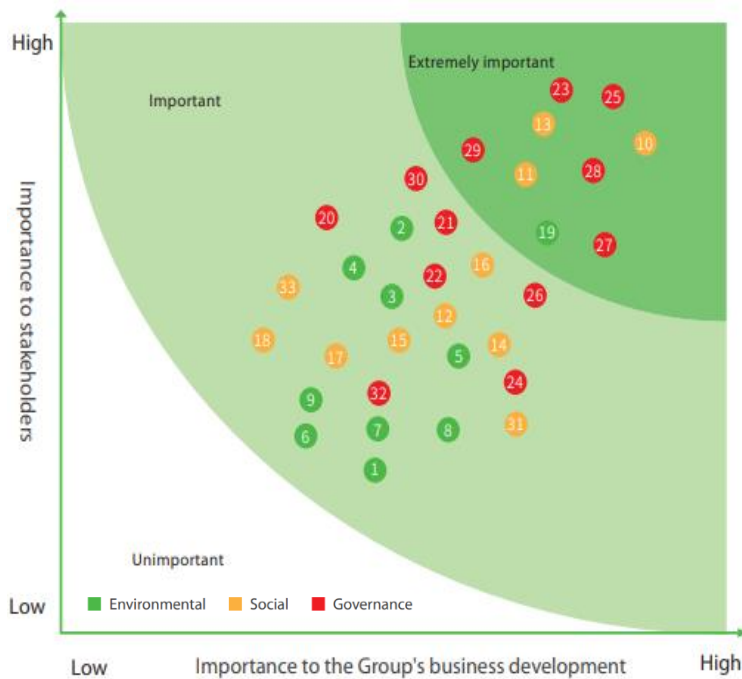
Graph: The ESG management structure of the Group

In addition, Sunny Optical promotes board diversity, which can enhance corporate governance standard and decision-making capabilities. To this end, the Group has issued the Board Diversity Policy to fully integrate diversity elements when identifying suitable candidates for Board members, considering merits such as skills, knowledge, gender, age, cultural and educational background or professional experience. The Group views that the diversified composition of the Board can provide different perspectives, insights and questions to enable the Board to perform its duties and responsibilities more effectively, support better decision making in view of the core businesses and strategies of the Group.

### 1.3 Stakeholder Engagement and Materiality Assessment

Stakeholder engagement is the foundation for the Group to fulfill its social responsibility and steers the direction of sustainable development. Therefore, the Group systematically examines its relations with stakeholders and maintains close communication with shareholders, investors, customers, suppliers, employees and other stakeholders through various channels such as e-mail, telephone, and WeChat official account to understand and respond to the expectations and requests of stakeholders in a timely manner, which promotes the common development of the Group and all stakeholders.

In addition to the continuous communications with stakeholders, Sunny Optical carried out materiality assessment and invited internal and external stakeholders to fill in questionnaires, as part of the assessment to identify material ESG topics to the Group. The materiality assessment also allows the Group to respond to the expectations and requests of stakeholders in a targeted manner. The 2021 ESG materiality assessment result is as below:



Graph: 2021 ESG Materiality Matrix

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

### 1.4 Climate Change and Environmental Management

Sunny Optical has paid continuous attention to the trend of global climate change and is committed to achieving carbon peak by 2028 and carbon neutrality by 2058, supporting the China's "30-60" dual decarbonization pledge. To this end, the Group has been formulating plans and implementing various environmental initiatives for the decarbonization journey. The Group strives to adopt green energy and introduce equipment of high energy efficiency and proactively cultivates the environmental awareness of employees.

Scope 3 emission is a rising ESG topic. Acknowledging its importance and complexity, Sunny Optical strives to estimate the Scope 3 emission and is exploring the feasibility of formulating a plan to quantify and mitigate the Scope 3 footprint. To expand the decarbonization efforts along the supply chain, the Group will be promoting its suppliers to use green energy.

Meanwhile, Sunny Optical actively promotes the R&D and application of clean technologies in the design, material selection and manufacturing phases to incorporate environmental considerations throughout the product life-cycle. To this end, the Group considers clean technology projects, such as promoting heat dissipation lamp bead on projection display, laser heat sink, low voltage chip, and graphene gimbal back cover, aiming to drive materials and energy conservation.

To capture the risk of the climate change, the Group made reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and have implemented the

various measures to combat climate change, such as increasing consumption ratio of green energy and enhancing energy efficiency.

The Group has also formulated management policies such as the 'Administrative Policies on Greenhouse Gases' and the 'Regulations on the Administration of Energy and Resources' to drive the management of relevant matters. Besides, the Group has obtained the ISO 14001 Environmental Management System Certification for some of its operations.

In terms of addressing physical risks, the Group has formulated the 'Procedures on Emergency Preparation, Response and Control' to ensure accurate, rapid and timely responses to emergencies, such as typhoon. The 'Working Handbook on Preventing Flood and Typhoon' and the 'Typhoon Emergency Plan' are in place to specify the steps of the Group's work on prevention of flood and typhoon.

Sunny Optical also promotes sustainable waste management and supports waste reduction, waste recycling, and harmless treatment. Meanwhile, the Group attaches great importance to the consumption and utilization of water resources, and continuously commits itself to the protection of water resources. In relation to sustainable water management, Sunny Optical carried out water saving projects to promote optimization of cleaning process and recycling of wastewater.

## 1.5 Safe and Flourishing Workplace

The Group attaches great importance to the health and safety of employees and always prioritizes life safety and occupational health of employees by providing a safe working environment and protecting employees from occupational hazards. In addition to national laws and regulations, Sunny Optical strives to take one step further and some operations have passed the certification of ISO 45001 on occupational health and safety management system.

The 'Occupational Safety and Health Policy' of the Group adheres to three main principles:

- **Focus on prevention, integrity and law-abiding:** Eliminate major casualties, control the incidence rate of work-related injuries, and eliminate fire, explosion and electric shock accidents.
- **People-oriented and continuous improvement:** Optimize the working environment, ensure the health and life safety of employees, and eliminate the occurrence of occupational diseases.
- **Environmental friendly and green operation:** Emit wastewater, waste gas and noise in compliance with laws and regulations, effectively manage hazardous solid waste, and ensure the content of hazardous substances in the products meets the standards.

Health and safety guidelines and trainings are in place to ensure safe production process and proper management of hazardous substances.

Talent development is critical to the Group's sustainable development. Sunny Optical has formulated a series of policies and standards to provide employees with various methods for learning and improving. Besides, based on the development needs of different levels, the Group has established a development and training system which covers all employees with new

employee development module, professional and technical personnel development module, and leadership development module as its core to consistently encourage employees to keep learning.

## **1.6 Product Quality and Safety**

Product quality and safety are the basis on which the Group stands. In addition to national laws and regulations, the Group also establishes a robust quality management system. Some operations of the Group has passed the ISO 9001 quality management system certification, and established hazardous substance management requirements in accordance with the relevant standards of QC 080000 hazardous substance process management. The quality assurance department of each subsidiary of the Group is the main responsible department of quality supervision.

Adhering to the business philosophy of 'continuous improvement', the Group strives to gain a deep understanding of customers' demands and formulates a clear quality management strategy to continuously enhance the competitiveness of the products. In light of this, Sunny Optical carries out the life-cycle quality control over products from different aspects and has formulated a series of quality management policies to reduce risks and improve product competitiveness.



## 2. Sunny Optical Sustainability-Linked Financing Framework

Sunny Optical promotes sustainability through the way it does business, the solutions it provides and its engagement in society. Sunny Optical believes the future issuance of Sustainability-Linked Instruments (“SLIs”) will further reinforce its efforts to achieve its decarbonization targets and overall sustainability commitments.

The Sustainability-Linked Financing Framework (the “Framework”) sets out the governance and processes under which Sunny Optical intends to issue SLIs and in doing so contribute to positive environmental and social impacts.

In accordance with the Group’s sustainability strategy, Sunny Optical has developed this Framework in fulfillment of the Sustainability-Linked Bond Principles 2020 (“SLBP 2020”) as administered by ICMA<sup>3</sup>, and the Sustainability-Linked Loan Principles 2022 (“SLLP 2022”), published by the LMA, APLMA, and LSTA<sup>4</sup>. The following five components form the basis of this Framework:

- Selection of Key Performance Indicator (“KPI”)
- Calibration of Sustainability Performance Target (“SPT”)
- Financing characteristics
- Reporting
- Verification

Under the Framework, the Group will raise, from time to time, SLIs with characteristics that vary depending on whether the Group achieves pre-defined environmental, social and corporate governance objectives. As such, SLIs are a forward-looking performance-based instrument. The proceeds of SLIs are intended to be used for general purposes; hence, the use of proceeds is not a determinant in the Group’s categorization.

SLIs as defined in this Framework will include debt and debt-like instruments, such as secured or unsecured bonds, convertible bonds and loans, repurchase agreements as well as derivatives. These instruments can be of any seniority, including subordinated/hybrid instruments, but in any case are expected to be issued ranking pari passu with any other conventional instrument of similar status and subordination.

In any case, proceeds from any SLIs will exclude the types of activities below:

- Production or trade of any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans.
- Production or trade of any product or activity deemed unaligned with the UN Guiding Principles on Business and Human Rights, International Labour Organization Declaration on Fundamental Principles and Rights at Work, United Nations Universal Declaration of Human Rights, and Responsible Business Alliance Code of Conduct.

---

<sup>3</sup> ICMA Sustainability-Linked Bond Principles 2020: [Sustainability-Linked Bond Principles \(SLBP\) \(icmagroup.org\)](https://www.icmagroup.org/sustainability-linked-bond-principles/)


<sup>4</sup> LMA Sustainability-Linked Loan Principles 2022: [Sustainability-Linked Loan Principles \(SLLP\) \(lma.eu.com\)](https://www.lma.eu.com/sustainability-linked-loan-principles/)

The Framework will be updated from time to time to ensure continued alignment with voluntary market practices, emerging standards and taxonomies. The Framework, and any updates thereto, will be available in the corporate website.

**2.1 Selection of Key Performance Indicator (“KPI”)**

Sunny Optical is advancing the sustainability program with long-term KPIs developed to further support of the UN Sustainable Development Goals. The Group will measure and report on the progress each year.

For each SLI, Sunny Optical will select the following KPIs with measurable or quantifiable key sustainability performance indicators that are relevant, core and material to Sunny Optical's ESG strategy and of high strategic significance to Sunny Optical's current and future business operations.

<b>Key Performance Indicator (KPI)</b>
<b>KPI: Reduction of Scope 1 and 2 Greenhouse Gases (“GHG”) emissions intensity</b>
<b>Unit: tons of carbon dioxide equivalents per million RMB revenue</b>
<b>Alignment with United Nations Sustainable Development Goals (UN SDGs)</b>
<p>The target to reduce carbon intensity supports the below UN SDGs:</p> <ul style="list-style-type: none"> <li>- UN SDG 7 - Affordable and Clean Energy</li> <li>- UN SDG 9 –Industry, Innovation and Infrastructure and</li> <li>- UN SDG 11 – Sustainable Cities and Communities</li> <li>- UN SDG 13 – Climate Action</li> </ul>

<b>Rationale</b>
<p>With the commitment to achieve carbon peak by 2028 and carbon neutrality by 2058, GHG reduction is the top priority of the Group. Sunny Optical views emissions intensity to be a relevant and material metric given the Group’s role in supporting China and the world’s growth of the optical industry, which is essential supplier to TMT and automotive industries globally, while recognizing the need for the Group to echo the China’s carbon neutrality “30-60” agenda by improving the Group’s carbon footprint. In relation to the materiality, the 2021 materiality assessment of the Group identified GHG relevant topics such as “greenhouse gas”, “energy management”, “climate change” as important.</p> <p>Sunny Optical is committed to improving environmental performance and decarbonizing the global operations, including manufacturing plants, offices, and other operations worldwide. The Group’s Scope 1 &amp; Scope 2 emissions reduction goals align with the Group’s core sustainability commitment and strategy, contributing to the Group’s 2058 carbon neutrality commitment and the national “30-60” pledge.</p> <p>The Group selects the GHG emission intensity KPI to capture the efforts of decarbonization during the expansion phase of scale and production. The numerator of the KPI covers Scope 1 and Scope 2 GHG emissions of the Group. Continuing Sunny Optical’s approach to annual sustainability reporting, the Scope 1 emission covers the Group’s direct GHG emission, including diesel oil, gasoline and air conditioning coolant. Meanwhile, Scope 2 emission captures the Group’s indirect emission, covering electricity consumption of the Group. The denominator of the KPI is million RMB revenue and aims to reflect the growth of the Group’s business and production.</p> <p>The scope of the KPI covers only four principal subsidiaries in China, namely “Zhejiang Sunny Optics</p>

Co., Ltd.", "Ningbo Sunny Automotive Optech Co., Ltd.", "Ningbo Sunny Optech Co., Ltd.", and "Yuyao Sunny Optical Intelligence Technology Co., Ltd.". In the past 5 years, the entities accounted for more than 90% of the overall revenue and Scope 1 and 2 emissions of the Group. The Greenhouse Gas Protocol (the "Protocol") has been adopted for the GHG emission data disclosed in the Framework, and Sunny Optical strives to adopt the Protocol throughout the Group.

Despite its complexity, the Group acknowledges that Scope 3 emission is an important ESG topic gaining more attention in the market. To this end, Sunny Optical strives to estimate the Scope 3 emission and is exploring the feasibility of taking inventory of Scope 3 emission and formulating an action plan to quantify and mitigate the Scope 3 footprint. Meanwhile, Sunny Optical will be promoting its suppliers to use green energy, reflecting its decarbonization efforts along the supply chain. The Group identifies the imminent needs and a more practical approach is to focus on Scope 1 and 2 emissions, which is within the business scope and thus within the Group's control. Therefore, the KPI covers Scope 1 and 2.

**Historical performance and baseline figures**

	2019	2020	2021
Scope 1 GHG (tCO <sub>2</sub> e)	3,345.60	3,463.80	2,594.30
Scope 2 GHG (tCO <sub>2</sub> e)	293,356.60	325,681.70	380,183.90
Scope 1 & 2 GHG (tCO <sub>2</sub> e)	296,702.20	329,145.50	382,778.20
Revenue (RMB million Revenue)	37,087.80	36,982.60	37,162.90
Greenhouse gas emissions intensity (tCO <sub>2</sub> e / RMB million Revenue)	8.00	8.90	10.30

**2.2 Calibration of Sustainability Performance Target (SPT)**

<b>SPT</b>	<b>Reduction of Scope 1 and 2 Greenhouse Gases ("GHG") emissions intensity (in million RMB revenue) by 20% by FY2025 versus a FY2021 baseline</b>
<b>Baseline</b>	Scope 1 and 2 GHG emissions intensity of 10.30 tCO <sub>2</sub> e/ RMB million revenue for the year ended December 31, 2021  This baseline GHG emissions intensity figure has obtained independent assurance from an external auditor.
<b>Target observation date</b>	December 31, 2025
<b>Methodology for calculating SPT</b>	<ul style="list-style-type: none"> <li>- Scope 1 emission is defined as direct emissions from operations that are owned or controlled by Sunny Optical, covering diesel oil, gasoline and air conditioning coolant*.</li> <li>- Scope 2 emission is defined as indirect emissions from the generation of purchased or acquired electricity by Sunny Optical**.</li> <li>- The Protocol has been adopted for the GHG emission data disclosed in the Framework.</li> </ul>

	<ul style="list-style-type: none"> <li>- Any steam purchased will not be included in the Scope 2 emission calculation due to its immaterial nature. The Group does not purchase steam energy as of the date of the formulation of this Framework.</li> <li>- The Group notes that the carbon emissions arising from its employee canteens and dormitories will be excluded in the scope of Scope 1 and 2 emission calculation due to its immaterial contribution to total emissions.</li> </ul> <p>* The carbon dioxide emission factors of diesel and gasoline used by the Group refer to the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions by Electronic Equipment Manufacturing Enterprises issued by the National Development and Reform Commission in 2015. The global warming coefficient of air conditioning coolant used by the Group refers to the 2014 Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories.</p> <p>** The carbon dioxide emission factor of the purchased electricity used by the Group refers to the average carbon dioxide emission factor of the power grids in East China in the 2012 China Regional Grid Average Carbon Dioxide Emission Factor.</p>
<p><b>Strategy to achieve SPT</b></p>	<ul style="list-style-type: none"> <li>- Introducing new energy-saving equipment, optimizing power supply mode and eliminating high energy consumption or old equipment. For example, the Group has been installing high-pressure centrifuge, applying insulation materials and upgrading air compressor and air conditioning. In addition, the Group aims to implement waste heat recovery projects and solar heat pumps to reduce energy consumption.</li> <li>- Increasing the consumption ratio of green energy (and planning to promote suppliers to use green energy) to reduce carbon footprint. For example, the Group has formulated plans to adopt green energy via on-site solar photovoltaic installation and purchase of green electricity.</li> <li>- Optimizing the design and manufacturing processes and promoting technological innovation. For example, in the design stage, the Group aims to optimize the structural design to achieve energy conservation.</li> <li>- Enhancing environmental management and capability of each business segment and department. For example, the Group formulates sustainable plans and targets on regular basis at group level and subsidiary level to steer the short and medium term sustainable development.</li> <li>- Setting up energy-saving leading groups to facilitate the formulation and implementation of energy-saving goals and plans.</li> <li>- Promoting education, training, and supervision of green culture to employees.</li> </ul>

Baseline figures will be restated as the result of future material divestments or acquisitions of assets. For avoidance of doubt, any significant structural change to the Group, including from divestments or acquisitions, will not result in any adjustment to the SPT levels for the KPI.

Emissions sources from an acquired company will be included in both base year and the current years. Similarly, emissions sources from divested companies will be excluded from both base year and current years.

Any such restatements will be communicated in the Group's company website or any other proper channels for the stakeholders. In order to provide the best year-over-year comparison, sustainability metrics starting with the applicable baseline year reflect the current footprint. The Group will externally assure baseline emissions when that data has been restated.

### **2.3 Financing Characteristics**

The Group will tie the performance with respect to the selected KPI to the financial structure of any SLIs issued in reference to this Framework.

Should the Group miss/meet the SPT on the target observation date, the coupon/margin shall be adjusted as specified in the relevant documentation of the SLIs. For sustainability-linked bonds issued under the Framework, a premium payment will apply when the Group does not meet the SPT and no coupon variation will apply when the Group meets the SPT.

Any recalculation of the base year or target will be stated in the annual KPI reporting. Should the Group adjust certain of the SPT and utilize an SPT of equal or greater ambition going forward on a SLI with the same KPI and the target observation date, the relevant documentation of any outstanding SLIs will be updated to reflect such greater degree of ambition, allowing the Group to progressively increase the level of ambition over time, avoid co-existence of multiple SLIs with varying SPTs, and facilitate the reporting and verification processes.

If, for any reason, the performance level against the SPT cannot be calculated or reported in satisfactory manner supported by an external verification provided by an independent external reviewer, the premium payment will be applicable.

If, for any reason, Sunny Optical does not publish the relevant external verification within the time limit as prescribed by the relevant documentation, the premium payment will be applicable.

For the avoidance of doubt, if the SPT is achieved, and reporting and verification for the SPT have been provided and made public in accordance with the reporting and verification sections of this Framework, the financial characteristics of any bond issued by the Group under this Framework shall remain unchanged. For other SLIs, the financing characteristics will be adjusted in accordance to the relevant documentation.

### **2.4 Reporting**

Sunny Optical will make relevant disclosure with regards to the progress against its SPT at least on an annual basis, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLIs' financing characteristics, until after the

last SPT trigger event of the SLIs have been reached. For sustainability-linked bonds issued under the Framework, the disclosures will be made publicly available within its annual ESG report, and/or a separate report, by the end of April each year. For other types of SLIs, the disclosure will be made in proper channels for the stakeholders subject to the relevant documentations.

Such disclosure will include the following information:

- Latest information on the performance of the selected KPI, including baseline where relevant
- External verification report outlining the KPI performance against the SPT and the relevant impact if any on the SLIs' financial characteristics
- Other information which the Group considers relevant and material towards enabling investors to monitor progress against SPT and analysis of the KPI and SPT

Information will also include when applicable:

- Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis
- Illustration of the positive sustainability impacts of the performance improvement
- Any re-assessments of KPI and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope

## **2.5 Verification**

Sunny Optical has engaged S&P Global Ratings as an external reviewer to provide external review to assess and confirm that the Framework is in line with SLBP 2020 and SLLP 2022. The external review report will be published on Sunny Optical's company website.

Going forward, Sunny Optical will have an external verification for the performance level against the SPT for the KPI by a qualified external reviewer, at least on an annual basis, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLIs' financing characteristics, until after the last SPT trigger event of the SLIs have been reached. For sustainability-linked bonds issued under the Framework, the external verification will be made publicly available within its annual ESG report, and/or a separate report, by the end of April each year. For other types of SLIs, the external verification will be made in proper channels for the stakeholders subject to the relevant documentations.

Additional KPIs/SPTs may be added over time.

### **3. Amendments to the Framework**

The Group will review this Framework on a regular basis, including its alignment to updated versions of the SLBP and SLLP or any other applicable standards as and when they are released, with the aim of adhering to best practices in the market. Such review will result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Group and a credible external reviewer. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on Sunny Optical's website and will replace this Framework.